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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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 2021, together with comparative figures for the corresponding period in 2020 as follows:

## SUMMARY OF CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>
<b>REVENUE</b>	4(a)	<b>19,890,951</b>	14,602,950
Cost of sales and services provided	5(b)	<b>(18,659,840)</b>	(13,665,961)
<b>Gross profit</b>		<b>1,231,111</b>	936,989
Other income and gains, net	4(b)	<b>633,706</b>	457,142
Selling and distribution expenses		<b>(601,656)</b>	(534,357)
Administrative expenses		<b>(379,741)</b>	(313,401)
<b>Profit from operations</b>		<b>883,420</b>	546,373
Finance costs	6	<b>(300,886)</b>	(348,138)
Share of profits and losses of:			
Joint ventures		<b>9,373</b>	265
Associates		<b>4,410</b>	2,180
<b>Profit before tax</b>	5	<b>596,317</b>	200,680
Income tax expense	7	<b>(207,453)</b>	(113,863)
<b>Profit for the period</b>		<b>388,864</b>	86,817
<b>Attributable to:</b>			
Owners of the parent		<b>393,065</b>	92,688
Non-controlling interests		<b>(4,201)</b>	(5,871)
		<b>388,864</b>	86,817
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted			
– For profit for the period (RMB)	9	<b>0.14</b>	0.03

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>
<b>Profit for the period</b>	<b>388,864</b>	<b>86,817</b>
<b>Other comprehensive income</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	278	(35,312)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	15,007	9,215
Time value component of fair value hedges	–	32
Exchange differences on translation of foreign operations	32,640	(73,557)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	47,925	(99,622)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>47,925</b>	<b>(99,622)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>436,789</b>	<b>(12,805)</b>
<b>Attributable to:</b>		
Owners of the parent	440,990	(6,934)
Non-controlling interests	(4,201)	(5,871)
	<b>436,789</b>	<b>(12,805)</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2021

		Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,476,751	3,353,836
Investment properties		393,353	393,353
Right-of-use assets		1,777,476	1,918,915
Other intangible assets		1,380,523	1,406,346
Prepayments and deposits		59,632	56,627
Finance lease receivables		80,622	60,182
Goodwill		1,222,016	1,222,016
Investments in joint ventures		102,248	102,248
Investments in associates		138,820	123,707
Deferred tax assets		248,152	302,349
		8,879,593	8,939,579
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	3,496,299	3,934,610
Trade receivables	<i>11</i>	521,631	406,719
Finance lease receivables		181,651	182,804
Prepayments, other receivables and other assets		9,235,906	9,778,204
Amounts due from related parties		47,108	67,339
Pledged deposits		1,789,977	3,280,534
Cash in transit		7,492	26,059
Cash and cash equivalents		1,826,985	1,945,627
		17,107,049	19,621,896

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>12</i>	<b>5,629,426</b>	5,357,650
Trade and bills payables	<i>13</i>	<b>4,862,532</b>	6,949,166
Other payables and accruals		<b>1,017,218</b>	1,327,024
Lease liabilities		<b>158,888</b>	168,153
Amounts due to related parties		<b>41,436</b>	57,838
Income tax payable		<b>643,261</b>	640,621
		<hr/>	<hr/>
Total current liabilities		<b>12,352,761</b>	14,500,452
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>4,754,288</b>	5,121,444
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b>13,633,881</b>	14,061,023
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>12</i>	<b>736,449</b>	691,527
Derivative financial instruments		<b>20,736</b>	35,973
Other payables		<b>9,251</b>	9,612
Lease liabilities		<b>1,213,660</b>	1,210,183
Deferred tax liabilities		<b>474,886</b>	479,679
Amounts due to a related party		<b>2,730,844</b>	3,621,875
		<hr/>	<hr/>
Total non-current liabilities		<b>5,185,826</b>	6,048,849
		<hr/>	<hr/>
Net assets		<b>8,448,055</b>	8,012,174
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>23,277</b>	23,277
Reserves		<b>8,431,886</b>	7,979,892
		<hr/>	<hr/>
		<b>8,455,163</b>	8,003,169
		<hr/>	<hr/>
Non-controlling interests		<b>(7,108)</b>	9,005
		<hr/>	<hr/>
Total equity		<b>8,448,055</b>	8,012,174
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. GENERAL 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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 14 December 2011. On 21 June 2016, China Grand Automotive Services Group Co., Ltd (“**CGA**”) officially completed the pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company.

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

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

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### 2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

#### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

### 3. SEGMENT INFORMATION

The Group is principally engaged in the sale and service of motor vehicles. For management purposes, the Group operates in single business unit based on its products, and has one reportable segment which includes the sales of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

#### Information about geographical area

Since nearly all of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and nearly all of the Group's non-current assets other than deferred tax assets were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

#### Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2021, major customers segment information as required by HKFRS 8 *Operating Segments* is not presented.

### 4. REVENUE, OTHER INCOME AND GAINS, NET

#### (a) Revenue

An analysis of revenue is as follows:

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b><i>Revenue from contracts with customers</i></b>		
Sales of motor vehicles	17,589,962	12,760,614
After-sales services	2,283,256	1,823,478
	<hr/>	<hr/>
<b><i>Revenue from other sources</i></b>		
Finance leasing services	17,733	18,858
	<hr/>	<hr/>
	<b>19,890,951</b>	<b>14,602,950</b>
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## Revenue from contracts with customers

### Disaggregated revenue information

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>Types of goods or service</b>		
Sale of motor vehicles	17,589,962	12,760,614
After-sales services	2,283,256	1,823,478
<b>Total</b>	<b>19,873,218</b>	<b>14,584,092</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	17,589,962	12,760,614
Service rendered at a point in time	2,283,256	1,823,478
<b>Total</b>	<b>19,873,218</b>	<b>14,584,092</b>

(b) Other income and gains, net

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
Commission income	556,923	422,259
Bank interest income	12,272	9,131
Advertisement support received from motor vehicle manufacturers	9,421	10,072
Rental income*	29,078	23,436
Government grants**	48,362	46,022
(Loss)/gain on disposal of items of property, plant and equipment	(236)	747
Gain on disposal of items of other intangible assets	–	692
Foreign exchange difference, net	(19,292)	(51,402)
Others	(2,822)	(3,815)
	<u>633,706</u>	<u>457,142</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):

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>(a) Employee benefit expense (including Directors' and chief executive's remuneration)</b>		
Wages and salaries	466,729	381,386
Other welfare	115,448	66,396
Equity-settled share option expense	522	8,775
	<u>582,699</u>	<u>456,557</u>
<b>(b) Cost of sales and services</b>		
Cost of sales of motor vehicles	17,291,664	12,581,768
Others	1,368,176	1,084,193
	<u>18,659,840</u>	<u>13,665,961</u>

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>(c) Other items</b>		
Depreciation of property, plant and equipment*	<b>126,081</b>	139,398
Amortisation of other intangible assets*	<b>30,894</b>	30,940
Advertisement and business promotion expenses	<b>139,092</b>	90,533
Auditor's remuneration	<b>3,050</b>	3,050
Bank charges	<b>17,604</b>	11,641
Foreign exchange difference, net	<b>19,292</b>	51,402
Depreciation of right-of-use assets*	<b>111,571</b>	109,864
Lease expenses*	<b>9,806</b>	9,092
Logistics and gasoline expenses	<b>25,910</b>	34,468
Office expenses	<b>9,125</b>	8,629
Impairment of financial assets:		
Impairment of trade receivables	<b>789</b>	216
Impairment of financial assets included in prepayments, other receivables and other assets	<b>33,353</b>	6,054
Impairment of financial lease receivables	<b>1,470</b>	4,956
Write-down of/(reversal of write-down of) inventories to net realisable value**	<b>27,954</b>	(727)
Loss/(gain) on disposal of items of property, plant and equipment	<b>236</b>	(747)
Gain on disposal of items of other intangible assets	<b>–</b>	(692)
Bank interest income	<b>(12,272)</b>	(9,131)

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

\*\* The amount of these reversal of write-down of inventories to net realisable value are included in “cost of sales and services provided” in the condensed consolidated interim statement of profit or loss.

## 6. FINANCE COSTS

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
Interest on bank and other borrowings (including amounts due to related parties)	<b>261,110</b>	305,278
Incl: loan arrangement fee	<b>10,377</b>	30,369
Interest on lease liabilities	<b>39,776</b>	42,860
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Total interest expense on financial liabilities not at fair value through profit or loss	<b>300,886</b>	348,138
	<hr/> <hr/>	<hr/> <hr/>

## 7. INCOME TAX

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
Current tax:		
Mainland China corporate income tax	<b>158,049</b>	105,742
Deferred tax	<b>49,404</b>	8,121
	<hr/>	<hr/>
Total tax charge for the period	<b>207,453</b>	113,863
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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 an income tax at the rate of 16.5% (six months ended 30 June 2020: 16.5%) during the period.

According to the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”), the uniform income tax rate is 25%.(six months ended 30 June 2020: 25%), except for a few subsidiaries in Xinjiang Uygur Autonomous Region that are entitled to reduced rates prevailing in the area.

## 8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,837,511,429 (six months ended 30 June 2020: 2,837,511,429) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020. The Group also did not include share options in the computation of diluted earnings per share for the periods ended 30 June 2021 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:

	<b>Unaudited For the six months ended 30 June 2021</b>	Unaudited For the six months ended 30 June 2020
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent (RMB'000)	<b>393,065</b>	92,688
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>2,837,511,429</b>	2,837,511,429
<b>Earnings per share</b>		
Basic and diluted (RMB)	<b>0.14</b>	0.03

## 10. INVENTORIES

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Motor vehicles	<b>3,183,010</b>	3,652,791
Spare parts and accessories	<b>341,323</b>	309,645
	<b>3,524,333</b>	3,962,436
Less: provision for inventories	<b>28,034</b>	27,826
	<b>3,496,299</b>	3,934,610

## 11. TRADE RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2021</b> <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
Trade receivables	<b>524,548</b>	409,040
Impairment	<b>(2,917)</b>	(2,321)
	<b>521,631</b>	406,719

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not offer any credit to the Group's customers for automobile purchases or for out-of-warranty repairs that are not covered by insurance. However, the Group generally provides a credit term of two to three months to automobile manufacturers for the reimbursement of costs relating to the in-warranty repair services. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>458,996</b>	354,440
More than 3 months but less than 1 year	<b>45,150</b>	39,712
Over 1 year	<b>17,485</b>	12,567
	<hr/>	<hr/>
	<b>521,631</b>	406,719
	<hr/> <hr/>	<hr/> <hr/>

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Unaudited As at 30 June 2021	
	Effective interest rate (%)	Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	3.9-6.8	2021-2022	2,284,508
– secured	3.9-8.0	2022	170,535
– unsecured	6.6	On demand	29,000
– unsecured	4.0-8.5	2021-2022	712,655
– guaranteed	LIBOR*+3.08	On demand	1,156,471
– secured and guaranteed	3.7-5.5	2021-2022	313,285
			<hr/>
			4,666,454
			<hr/>
<b>Other borrowings</b>			
– guaranteed	4.8	2022	27,836
– secured	7.7-8.5	2021-2022	34,679
– unsecured	6.4-9.0	2021-2022	106,917
– secured and guaranteed	4.3-11.0	2021-2022	793,540
			<hr/>
			962,972
			<hr/>
			5,629,426
			<hr/>
<b>Non-current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.9	2023-2025	470,109
– secured	5.2-8.0	2023-2024	258,927
			<hr/>
			729,036
			<hr/>
<b>Other borrowings</b>			
– secured	4.6	2022	7,413
			<hr/>
			736,449
			<hr/>
			6,365,875
			<hr/> <hr/>

**Audited**  
**As at 31 December 2020**

	Effective interest rate (%)	Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	3.9-6.5	2021	1,777,932
– secured	4.1-8.0	2021	125,425
– unsecured	6.6	On demand	29,000
– unsecured	4.0-7.2	2021	429,584
– guaranteed	LIBOR*+3.08	On demand	1,223,158
– secured and guaranteed	3.7-5.5	2021	366,283
			<hr/>
			3,951,382
			<hr/>
<b>Other borrowings</b>			
– 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
			<hr/>
			1,406,268
			<hr/>
			5,357,650
			<hr/>
<b>Non-current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.9	2022-2025	467,050
– secured	5.2-8.0	2022-2023	224,477
			<hr/>
			691,527
			<hr/>
			6,049,177
			<hr/> <hr/>

\* London Inter-Bank Offered Rate

### 13. TRADE AND BILLS PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	449,537	452,380
Bills payable	4,412,995	6,496,786
	<u>4,862,532</u>	<u>6,949,166</u>
Trade and bill payables	<u><b>4,862,532</b></u>	<u><b>6,949,166</b></u>

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	2,844,137	6,173,411
3 to 6 months	1,807,296	602,668
6 to 12 months	210,092	171,035
Over 12 months	1,007	2,052
	<u>4,862,532</u>	<u>6,949,166</u>
	<u><b>4,862,532</b></u>	<u><b>6,949,166</b></u>

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

### 14. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 30 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

In the first half of 2021, China's economy was steadily improving and recovering, demonstrating the strong resilience and vigorous vitality of economic development from the recovery of the impact of COVID-19. With the acceleration of the rate of vaccination in the second quarter of 2021, the domestic epidemic prevention and control has entered into a new stable stage, and economic activities have gradually resumed back to normal. According to statistics from the National Bureau of Statistics, China's GDP in the first half of 2021 was RMB53,216.7 billion, representing a year-on-year growth of 12.7%, a decrease of 5.6% from the first quarter, and an average growth of 5.3% over the last two years, representing an acceleration rate of 0.3%.

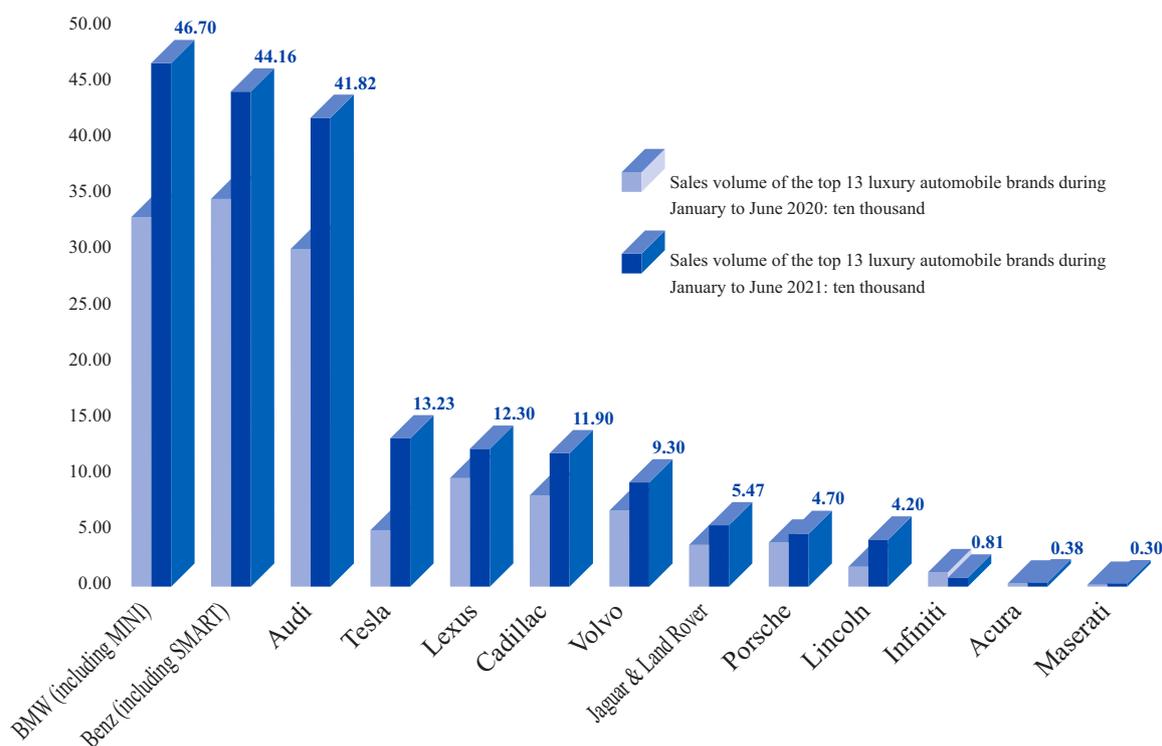
Although the overseas epidemic has not improved, coupled with the global automotive chip shortage crisis, restricting the rapid development of the entire automobile industry to a certain extent, the continued recovery of China's macro economy and the relatively sufficient inventory of dealers and secondary market have enabled the rapid recovery of China's automobile market. According to statistics from the China Association of Automobile Manufacturers, from January to June of 2021, the production and sales volume of automobile in China were 12,570,000 units and 12,890,000 units, respectively, representing a year-on-year growth of 24.2% and 25.6%. The production and sales of passenger vehicles were 9,840,000 units and 10,007,000 units, respectively, representing a year-on-year growth of 26.8% and 27.0%.

Correspondingly, although affected by the shortage of chips in the first half of the year and certain brands reduced the production of high-end car models, affecting their supply and demand, the luxury car sector still delivered a satisfactory performance. The impact of consumption upgrades has driven the sales of luxury cars to continue to rise. While luxury cars continue to maintain its characteristics of stable structure, it also reflects the demand for high-end trade-in from the behaviour of consumption upgrades is still strong. In the first half of the year, the sales volume of higher-priced models increased, and the retail discount rate of dealers decreased, which led to a further growth in the revenue of luxury car dealers and the profits of new automobiles.

In the first half of 2021, sales of the main models of the BMW (including MINI) continue to thrive after the replacement or remodeling. It ranked first among all luxury brands, which set a record high for the same period over the years. A total of 467,000 vehicles were delivered in the Chinese market, representing a year-on-year growth of 41.9%. The cumulative sales of Benz in the first half of the year was 441,600 units, representing a year-on-year growth of 27.6%. The cumulative sales of Audi reached 418,200 units in the first half of the year, representing a year-on-year growth of 38.6%, while the cumulative sales of Jaguar & Land Rover in China also continued to climb, with a sales volume of 54,700 units in the first half of the year, representing a year-on-year growth of 52%. As of June of this year, it has achieved a year-on-year growth for 10 consecutive months.

In addition, in order to further promote the sound development of the domestic automobile market, the Equipment Industry Department I of the Ministry of Industry and Information Technology organised the preparation of the Guidance on the Administration of Intelligent Connected Vehicles Manufacturers and Products Access (For Trial Implementation) (智能網聯汽車生產企業及產品准入管理指南(試行)) in April 2021 to advance the healthy and orderly development of the intelligent and Internet-connected automobile industry. According to the data released by the China Association of Automobile Manufacturers, in the first half of 2021, the production and sales of new energy vehicles were 1.215 million and 1.206 million, multiplying by two year-on-year, with accumulative sales of new energy vehicles maintained at the same level as of that in 2019.

## China's sales volume of the top 13 luxury automobile brands in the first half of 2021



*Note:* The top 13 luxury automobile brands on terms of sales volume are: BMW (MINI), Benz (SMART), Audi, Tesla, Lexus, Cadillac, Volvo, Porsche, Lincoln, Jaguar & Land Rover, Infiniti, Acura, Maserati

## **BUSINESS OVERVIEW**

During the period for the six months ended 30 June 2021 (the “**Reporting Period**”), as the leading dealer of luxury brand passenger vehicles in China, the Company emphasized automobile sales just as much as service quality in its policy concern. While facilitating the optimization of its profit structure, the Company also actively improved its after-sale services quality, with the ultimate goal to deliver the best services most agreeable to the needs of customers, so as to safeguard the healthy, steady and sustainable growth of the Company in the long run.

For the six months ended 30 June 2021, our revenue amounted to approximately RMB19,891.0 million, a year-on-year increase of 36.2%; gross profit amounted to RMB1,231.1 million, an increase of 31.4%; profit attributable to owners of the parent amounted to RMB393.1 million, an increase of 324.1%, and earnings per share recorded RMB0.14.

### **New automobile sales**

For the six months ended 30 June 2021, the Group sold a total of 55,139 units of new automobiles, representing an increase of 30.2% compared to the corresponding period in 2020, and the Group achieved new automobile sales revenue of RMB17,590.0 million, representing an increase of 37.8% compared to the corresponding period in 2020. The sales volume of luxury and ultra-luxury cars was 45,989 units, representing an increase of 12,756 units compared to the corresponding period in 2020, and such sales revenue reached RMB16,358.7 million, representing an increase of 40.8% compared to the corresponding period in 2020 and accounted for 93.0% of new automobile sales revenue. In the first half of 2021, the overall gross profit margin of new automobiles of the Group was 1.7%, representing an increase of 0.3 percentage point when compared to the corresponding period in 2020.

During the Reporting Period, as the impact of the COVID-19 pandemic was gradually contained, and driven by favorable policies, China’s passenger car sales market had gradually recovered to normal levels, especially with the behaviour of consumption upgrade and the demand for automobiles which has been suppressed by the pandemic had finally been released, the luxury car brand consumer market had shown a strong growth trend and the sales scale of the Group had also recorded a recovery growth. During the Reporting Period, the Group continued to strengthen its efficient management and control of key luxury car brands such as BMW and Jaguar & Land Rover. Although it was adversely impacted by the shortage of automotive chips and the reduction in the production of high-end models by certain brands, the Group still achieved relatively satisfactory results by continuously strengthening inventory control and adjusting the gross profit margin of new automobiles.

## **After-sales services**

In the first half of 2021, the revenue of after-sales services was RMB2,283.3 million, representing an increase of 25.2% compared to the corresponding period in 2020, accounting for 11.5% of the total revenue of the Group. The gross profit of aftersales services was RMB919.6 million, and the gross profit margin of after-sales was 40.3%.

The after-sales services business of the Group has been an important force for driving the profit of the Company. During the Reporting Period, the Group continued to strengthen its cost control while increasing its income sources and reducing expenditure, leveraging 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 will further control its procurement costs in order to improve the profitability of its after-sales service business. In addition, the Company always focuses on the needs of customers, and continuously strengthens the organization of business processes and process control. Our “one-stop services” such as appointment, door-to-door pickup, and return after repair enables customers to experience high-quality services from the Company. Meanwhile, we will further strengthen the professional ability training of maintenance technicians, and provide customers with higher quality services by creating a professional maintenance team equipped with rich industry experience.

## **Derivative business**

During the Reporting Period, the Group proactively expanded its automobile derivative businesses by continuously overhauling the existing management system as well as enriching the variety of derivative service products, thereby enhancing customer stickiness and increasing revenue generated from its derivative businesses. For the six months ended 30 June 2021, the commission income from the Group’s automobile derivative businesses was RMB556.9 million, representing an increase of 31.9% compared to the corresponding period in 2020.

During the Reporting Period, the Group recorded a commission income of financial services business of RMB177.1 million, representing an increase of 87.8% compared to RMB94.3 million in the first half of 2020. Meanwhile, the financial penetration rate of the automobile finance market in respect of the new automobile business increased from 62.9% in the first half of 2020 to 71.1% in this Reporting Period. In addition, for the secondhand automobile business, the Group always relies on its own 4S stores to optimize the systems of both online and offline operations, and continuously expands the current customer base by adjusting the brand structure and integrating resources, so as to promote the development of secondhand automobile value-added services and post market business. For the insurance business, during the Reporting Period, as affected by the comprehensive reform for automobile insurance implemented by China Banking and Insurance Regulatory Commission (“CBIRC”), the commission income of the Group’s insurance business was RMB93.0 million, representing a decrease of 29.8% as compared to that of RMB132.4 million in the first half of 2020, and the commission income from extended warranty business increased by 71.8%.

### **Network layout**

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

During the Reporting Period, the Group adhered to its strategic policy that emphasized on internal adjustment and adopted a more cautious attitude towards external network expansion. At the same time, the Group remodelled some of its 4S stores, focused on the improvement on management optimization and operational efficiency of its existing stores, enhanced the concentration on high-quality brands and eliminated weaker brands. The Group refurbished and improved its existing stores, and managed to reduce capital expenditure of the Company while further raised the efficiency of capital usage.

As at 30 June 2021, the Group owned a total of 111 automobile dealing stores and its portfolio of automobile brands included 10 luxury and ultra-luxury brands, namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Infiniti, Cadillac, Alfa Romeo, Porsche, Rolls Royce and Maserati.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2021, our revenue was RMB19,891.0 million, representing an increase of approximately 36.2% as compared to the same period in 2020. The increase was primarily due to a recovery growth of RMB4,829.3 million or 37.8%, in new automobile sales, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2020.

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

Revenue Source	Unaudited For the six months ended 30 June 2021		Unaudited For the six months ended 30 June 2020	
	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile sales	17,589,962	88.4	12,760,614	87.4
After-sales services	2,283,256	11.5	1,823,478	12.5
Finance leasing services	17,733	0.1	18,858	0.1
Total	<u>19,890,951</u>	<u>100</u>	<u>14,602,950</u>	<u>100.0</u>

Automobile sales generated a substantial portion of our revenue, accounting for 88.4% of our total revenue for the six months ended 30 June 2021. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 93.0% (for the six months ended 30 June 2020: 91.0%) and 7.0% (for the six months ended 30 June 2020: 9.0%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB4,829.3 million was mainly attributable to the sales of luxury brands (i.e. BMW) which recorded a recovery growth, resulting in a significant increase in new automobile sales during the Reporting Period.

Revenue from our after-sales services increased by 25.2% from RMB1,823.5 million for the six months ended 30 June 2020 to RMB2,283.3 million for the same period in 2021. The relevant contribution of our after-sales services to our revenue decreased from 12.5% for the six months ended 30 June 2020 to 11.5% for the same period in 2021. The Group always focuses on the development of after-sales services business and derivative business and strengthen the development of high-stickiness products to increase customer loyalty.

## **Cost of sales and services**

For the six months ended 30 June 2021, our cost of sales and services increased by 36.5%, from RMB13,666.0 million for the same period in 2020 to RMB18,659.8 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB17,291.7 million for the six months ended 30 June 2021, representing an increase of RMB4,709.9 million, or 37.4%, as compared to the same period of 2020. The cost of sales and services attributable to our after-sales services amounted to RMB1,363.7 million for the six months ended 30 June 2021, representing an increase of RMB282.3 million, from RMB1,081.4 million for the same period in 2020.

## **Gross profit and gross profit margin**

Gross profit for the six months ended 30 June 2021 was RMB1,231.1 million, representing an increase of RMB294.1 million, or 31.4%, from the same period in 2020. Gross profit from automobile sales increased by 66.8% from RMB178.8 million for the six months ended 30 June 2020 to RMB298.3 million for the same period in 2021, of which RMB306.5 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales services increased by 23.9% from RMB742.1 million for the six months ended 30 June 2020 to RMB919.6 million for the same period in 2021. Automobile sales and after-sales services contributed 24.2% and 74.7%, respectively, to the total gross profit for the six months ended 30 June 2021.

Gross profit margin for the six months ended 30 June 2021 was 6.2% as compared to 6.4% of the same period last year, of which the gross profit margin of automobile sales was 1.7%, representing an increase as compared to 1.4% of the same period last year. The gross profit margin of after-sales services recorded a slight decrease to 40.3% as compared to 40.7% of the same period last year.

## **Other income and net gains**

Other income and net gains increased by 38.6% from RMB457.1 million for the six months ended 30 June 2020 to RMB633.7 million for the same period in 2021, mainly due to the increase of the commission income during the Reporting Period.

## **Profit from operations**

As a result of the foregoing, our profit from operations for the six months ended 30 June 2021 increased by 61.7% from RMB546.4 million in the same period last year to RMB883.4 million.

## **Profit for the period**

As a result of the foregoing, our profit for the six months ended 30 June 2021 increased significantly by 347.9% from RMB86.8 million in the same period last year to RMB388.9 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash flow**

As at 30 June 2021, our cash and cash equivalents amounted to RMB1,827.0 million, representing a decrease of 6.1% from RMB1,945.6 million as at 31 December 2020.

Our primary uses of cash were to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating expenses. We financed our liquidity requirements through a combination of short-term bank and other borrowings and cash flows generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the six months ended 30 June 2021, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB1,056.0 million (for the six months ended 30 June 2020: generated from RMB979.2 million), RMB150.1 million (for the six months ended 30 June 2020: used in RMB14.3 million), and RMB1,037.2 million (for the six months ended 30 June 2020: used in RMB1,408.4 million), respectively.

### **Net current assets**

As at 30 June 2021, we had net current assets of RMB4,754.3 million, representing a decrease of RMB367.2 million from RMB5,121.4 million as at 31 December 2020.

### **Capital expenditures**

Our capital expenditures primarily comprise expenditures on property, plant and equipment, land use rights and other intangible assets. During the six months ended 30 June 2021, our total capital expenditure was RMB308.8 million (for the six months ended 30 June 2020: RMB201.9 million).

## **Inventory**

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

Our inventories were RMB3,496.3 million as at 30 June 2021, a 11.1% decrease from RMB3,934.6 million as at 31 December 2020, and our average inventory turnover days decreased from 40.7 days at 31 December 2020 to 35.8 days for the six months ended 30 June 2021, mainly due to the Group continues to optimize its inventory structure and improve its inventory management level.

## **Interest-bearing bank and other borrowings**

As at 30 June 2021, the Group's available and unutilised banking facilities amounted to approximately RMB9,120.3 million (as at 31 December 2020: RMB8,474.7 million).

Our interest-bearing bank and other borrowings as at 30 June 2021 were RMB6,365.9 million, representing an increase of RMB316.7 million from RMB6,049.2 million as at 31 December 2020. The increase was mainly due to the increase in the demand for working capital and the increase in short-term bank loans.

## **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, the 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 are not subject to any significant and direct foreign exchange risk currently. We do not currently use any derivative financial instruments to hedge our exposure to foreign exchange risk.

## **Gearing ratio**

The Group monitors capital by using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, non current amounts due to related parties less cash and bank balances. Our gearing ratio for the six months ended 30 June 2021 was 60.9% (as at 31 December 2020: 66.7%).

## **Human resources**

As at 30 June 2021, the Group had approximately 7,042 employees (as at 30 June 2020: 6,737). Total staff costs for the six months ended 30 June 2021, excluding directors' remuneration, were approximately RMB580.4 million (for the six months ended 30 June 2020: RMB452.3 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 2021 and 31 December 2020, the Group had no significant contingent liabilities.

## **Pledge of the Group's assets**

The Group pledged its group assets to secure for bank and other borrowings, bills payable and banking facilities which were used to finance daily business operation. As at 30 June 2021, the pledged group assets amounted to approximately RMB4,450.6 million (as at 31 December 2020: RMB6,779.2 million).

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

With effect from 30 June 2021, (i) Mr. Diao Jianshen resigned as an independent non-executive Director, the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee; (ii) Mr. Chan Wan Tsun Adrian Alan resigned as an independent non-executive Director and a member of the Audit Committee; (iii) Ms. Liu Wenji was appointed as an independent non-executive Director, the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee; and (iv) Mr. Ho Hung Tim Chester was appointed as an independent non-executive Director and a member of the Audit Committee.

Save as disclosed above, there is no other change in the composition of the Board or change in the director's biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2021 and up to the date of this announcement.

### **Changes since 31 December 2020**

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 2020.

### **FUTURE OUTLOOK AND STRATEGIES**

In the face of new opportunities and challenges, the Company will continue to position itself as a dealer and service provider of luxury car brands, and through enhancing the refined management, the Company aims to strengthen and improve the existing luxury brand structure, revitalizing its existing assets, and optimizing the brand structure as well as network distribution to improve the service capacity and customer loyalty.

At the same time, the Company also recognises that the growth rate of new energy vehicle models in luxury brands is higher than the overall market growth rate of luxury brands, and the luxury vehicles consumers have gradually started to adapt to new energy vehicle models. The PRC government has also promulgated a series of favorable policies to promote new energy vehicles, including the Development Plan on New Energy Vehicle Industry (2021-2035) (《**新能源汽车產業發展規則 (2021-2035年)**》). In the second half of the year, BMW is launching its pure electric flagship SUV, namely BMW iX, and BMW i4; and Audi is launching two electric vehicle models, namely e-tron GT and RS e-tron GT. In this market segment, traditional fuel vehicle luxury brands are also gradually making efforts, and the trend of electrification and computerization is getting stronger, which will inject new growth drivers into the market. While continuing the marketing and services of traditional luxury brand new energy vehicle models, the Company will also seize the opportunity to rearrange the new energy service industry chain, so as to adapt to the new development trend of future automobile industry.

In the future, the Group will continue to rely on its core resources and advantages, and together with the controlling shareholder, CGA, the Group will continue to promote digital transformation, and through the linking digital tools and the businesses together, the Company effectively leverages the advantages of co-operating with digital marketing, operations and data analysis etc., so as to empower the business and achieve the improvement of overall business capability, ultimately creating an interconnected, efficient and professional digitalised automobile services

ecosystem. 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 brand dealer and service provider in China with efficient operation management and long-term sustainable development.

## **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 2021 and up to the date of this announcement.

## **SIGNIFICANT INVESTMENTS**

During the six months ended 30 June 2021, 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 2021, 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 (the "CG Code") set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, during the six months ended 30 June 2021, 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. Lu Wei, being the chairman and executive Director of the Company, is responsible for the operation and management of the Board. No chief executive officer has been appointed by the Company. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development.

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

## **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 2021.

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 2021 (for the six months ended 30 June 2020: 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 Ms. Liu Wenji (chairlady), Ms. Liu Yangfang and Mr. Ho Hung Tim Chester, all of whom are the Company’s independent non-executive Directors.

The Audit Committee has considered and reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 and are of the view that the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 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](http://www.hkexnews.hk)) and the Company ([www.klbaoxin.com](http://www.klbaoxin.com)). The interim report of the Company for the six months ended 30 June 2021 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*

Shanghai, the People's Republic of China, 23 August 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 Ms. LIU Wenji, Ms. LIU Yangfang and Mr. HO Hung Tim Chester.*