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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Grand Baoxin Auto Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**us**”) for the year ended 31 December 2020 (the “**Reporting Period**”), as well as comparative figures for the corresponding period in 2019.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2020:

- Total revenue was RMB35,134.3 million, in which the automobile sales was RMB30,829.2 million, and the after-sales revenue was RMB4,270.0 million.
- Gross profit was RMB1,750.1 million and the gross profit margin was 5.0%.
- Profit attributable to owners of the parent was RMB211.4 million, representing a decrease of 66.4% as compared to that for the year ended 31 December 2019.
- Earnings per share attributable to ordinary equity holders of the parent were RMB0.07.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

		2020	2019
	Notes	RMB'000	RMB'000
REVENUE	4(a)	35,134,341	36,463,878
Cost of sales and services provided	5(b)	(33,384,256)	(33,617,970)
Gross profit		1,750,085	2,845,908
Other income and gains, net	4(b)	1,082,446	869,641
Selling and distribution expenses		(1,108,724)	(1,210,639)
Administrative expenses		(671,809)	(727,135)
Profit from operations		1,051,998	1,777,775
Finance costs	6	(646,330)	(822,183)
Share of profits and losses of:			
Joint ventures		265	1,988
Associates		50	59,229
Profit before tax	5	405,983	1,016,809
Income tax expense	7	(205,301)	(394,052)
Profit for the year		200,682	622,757
Incl: Net loss of the parties being absorbed before business combination involving the entities under common control in 2019		—	(7,301)
Attributable to:			
Owners of the parent		211,418	629,202
Non-controlling interests		(10,736)	(6,445)
		200,682	622,757
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For profit for the year (RMB)	8	0.07	0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>200,682</u>	<u>622,757</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	(31,757)	(29,764)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	24,341	2,888
Time value component of fair value hedges	32	54,670
Exchange differences on translation of financial statements	<u>122,000</u>	<u>(78,801)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>114,616</u>	<u>(51,007)</u>
OTHER COMPREHENSIVE GAIN/(LOSS) FOR THE YEAR, NET OF TAX	<u>114,616</u>	<u>(51,007)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>315,298</u>	<u>571,750</u>
Attributable to:		
Owners of the parent	326,034	578,195
Non-controlling interests	<u>(10,736)</u>	<u>(6,445)</u>
	<u>315,298</u>	<u>571,750</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		31 December 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,353,836	3,460,341
Investment properties		393,353	398,144
Right-of-use assets		1,918,915	1,920,323
Goodwill		1,222,016	1,222,016
Other intangible assets		1,406,346	1,465,459
Prepayments and deposits		56,627	91,632
Finance lease receivables		60,182	110,672
Investment in joint ventures		102,248	101,983
Investments in associates		123,707	126,092
Deferred tax assets		302,349	243,694
		<hr/>	<hr/>
Total non-current assets		8,939,579	9,140,356
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories	9	3,934,610	3,503,624
Trade receivables	10	406,719	613,544
Finance lease receivables		182,804	208,701
Prepayments, other receivables and other assets		9,778,204	10,098,416
Amounts due from related parties		67,339	26,474
Derivative financial instruments		—	26,127
Pledged deposits		3,280,534	3,447,803
Cash in transit		26,059	49,669
Cash and bank balances		1,945,627	1,663,106
		<hr/>	<hr/>
Total current assets		19,621,896	19,637,464
		<hr/>	<hr/>

		31 December 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	5,357,650	7,688,337
Trade and bills payables	12	6,949,166	6,586,920
Other payables and accruals		1,327,024	1,366,849
Lease liabilities		168,153	226,303
Amounts due to related parties		57,838	888,947
Income tax payable		640,621	631,963
Total current liabilities		14,500,452	17,389,319
NET CURRENT ASSETS		5,121,444	2,248,145
TOTAL ASSETS LESS CURRENT LIABILITIES		14,061,023	11,388,501
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	11	691,527	1,939,752
Derivative financial instruments		35,973	27,342
Other payables		9,612	13,704
Lease liabilities		1,210,183	1,209,947
Deferred tax liabilities		479,679	500,577
Amounts due to related parties		3,621,875	—
Total non-current liabilities		6,048,849	3,691,322
Net assets		8,012,174	7,697,179
EQUITY			
Equity attributable to owners of the parent			
Share capital		23,277	23,277
Reserves		7,979,892	7,646,307
		8,003,169	7,669,584
Non-controlling interests		9,005	27,595
Total equity		8,012,174	7,697,179

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange 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 year, the Group was principally engaged in the sale and service of motor vehicles. In the opinion of the directors of the Company (the “**Directors**”), the ultimate holding company of the Company is CGA, the shares of which are listed on the Shanghai Stock Exchange.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*, the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs did not have any significant impact on the financial position and performance of the Group:

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB11,963,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale 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 areas

Since most of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and most of the Group's non-current assets were located in Mainland China, geographical information as required by HKFRS 8 *Operating Segments* is not presented.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, major customer 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sale of motor vehicles	30,829,162	31,687,726
After-sales services	4,269,980	4,732,762
<i>Revenue from other sources</i>		
Finance leasing services	35,199	43,390
	35,134,341	36,463,878

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Types of goods or service		
Sale of motor vehicles	30,829,162	31,687,726
After-sales services	4,269,980	4,732,762
	35,099,142	36,420,488
Timing of revenue recognition		
At a point in time	35,099,142	36,420,488

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the reporting periods and recognised from performance obligations satisfied in previous periods:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sale of motor vehicles	694,028	678,301
After-sales services	218,762	213,794
	912,790	892,095

(ii) Performance obligations

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

Sale of motor vehicles

Each sale of motor vehicles is a single performance obligation. The transaction price for a vehicle sale is determined with the customer at the time of sale. The performance obligation is satisfied upon delivery of the motor vehicles. The Group generally receive payment directly from the customer at the time of sale or from the third-party financial institutions within 30 days following the sale. In certain cases, the Group arranges finance lease with a period of one to two years.

After-sales services

Each after-sales services related to repairs and maintenance under manufacturers warranties or customer-paid repairs and maintenance is a single performance obligation. The transaction price for automotive repair and maintenance services is based on the parts used, the number of labor hours applied, and standardized hourly labor rates. The performance obligation is satisfied upon finalisation, delivery and acceptance upon the service completion. The Group generally receives payment on the delivery date for the customer-paid repairs and maintenance services and within two to three months for repairs and maintenance services under manufacturer warranties or covered by insurance companies.

(b) Other income and gains, net:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Commission income	1,048,545	745,028
Advertisement support received from automobile manufacturers	17,356	19,699
Gross rental income from investment property operating leases*	15,014	21,218
Rental income from subleases	38,083	43,248
Government grants**	86,176	58,838
Bank interest income	16,513	33,084
Loss on disposal of items of property, plant and equipment	(33,204)	(10,373)
Gain on disposal of items of other intangible assets	998	187
Fair value (loss)/gain on investment properties	(4,791)	27,239
Fair value gain/(loss) on derivative instruments	4,490	(1,019)
Foreign exchange differences, net	(151,776)	(59,015)
Loss on disposal of subsidiaries	(1,387)	—
Others	46,429	(8,493)
Total	<u>1,082,446</u>	<u>869,641</u>

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

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

5. PROFIT BEFORE TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(a) Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	815,225	844,320
Other welfare	134,697	224,907
Equity-settled share option expense	12,697	30,621
	<u>962,619</u>	<u>1,099,848</u>
(b) Cost of sales and services:		
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of sales of motor vehicles	30,472,383	30,962,554
Others	2,911,873	2,655,416
	<u>33,384,256</u>	<u>33,617,970</u>

(c) **Other items:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation of property, plant and equipment*	268,631	272,105
Depreciation of right-of-use assets*	234,889	213,809
Amortisation of other intangible assets*	61,712	61,811
Advertisement and business promotion expenses	242,504	268,039
Auditor's remuneration	6,100	6,100
Bank charges	27,187	28,318
Foreign exchange differences, net	151,776	59,015
Lease payments not included in the measurement of lease liabilities*	19,180	28,303
Logistics and petroleum expenses	72,983	71,225
Office expenses	18,880	20,636
Impairment of financial assets:		
Impairment of trade receivables	3,543	4,790
Impairment of prepayments, other receivables and other assets	19,200	16,516
Impairment of finance lease receivables	11,035	2,388
Write-down of inventories to net realisable value**	36,791	19,589
Loss on disposal of items of property, plant and equipment	33,204	10,373
Gain on disposal of items of other intangible assets	(998)	(187)
Gross rental income from investment properties	(15,014)	(21,218)
Rental income from subleases	(38,083)	(43,248)
Governments grants	(86,176)	(58,838)
Fair value loss/(gain) on investment properties	4,791	(27,239)
Fair value (gain)/loss on derivative instruments	(4,490)	1,019
Bank interest income	(16,513)	(33,084)
Loss on disposal of subsidiaries	1,387	—

* the amount of these depreciation of property, plant and equipment, amortisation of other intangible assets, depreciation of right-of-use assets and lease expenses are included in “cost of sales and services provided”, “selling and distribution expenses” and “administrative expenses” in the consolidated 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 consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank and other borrowings (including amounts due to related parties)	561,337	731,841
<i>Incl: Loan arrangement fee</i>	37,314	79,899
Interest on lease liabilities	84,993	90,342
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	646,330	822,183
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax	284,854	503,978
Deferred tax	(79,553)	(109,926)
	<hr/>	<hr/>
Total tax charge for the year	205,301	394,052
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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 income tax at the rate of 16.5% (2019: 16.5%). Hong Kong profit tax has been provided on the estimated assessable profits arising in Hong Kong during the year presented.

According to the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”), the uniform income tax rate is 25% (2019: 25%), except for two subsidiaries in Xinjiang Uygur Autonomous Region were exempted from income tax in the first five years and 16 subsidiaries in Sichuan Province were entitled to income tax rate of 15% under western development policy.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,837,511,429 in issue during the year ended 31 December 2020 (2019: 2,837,418,048).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019. The Group also did not include share options in the computation of diluted earnings per share for the years ended 31 December 2019 and 2020 because those share options were anti-dilutive for earnings per share.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent	211,418	629,202
Shares	2020	2019
Weighted average number of ordinary shares in issue during the year	2,837,511,429	2,837,418,048
Earnings per share	2020 <i>RMB</i>	2019 <i>RMB</i>
Basic and diluted	0.07	0.22

9. INVENTORIES

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Motor vehicles	3,652,791	3,260,531
Spare parts, accessories and others	309,645	262,682
	3,962,436	3,523,213
Less: Provision for inventories	27,826	19,589
	3,934,610	3,503,624

10. TRADE RECEIVABLES

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Trade receivables	409,040	617,686
Impairment	(2,321)	(4,142)
	<u>406,719</u>	<u>613,544</u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. The Group generally provides a credit term of 30 days to customers for the automobile sales price financed by the financial institutions. The Group also generally provides a credit term of two to three months to automobile manufacturers or insurance companies for the claims of repairs and maintenance under manufacturer warranties or covered by insurance companies. 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, net of loss allowance, is as follows:

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Within 3 months	354,440	544,161
More than 3 months but less than 1 year	39,712	48,174
Over 1 year	12,567	21,209
	<u>406,719</u>	<u>613,544</u>

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

31 December 2019			
	Effective interest rate (%)	Original maturity	RMB '000
Current			
Bank borrowings			
— guaranteed	4.4-7.2	2020	1,799,985
— secured	4.4-8.0	2020	72,440
— unsecured	6.6	On demand	29,000
— unsecured	4.4-5.0	2020	384,898
— guaranteed	LIBOR*+3.2	2020	3,769,643
— unsecured	HIBOR**+2.0	2020	289,785
— secured and guaranteed	4.4-8.5	2020	231,741
			<u>6,577,492</u>
Other borrowings			
— guaranteed	7.5-8.0	2020	137,220
— secured	7.9-8.5	2020	111,075
— unsecured	8.5-9.4	2020	33,490
— secured and guaranteed	4.2-11.0	2020	829,060
			<u>1,110,845</u>
			<u>7,688,337</u>
Non-current			
Bank borrowings			
— secured	8.0	2021-2022	10,690
— guaranteed	4.9	2021-2025	609,434
— guaranteed	LIBOR*+3.08	2021-2022	1,300,542
— secured and guaranteed	5.4	2021-2024	19,086
			<u>1,939,752</u>
			<u>9,628,089</u>

* London Inter-Bank Offered Rate

** Hong Kong Inter-Bank Offered Rate

*** As at 31 December 2020, long term bank borrowings with an aggregate carrying amount of approximately USD190,500,000 of which USD29,575,000 repayable in the second half of 2021 and the remaining repayable in 2022 per loan agreements, with repayment on demand clause, have been classified as current liabilities as at 31 December 2020 in order to comply with the requirements set out in Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* as one repayment on demand clause stipulated in the loan contracts is triggered. Taking into account the Group's current financial position and recent positive feedbacks from the banks, the directors are very confident to believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

12. TRADE AND BILLS PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables	452,380	348,363
Bills payable	6,496,786	6,238,557
	<hr/>	<hr/>
Trade and bills payables	6,949,166	6,586,920
	<hr/> <hr/>	<hr/> <hr/>

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:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 3 months	6,173,411	6,258,045
3 to 6 months	602,668	294,285
6 to 12 months	171,035	7,832
Over 12 months	2,052	26,758
	<hr/>	<hr/>
	6,949,166	6,586,920
	<hr/> <hr/>	<hr/> <hr/>

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

13. DIVIDENDS

No dividend was recommended for the year ended 31 December 2020 (2019: None).

14. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 31 December 2020.

INDUSTRY OVERVIEW

Industry review

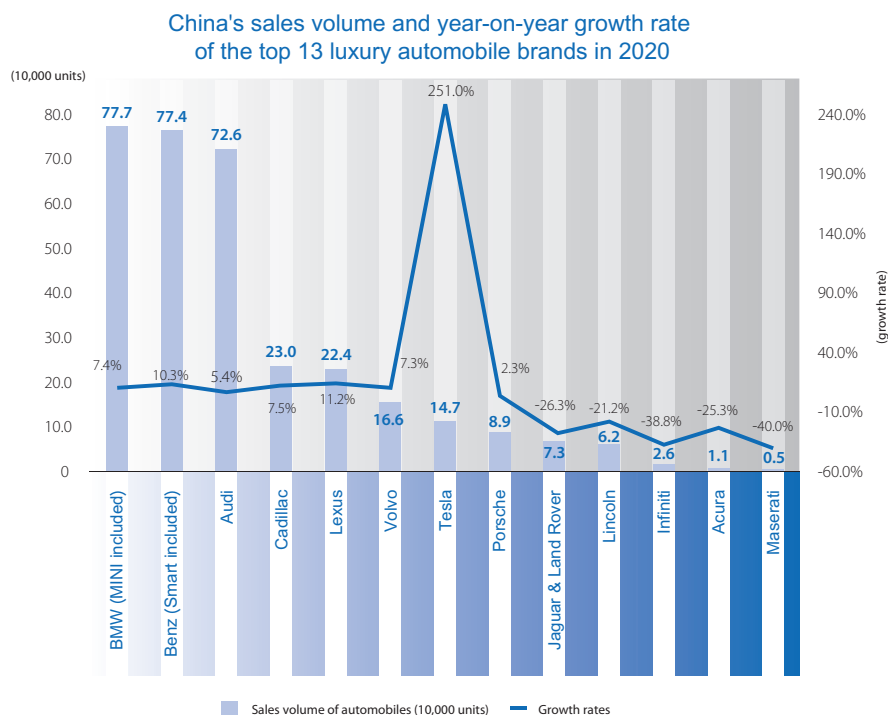
In retrospect, China confronted a volatile and complex domestic and international environment in 2020, yet nevertheless, China's economy exhibited strong resilience. In particular, under the impact of the COVID-19 pandemic, various industries once suspended work and production and the economy contracted by 6.8% in one single quarter, but under stringent pandemic prevention and control measures implemented by the government, China withstood an unprecedented and tough challenge and achieved an aggregate economic output exceeding RMB100 trillion in 2020. Moreover, China won a crucial victory in alleviating poverty as well as making steady progress in economic restructuring and significant improvement in people's livelihood, thus further unlocking the consumption potential in the market.

China's automobile market is like a roller coaster ride in 2020. Due to the widespread impact of the pandemic outbreak, all regions across the country entered into a "stay-at-home" mode (宅模式) at the beginning of the year, offline consumption scenarios stagnated, and all automobile enterprises suspended work and production, which caused an unprecedented impact on the automobile market. According to the data analysis, during the pandemic outbreak in February, the sales volume of passenger vehicles in China was only 197,000 units, representing a year-on-year decrease of up to 77.6%, which was a record low, and a year-on-year decrease of 24.5% in June. However, the automobile market has bounced back since July, with sales volume exceeding 1,578,000 units, representing a year-on-year growth of 15.7%, and growth rate returned to positive for the first time since the beginning of the COVID-19 pandemic. Since then, the growth rate was above double digits for six consecutive months, and market recovery trend were strong. At the end of the year, according to the statistics of the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles in China were 19,994,000 units and 20,178,000 units respectively, and the production and sales volume decreased by 6.4% and 5.9% respectively compared to the corresponding period of last year. The recovery in automobile market has exceeded our expectation.

In 2020, although the sales volume of passenger vehicles in China continued to drop, the luxury brands in the market still managed to rise against the tides, and this was also the third year that sales in luxury car soared against the market. According to the statistics of the China Automobile Dealers Association, in 2020, the sales volume of the luxury car retail market in China was 3,236,000 units, representing a year-on-year growth of 6.5%, which accounted for 16.2% of the overall sales volume of passenger vehicles. The sales volume of the three first-tier luxury brands – BMW, Benz and Audi (BBA) was relatively stable and maintained at an increase of over 5%, which became the core momentum for the growth of luxury car market. Among which, BMW (MINI included) led the luxury car market with an annual sales volume of 777,000 units, representing a year-on-year growth of 7.4%. The annual sales volume of Benz (V grade included)

was 774,000 units, representing a year-on-year growth of 10.3% when compared to 2019, and the annual sales volume of Audi had a year-on-year growth of 5.4%. Among the second-tier luxury brands, Cadillac ranked fourth in terms of sales volume of luxury cars with 230,000 units, representing an increase of 7.5%. Performance of other brands, such as Jaguar & Land Rover and Infiniti, were flat, which further intensified the segmentation in the luxury car market.

In addition, the new energy vehicle industry has risen to the level of national development strategy and has become an irreversible development direction. In the year 2020, China and its local governments have successively launched various policies to encourage the development of new energy vehicles, which has laid a solid foundation and provided substantial support to the development of the new energy vehicle industry in the next 15 years. It is expected that the policy support will continue to play an integral role within the next 5 years. According to the statistics of “CAAM”, in 2020, the production and sales volume of new energy vehicles in China were 1,366,000 units and 1,367,000 units respectively, representing a year-on-year increase of 7.5% and 10.9% respectively. It was worth noting that the emergence of Tesla’s new energy vehicles shook the market with extremely aggressive price strategy and had a year-on-year growth of 251% in annual sales volume. The sales volume further rose with the launch of Tesla’s Model Y which were manufactured in China.



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

BUSINESS OVERVIEW

During the Reporting Period, the Company emphasized automobile sales just as much as service quality in its policy concern. Along with sustaining the overall stable growth in sales performance of new automobiles, the Company also focused on its business transformation and upgrade, as well as coordinating the development of both “sales-led” approach and “service-led” approach. Such approach has given impetus to the Company to optimize its profit structure, as well as to improve on after-sale services quality and expand the service scope of derivative business. Ultimately, the Company can deliver the best services most agreeable to the needs of customers, so as to mitigate the impact of industry volatility on the Company, and to safeguard the healthy, steady and sustainable growth of the Company in the long run.

As of 31 December 2020, our revenue amounted to approximately RMB35,134.3 million, a decrease of 3.6%, year-on-year; gross profit amounted to RMB1,750.1 million, a decrease of 38.5%; profit attributable to equity holders amounted to RMB211.4 million, a decrease of 66.4%, and earnings per share recorded RMB0.07.

New automobile sales

In the full year of 2020, affected by the everchanging business environment, the Group adopted more prudent operational strategies and slowed down the pace of bulk purchasing in order to diminish inventory pressure. As of 31 December 2020, the Group sold a total of 101,511 units of new automobiles, representing a year-on-year decrease of 8.6%, and the Group achieved a new automobile sales revenue of RMB30,829.2 million, representing a year-on-year decrease of 2.7%, in which the sales revenue of luxury and ultra-luxury cars was RMB28,078.6 million, representing a year-on-year decrease of 0.9%, which accounted for 91.1% of new automobile sales revenue. In the full year of 2020, the overall gross profit margin of new automobiles of the Group was 1.2%.

During the Reporting Period, due to the impact of the spread of COVID-19 pandemic, the Group’s sales volume of new automobiles was evidently impacted in the first quarter. The customer traffic and the sales volume of new automobiles from various dealing stores dropped considerably, while other areas such as the number of admissions from after-sales services and our derivative business were being indirectly affected as well. With the COVID-19 pandemic gradually being under control in the second quarter, the market has steadily recovered, and the Group’s production and operation also resumed to normal level and gradually reduced the losses arising from the impact of the pandemic at the early phase. Moreover, during the Reporting Period, the Group has made strategic adjustments targeting on certain operating stores which had low operational efficiency and/or were loss-making for a long time, with higher operating costs and not in line with its long-term strategies, whereby indirectly affected the Group’s sales volume of new automobiles.

After-sales services

During the Reporting Period, the revenue of after-sales services was RMB4,270.0 million, representing a year-on-year decrease of 9.8%, accounting for 12.2% of the total revenue of the Group. The gross profit of after-sales services was RMB1,364.5 million, representing a year-on-year decrease of 34.3%, and the gross profit margin of after-sales services was 32.0%.

In 2020, as the decrease in the Company's sales volume of new automobiles has led to a decrease in the business volume of car decoration, the Group's performance in after-sales services was therefore affected. During the Reporting Period, the Group continued to strengthen its cost control while increasing its income sources and reducing expenditure, and leveraged the advantages of its business scale to centralize procurement and allocation of parts and components in various regions. While ensuring the quality of its services and products, the Group further controlled its procurement costs in order to minimize the adverse impact of the COVID-19 pandemic.

Derivative business

During the Reporting Period, the Group promptly adjusted its operating strategies according to the changes in market environment, so as to deal with the impact of pandemic on the derivative business. Meanwhile, the Group further improved the customer solicitation system, expanded internal customer maintenance and development of external after-sales customers, and actively launched sales activities for various products that helped to increase customer loyalty, and these enabled the derivative business to achieve stable growth. As of 31 December 2020, the Group recorded a revenue of RMB1,048.5 million from automobile derivative business, representing a year-on-year increase of 40.7%.

- **Automobile finance business**

During the Reporting Period, the Group recorded an income of financial services business of RMB249.8 million, which was basically the same when compared with the same period in 2019. Meanwhile, the penetration rate of automobile finance in the new automobile business increased from 60.0% in 2019 to 65.4% during the Reporting Period.

During the Reporting Period, the Group adhered to the development concept of stable operations by steadily promoting the strategic adjustment of finance business, integrating existing resources and promoting the replacement and repurchase of financial customers to maintain the stability of the Company's financial service business.

- Secondhand automobile business

During the Reporting Period, the penetration rate of the Group's secondhand automobile business was 32.0%.

During the Reporting Period, the Group leveraged its existing offline 4S stores, and by linking with new car sales, integrating the supply chain finance, as well as actively expanding the evaluation, replacement and retail business of secondhand automobiles, the Group ensured its continuous expansion of the existing customer base and provision of quality retail resources of secondhand automobiles, so as to respond to the impacts brought to the secondhand automobile business by external factors.

- Insurance business

During the Reporting Period, the commission income of the Group's insurance business was RMB694.3 million, representing an increase of 91.5% as compared to that of RMB362.5 million in 2019.

During the Reporting Period, the Company constantly improved the management system and operating model of its insurance business. Supplemented by the "specialized and refined" services, the Company increased the market share (penetration rate) of its extended warranty business. Meanwhile, the Company vigorously launched the innovative insurance service products (non-automobile insurance, Hassle-free Double Insurances), thus ensuring the increase of both the penetration rate and quality of insurance renewal. In addition, responding to the comprehensive insurance reforms and the different rules being implemented in various regions, the Company adopted certain targeted professional response measures in order to ensure the continuous expansion of the Company's premium scale.

Network layout

As a leading domestic dealer of luxury 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 part of China and also the northeast and northwest regions of China, thus covering the majority of the mainstream market for luxury and ultra-luxury automobiles in China as of now.

During the Reporting Period, the Group implemented its strategic policy that emphasized on internal adjustment based on the changes in the business environment, adopted a cautious attitude towards network expansion, focused on the improvement on management optimization and operational efficiency of existing stores, enhanced the concentration on high-quality brands and eliminated weaker brands, so as to achieve the objectives of cost reduction and optimization. During the Reporting Period, the Group sold and/or adjusted 5 stores that had weaker profitability. Meanwhile, the Group also rebuilt and improved its existing stores, and managed to reduce capital expenditure of the Company while further raised the efficiency of capital usage, thus allowing itself to have a steady transition throughout the current industry adjustment period.

As of 31 December 2020, the Group operated a total of 111 stores and owned a diversified car brand portfolio comprising 10 luxury and ultra-luxury automobile brands (namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Infiniti, Alfa Romeo, Porsche, Rolls Royce and Maserati).

FUTURE OUTLOOK AND STRATEGIES

Year 2021 is the first year of China's "14th Five-Year Plan". At such special period of time, being a core pillar industry of China's economic development, the automobile industry will certainly be in a year of innovation and reform. In order to adapt to the new development pattern of "dual circulation economy", the major theme of the automobile industry will be achieved accordingly on the basis of main principles of "Focus on strategy; Enhance quality; Expand demand", setting the development philosophy of "Support the competent and eliminate the weak; Focus on internal strengths", and striving to promote its three modernizations "electrification, computerization and networking" in the industry upgrading process.

The Group will continue to position itself as a dealer and service provider of luxury brand automobiles, concentrate on creating "quality + services" properties, keep abreast with the trends, and undertake the mission of "leading industry management and service standards; promoting industry reforms". While strengthening and improving existing luxury brands, it will also revitalize its existing assets, optimize brand structure and network distribution. Moreover, while continuing the marketing and services of traditional luxury brand new energy vehicle models, the Company will also seize the opportunity to rearrange the new energy service industry chain, actively explore a new service model, so as to adapt to the new development trend of future automobile industry.

In the future, the Group will rely on its core competitiveness including industry status, resources and advantages to organically combine technology application with automobile service industry, as well as leverage the establishment of "digitalization" and "digital intelligence" platforms, so as to strengthen the effective relationship between customers and their automobiles. The Group will focus on being customer experience-oriented, and with the use of core customers data storage,

acquire in-depth data based on all-round marketing perspectives such as car models, users, interests, grades and advertisements. By integrating information technology such as big data and artificial intelligence, the Group will create a more customized interactive new marketing model, with the aim to build a connection among car manufacturers, dealers and end-users, thereby forming an internet ecosystem in the automobile industry.

Facing the challenges and opportunities brought by the transformation and upgrading of China's automobile market, the Group will continue to adhere to the management philosophy of "people-oriented, customers first" and enhance in-depth cooperation with the upstream and downstream industry chain. Through constantly optimizing the refined management system, increasing operational management efficiency, consolidating core brand advantages, and fully promoting digital transformation both internally and externally, while being market-oriented with the goal of providing high-quality services and a focus on achieving the Group's healthy, sustainable and stable long-term development, the Group strives to become a luxury car dealer and service provider in China with efficient operation management and long-term sustainable development.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of our revenue for the period indicated:

Revenue source	Year ended 31 December			
	2020		2019	
	Revenue	Contribution to	Revenue	Contribution to
	(RMB'000)	total revenue	(RMB'000)	total revenue
		(%)		(%)
Automobile sales	30,829,162	87.7	31,687,726	86.9
Luxury and ultra-luxury brands	28,078,632	79.9	28,341,202	77.7
Mid-to-upper market brands	2,750,530	7.8	3,346,524	9.2
After-sales business	4,269,980	12.2	4,732,762	13.0
Luxury and ultra-luxury brands	3,983,160	11.3	4,356,197	12.0
Mid-to-upper market brands	286,820	0.9	376,565	1.0
Finance leasing services	35,199	0.1	43,390	0.1
Total revenue	35,134,341	100	36,463,878	100

Revenue from the sales of automobiles decreased by 2.7% as compared to the year ended 31 December 2019 due to the fact that the overall performance of the new automobile sales market was under pressure while being affected by the volatility of the pandemic and the external macro-environment. At the same time, sales among the luxury car brands, Jaguar & Land Rover and Maserati had underperformed in China during the Reporting Period.

Automobile sales generated a substantial portion of our revenue, accounting for 87.7% of our total revenue for the year ended 31 December 2020. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 79.9% (2019: 77.7%) and 7.8% (2019: 9.2%), respectively, of our total revenue.

Revenue from the after-sales business decreased by 9.8% from RMB4,732.8 million for the year ended 31 December 2019 to RMB4,270.0 million for the same period in 2020. Such decrease was mainly due to the impact of the pandemic which affected the Group's revenue from after-sales business during the Reporting Period.

Cost of sales and services

For the year ended 31 December 2020, our cost of sales and services decreased by 0.7%, from RMB33,618.0 million for the same period in 2019 to RMB33,384.3 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB30,472.4 million for the year ended 31 December 2020, representing a decrease of RMB490.2 million, or 1.6%, from the same period in 2019. The cost of sales attributable to our after-sales business amounted to RMB2,905.5 million for the year ended 31 December 2020, representing an increase of RMB251.2 million, or 9.5% from the same period in 2019.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2020 was RMB1,750.1 million, representing a decrease of RMB1,095.8 million or 38.5% from the same period in 2019 which was primarily due to the drop in revenue. Gross profit from automobile sales decreased by 50.8% from RMB725.2 million for the year ended 31 December 2019 to RMB356.8 million for the same period in 2020. Gross profit from after-sales business decreased by 34.3% from RMB2,078.4 million for the year ended 31 December 2019 to RMB1,364.5 million for the same period in 2020. Automobile sales and after-sales business contributed to 20.4% (2019: 25.5%) and 78.0% (2019: 73.0%), respectively, to the total gross profit for the year ended 31 December 2020.

Gross profit margin for the year ended 31 December 2020 was 5.0% (2019: 7.8%), of which the gross profit margin of automobile sales was 1.2% (2019: 2.3%) and of after-sales business was 32.0% (2019: 43.9%).

Other income and gains, net

Other income and net gains increased by 24.5% from RMB869.6 million for the same period in 2019 to RMB1,082.4 million for the year ended 31 December 2020, mainly due to the increase in commission income and government grants during the Reporting Period.

Selling and distribution costs and administrative expenses

For the year ended 31 December 2020, our selling and distribution costs decreased by 8.4% to RMB1,108.7 million from RMB1,210.6 million for the same period in 2019. Our administrative expenses decreased by 7.6% from RMB727.1 million for the same period in 2019 to RMB671.8 million, which was primarily due to the Group's adoption of a more stringent policy on reducing cost and increasing efficiency, which in turn further controlled expenditures and raised the efficiency of capital usage during the Reporting Period.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended 31 December 2020 decreased by 40.8% to RMB1,052.0 million from RMB1,777.8 million for the same period in 2019.

Finance costs

Finance costs decreased by 21.4% from RMB822.2 million for the year ended 31 December 2019 to RMB646.3 million for the same period in 2020.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended 31 December 2020 decreased by 67.8% to RMB200.7 million from RMB622.8 million for the same period in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2020, our cash and bank balances amounted to RMB1,945.6 million, representing an increase of 17.0% from RMB1,663.1 million as at 31 December 2019. Such increase was primarily due to the decreased use of cash payments and the increased use of note payments by the Group to repay certain debts to our suppliers during the Reporting Period.

Our primary uses of cash were to purchase new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating costs. 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.

Net current assets

As at 31 December 2020, we had net current assets of RMB5,121.4 million, representing an increase of RMB2,873.3 million from RMB2,248.1 million as at 31 December 2019.

Capital expenditure

Our capital expenditures primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended 31 December 2020, our total capital expenditures amounted to RMB479.4 million (2019: RMB673.2 million).

Inventories

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

Our inventories increased by 12.3% from RMB3,503.6 million as at 31 December 2019 to RMB3,934.6 million as at 31 December 2020.

Our average inventory turnover days for the year ended 31 December 2020 decreased to 40.1 days from 41.5 days in 2019. This was primarily due to the fact that we put more efforts on the analysis and forecast of the supply and demand plan for sales of new automobiles as well as enhanced quota management of the costs on inventory during the Reporting Period, which in turn increased the efficiency of inventory turnover, ensured the continuous optimization of our inventory structure to meet market demands, and also controlled financial costs.

Trade Receivables

Trade receivables decreased from RMB613.5 million for the year ended 31 December 2019 to RMB406.7 million for the year ended 31 December 2020, primarily due to the decrease of trade receivables of new automobiles and insurance commission.

Interest-bearing bank and other borrowings

As at 31 December 2020, the Group's available and unutilised banking facilities amounted to approximately RMB8,474.7 million (31 December 2019: RMB7,189.5 million).

Our interest-bearing bank and other borrowings as at 31 December 2020 were RMB6,049.2 million, representing a decrease of RMB3,578.9 million from RMB9,628.1 million as at 31 December 2019. The decrease was mainly due to the repayment of a number of bank loans by the Group during the Reporting Period.

Interest rate risk and foreign exchange rate risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Certain of our borrowings were floating rate borrowings that are linked to the benchmark rates of the People's Bank of China, Loan Prime Rate, HIBOR and LIBOR. Increases in interest rates could adversely affect our finance costs, profit and our financial condition. We currently use certain derivative financial instruments to control some of our exposure to interest rate risk.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We believe our operations currently are not subject to any significant and direct foreign exchange risk. We do not currently use any derivative financial instruments to hedge our exposure to foreign exchange risk.

Gearing ratio

The Group monitors capital by using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, non current amounts due to related parties less cash and bank balances. Our gearing ratio for the year ended 31 December 2020 was 66.7% (2019: 67.5%).

Human resources

As at 31 December 2020, the Group had 6,953 employees (31 December 2019: 7,210). Total staff costs for the year ended 31 December 2020, excluding Directors' remuneration were approximately RMB958.2 million (2019: RMB1,089.1 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 retirement funds, to employees to sustain competitiveness of the Group.

Contingent liabilities

As at 31 December 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at 31 December 2020, the pledged group assets amounted to approximately RMB6,779.2 million (31 December 2019: RMB6,263.7 million).

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

Acquisitions

The Group did not have any significant acquisitions of subsidiaries and affiliated companies during the year ended 31 December 2020.

Disposals

The Group did not have any significant disposals of subsidiaries and affiliated companies during the year ended 31 December 2020.

EVENT AFTER THE REPORTING PERIOD

As at the date of this announcement, there is no significant event occurred after 31 December 2020 which is required to be disclosed by the Company.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, throughout the year ended 31 December 2020, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Li Jianping, being the former chairman and executive Director of the Company, was responsible for the operation and management of the Board. Following the resignation of Mr. Li Jianping as the chairman and executive Director of the Company on 28 August 2020, Mr. Lu Wei was appointed as the chairman and executive Director of the Company on the same date. 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 to regulate the conduct and drive the growth of its business and to review 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**”) as 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 year ended 31 December 2020.

The Board has also adopted the Model Code as guidelines for its 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 relevant employees was noted by the Company.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The 2021 annual general meeting of the Company (“**2021 AGM**”) will be held on Friday, 11 June 2021. Notice of the 2021 AGM and all other relevant documents will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are eligible to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 8 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2021 AGM, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 7 June 2021.

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 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 reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020, and is of the view that the Group’s consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group’s financial results for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group’s independent auditors, Messrs. Ernst & Young (“**EY**”), to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

PUBLICATION OF FINAL 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 annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules 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
LU Wei
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Company’s executive directors are Mr. LU Wei, Mr. WANG Xinming, 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.