

CHINA MEIDONG AUTO HOLDINGS LIMITED

**中國美東汽車控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 1268

2014

Interim Report



## Contents

Corporate Information	2
Management Discussion and Analysis	4
Other Information	17
Report on Review of Interim Financial Report	26
Consolidated Statement of Comprehensive Income	28
Consolidated Balance Sheet	29
Consolidated Statement of Changes in Equity	31
Condensed Consolidated Statement of Cash Flows	33
Notes to the unaudited interim financial report	34



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ye Fan (*Chairman*)

Ye Tao (*Chief Executive Officer*)

Liu Xuehua

### Independent Non-Executive Directors

Li Lin

Pan Lu

Jip Ki Chi

## AUTHORISED REPRESENTATIVES

Ye Tao

Yu Man To, Gerald

## COMPANY SECRETARY

Yu Man To, Gerald

*B.BUS, MBA, FCPA, FCPA (Aust)*

## AUDIT COMMITTEE

Jip Ki Chi (*Chairman*)

Li Lin

Pan Lu

## REMUNERATION COMMITTEE

Pan Lu (*Chairman*)

Ye Tao

Jip Ki Chi

## NOMINATION COMMITTEE

Ye Tao (*Chairman*)

Pan Lu

Jip Ki Chi

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1

Tian An Tech Industry Building

Huangjin Road

Nancheng District, Dongguan

Guangdong, PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2404  
24th Floor, World-Wide House  
19 Des Voeux Road, Central  
Hong Kong

### AUDITOR

KPMG  
Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

### COMPLIANCE ADVISOR

CCB International Capital Limited  
12th Floor, CCB Tower  
3 Connaught Road Central  
Central, Hong Kong

### CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL BANKERS

China CITIC Bank  
Industrial Bank Co. Ltd.

### STOCK CODE

1268

### COMPANY'S WEBSITE

[www.meidongauto.com](http://www.meidongauto.com)

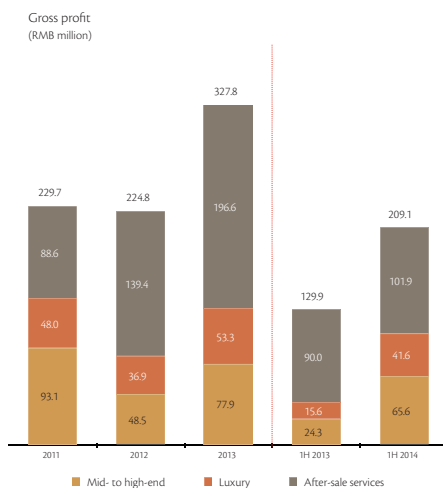
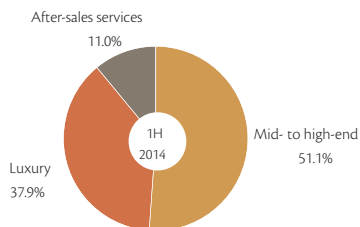
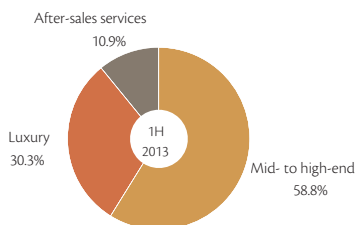
# Management Discussion and Analysis

## FINANCIAL REVIEW

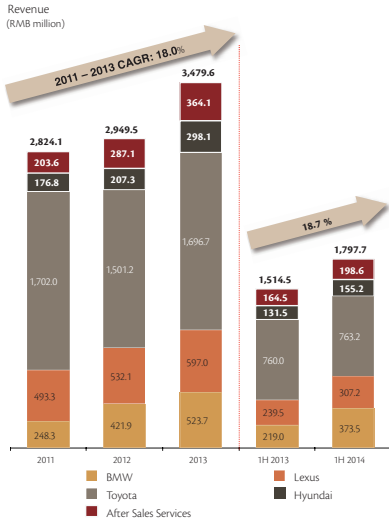
### Turnover and Cost of Sales

For the six months ended 30 June 2014, the Group recorded a turnover of RMB1,797,669,000, representing an increase of 18.7% from RMB1,514,526,000 recorded in the same period in 2013. The increase in turnover is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 4.7%; (ii) increase in sales of new passenger vehicles from the three new stores that opened in 2014 of approximately 9.1%; and (iii) increase in after sales services of approximately 20.7%. Cost of goods sold increased by 14.7% from RMB1,384,599,000 for the six months ended 30 June 2013 to RMB1,588,571,000 for the six months ended 30 June 2014. The increase in cost of goods sold is made up of: (i) increase in sale of new passenger vehicles from existing stores of approximately 6.4%; (ii) the cost incurred from new passenger vehicle sales from the three new stores that opened in 2014 of approximately 5.1%; and (iii) increase in after sales services of approximately 30.0%.

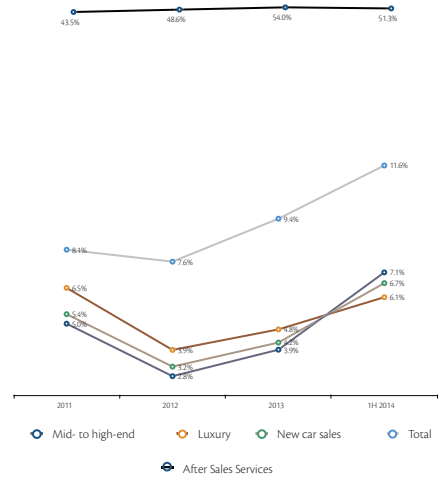
Revenue Mix



# Management Discussion and Analysis



Gross margins of different businesses



## Gross Profit

Gross profit increased significantly from RMB129,927,000 for the six months ended 30 June 2013 to RMB209,098,000 for the six months ended 30 June 2014, representing an increase of approximately 60.9%. Gross profit margin also increased from 8.6% recorded during the six months ended 30 June 2013 to 11.6% for the six months ended 30 June 2014. The increase is mainly attributed by: (1) higher gross margin in new car sales with the release of the new Toyota RAV 4 and Toyota Vios in the second half of 2013 and Toyota Corolla in 2014; (2) a general continuation of sales recovery of our Japanese brands automobiles including Toyota and Lexus (as 2013 first half was the aftermath of 2012 Sino-Japan relationship problems); and (3) higher number of units sold in the higher margin luxury brands from new stores opened; but slightly off-set by the decrease in after-sales gross profit margin from 54.0% for the year ended 31 December 2013 to 51.3% for the six months ended 30 June 2014. The decrease in the after-sales service gross profit margin is mainly due to the decrease in service fees received from license registration services and commission received from the brokerage of financial services, gross profit margins from maintenance and repair services has remained quite stable.

# Management Discussion and Analysis

## Distribution Costs and Administrative Expenses

Distribution costs increased to RMB54,523,000 for the six months ended 30 June 2014 from RMB41,881,000 recorded during the same period in 2013 representing an increase of approximately 30.2%. Administrative expenses increased to RMB46,776,000 for the six months ended 30 June 2014 from RMB34,232,000 recorded during the same period in 2013 representing an increase of approximately 36.6%. The increase in both distribution costs and administrative expenses mainly relates to the increase in depreciation charges, wages and salaries and other benefit, operating leases and employee share options expenses accounting for approximately 13.0%, 66.3%, 6.7% and 6.3% respectively. These increases mainly attributable to the new stores that opened during the period where there is slight mismatch between revenue and expenses. At the end of June 2014, the Group had sixteen operating stores and five stores under construction. The administrative expenses of these five stores that were under construction which could not be capitalized such as land leases or amortization, the salary and wages of the store's general manager, sales manager or after-sales manager that have been assigned/deployed for these new stores were recognised as expenses. As those five stores commence operations, revenue generated by these stores will further absorb the distribution costs and administrative expenses as a percentage of revenue, which is a demonstration of the Group's ability to expand at a healthy pace without sacrificing profitability.

## Finance Costs

Finance costs increased by 42.4% to RMB27,266,000 for the six months ended 30 June 2014, from RMB19,148,000 recorded during the same period in 2013. The increase is mainly attributable by the increase in inventory level from: (i) initial inventory and higher cost value from new luxury stores; and (ii) slower than expected sales during the months of May and June. However, finance cost as a percentage of turnover increased slightly from 1.3% for the year ended 31 December 2013 to 1.5% for the six months ended 30 June 2014.

## Other Revenue and Net Income

Other revenue and net income decreased slightly from RMB20,374,000 for the six months ended 30 June 2013 to RMB15,405,000 for the six months ended 30 June 2014, representing a decrease of approximately 24.4%. The decrease is attributable by: (1) interest income from Dadong

Group of RMB8,324,000 received in 2013 to nil for the six months ended 30 June 2014, for the outstanding balance of non-recurring advances that certain subsidiaries granted to Guangdong Dadong Automotive Group Co., Ltd and (2) off-set by a slight increase in insurance commission due to the increase in the number of new cars sold and the increase in interest income from bank deposits.

### Associated Company and Joint Venture Company

Share of results of associated company and share of results of Joint Venture increased by approximately 30.9% from RMB5,599,000 for the six months ended 30 June 2013 to RMB7,327,000 for the six months ended 30 June 2014. The increase is mainly attributable by the higher profit achieved by Dongguan MeiDong Automotive Service Co., Ltd day-to-day operations of which is managed by the Group.

### Taxation

Taxation increased significantly from RMB14,865,000 for the six months ended 30 June 2013 to RMB27,387,000 for the six months ended 30 June 2014, representing an increase of approximately 84.2%. The effective tax rate also increased from 24.5% for the six months ended 30 June 2013 to 26.5% for the six months ended 30 June 2014. The Group's PRC subsidiaries are subject to a tax rate of 25%.

### Absorption Rate

Absorption rate is an indicator we use to measure our dealership-level services operations, which represents the recovery rate of a dealership's operating costs solely from the after-sales services. The absorption rate is calculated as follows:

$$\text{Absorption Rate} = \frac{\text{After-sales services gross profit}}{\text{Distribution Costs} + \text{Administrative Expenses}}$$

An absorption rate of 100%, or close to 100%, indicates that the dealership's operating costs can essentially be supported by after sales services alone. For the six months ended 30 June 2014, our absorption rate for the Group was at 100.6%, representing a slight decrease from 118.3% for the six months ended 30 June 2013. The decrease is attributable by the decrease in gross profit of after-sales services (Please see explanation under the paragraph "Gross Profit" above).



# Management Discussion and Analysis

## Use of Proceeds from Listing of the Company's Shares on the SEHK

On 5 December 2013, the Company's ordinary shares were successfully listed on the SEHK at a price of HK\$1.8 per share with net proceeds from the listing (after deducting commission and other expenses relating to the listing) amounted to approximately RMB316,607,000. The net proceeds from the listing will be used for opening of new 4S dealership stores (50%), acquisition of other 4S dealership stores (30%), new lines of business such as used vehicles or IT system upgrades (10%), and as general working capital (10%). As at 30 June 2014, approximately RMB69,603,000 have been utilized in the construction of new dealership stores, approximately RMB200,000 have been utilized in new businesses and RMB30,197,000 have been utilized as working capital.

## Financial Resources and Position

As at 30 June 2014, the Group's borrowings amounted to RMB810,412,000, representing an increase of approximately 0.7% from RMB804,732,000 as at 31 December 2013. All borrowings were short term in nature. As at 30 June 2014, the Group had a current ratio of 1.0 times and a gearing ratio of (borrowings less cash and cash equivalents and pledged deposits divided by total equity) of 77.7%. As at 30 June 2014, total facilities available to the Group amounted to RMB2,642,940,000 of which approximately RMB999,957,000 have been utilized.

Cash and cash equivalents and pledged bank deposits amounted to RMB402,998,000 as at 30 June 2014, of which RMB163,124,000 has been pledged for securing financial institutions facilities granted to the Group. Cash and cash equivalents are mostly denominated in Renminbi and Hong Kong Dollars. As the Group's businesses are conducted in the PRC, therefore the Group does not expect to be exposed to any material foreign exchange risks.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing agreements with banks and automobile manufacturer's captive finance companies. The Group has adequate financial resources to meet all contractual obligations and operating requirements.

## Contingent Liabilities

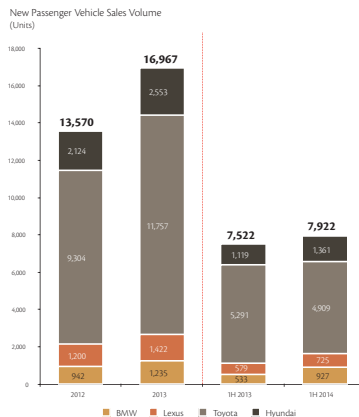
The Group had no material contingent liabilities as at 30 June 2014.

## BUSINESS REVIEW

During the first half of 2014, we were able to increase new passenger vehicle sales by taking advantage of the market opportunities presented to us in the China's auto industry such as the increase in automobile consumption, anticipated implementation of city-wide purchase restrictions, and the official car purchasing reform; the growth in new passenger vehicle sales also led to an increase in the number of after-sales service customers and the number of repairs and maintenance units. Through the reinforcement of our data-driven operational management system and the continuous improvement of quality of our customer service and operational efficiency, our after-sales service revenue and profitability reached a new height. We continued to maintain a balanced brand portfolio and concentrate strategically in the second, third and fourth-tier cities in Southern and Central China, resulting in the increase in the number of dealership stores and further-optimized our business, brand and regional structure.

### New Passenger Vehicle Sales

New passenger vehicle sales accounted for approximately 89.0% of total revenue during the six months ended 30 June 2014, which also includes the sales of bundled accessories that are included in the sales of new passenger vehicles. The Group sold a total of 7,922 units of new passenger vehicles during the six months ended 30 June 2014, representing a significant increase of approximately 5.3% from the 7,522 units sold during the same period in 2013.



Note:

Unless otherwise specified, references to "Toyota" include vehicles supplied to us by FAW Toyota and GAC Toyota.

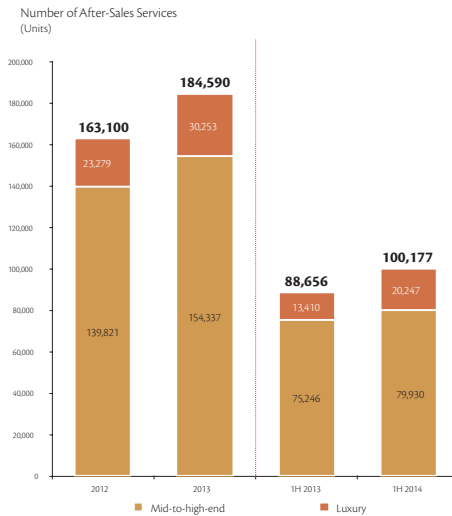
## Management Discussion and Analysis

New passenger vehicle sales for all our brands enjoyed a healthy growth during the six months ended 30 June 2014. Other than Toyota which decreased by 7.2% or 382 units when compared with the same period in 2013, all other brands increased significantly with BMW being the highest at 73.9%.

The ASP for Toyota increased significantly by more than 7.6% whereas the ASP for the other three brands has remained quite stable. The overall gross profit margin for new vehicle sales increased significantly from 3.0% for the six months ended 30 June 2013 to 6.7% for the six months ended 30 June 2014 with mid-to-high-end brands increasing from 2.7% to 7.1% and luxury brands increasing from 3.4% to 6.1%. The increase in the gross profit margin is primarily due to: (1) increases in ASP; (2) the release of new models by automobile manufacturers such as the Toyota RAV 4 and Toyota Vios in the second half of 2013 and Toyota Corolla in 2014; (3) higher increase in sales for the higher margin BMW than Lexus; and (4) continued effort by our management to improve margins while keeping the inventory turns high. The decrease in the units sold for Toyota is a result of the Group's effort in maintaining a balance between profitability versus sales, and although the units have decreased, both ASP and gross profit margin for Toyota have increased.

## After Sales Services

After Sales Services accounted for approximately 11.0% of our total revenue during the six months ended 30 June 2014. After Sales Services principally consists of sales of spare parts and the provision of repair and maintenance services, and to a lesser extent, the provision of certain other automobile-related services such as fees from vehicle registration services and commission income from mortgage loan application services. The Group serviced a total of 100,177 after sales services for the six months ended 30 June 2014, representing a significant unit increase of approximately 13.0% from the 88,656 units serviced during the same period in 2013.



Increase in the number of services performed was higher for the luxury brands than for the mid-to-high-end brands as the new stores opened in 2013 and in 2014 were luxury brand stores. In addition, the mid-to-high-end brand stores are in general more mature compared to the luxury brand stores.

## Management Discussion and Analysis

With the exception of BMW and Toyota, other brands enjoyed a slight increase in the ASP for services. The ASP for BMW decreased by approximately 12% is mainly due to the lower efficiency in terms of labour deployment for the new stores that opened in 2014. The overall ASP (including service fees received from license registration services and commission received from the brokerage of financial services) increased by 6.9% for the six months ended 30 June 2014 compared to the same period in 2013. The gross profit margin has remained quite stable for all brands during the six months ended 30 June 2014 when compared with the same period last year.

### New Store Openings

During the period, three stores were opened taking the number of operating 4S dealership stores to 17 (15 stores, one joint venture store that is operated by us and an associate store). One new Toyota store (Fenggang) was opened in the city of Dongguan, Guangdong Province and two new BMW stores, one in the city of Changde in the Hunan Province and one in the city of Chengde in the Hebei Province. With our internally trained management team, an aligned corporate culture and an internally generated KPI data capture and management approach, not to mention hard work and dedication, with the exception of the Chengde Store which just commenced operations, the other two stores broke single month profitability within three months of their respective commencement of operations.

### New Authorisations

In 2014, we obtained two additional authorisations, one from Lexus in the city of Liuzhou in the Guangxi Zhuang Autonomous Region (“Guangxi”) of the PRC and one from BMW in the city of Yueyang in the Hunan Province of the PRC.

#### *Liuzhou*

Liuzhou is a prefecture-level city in north-central Guangxi with a population of more than 3.7 million and recorded a GDP of RMB184.6 billion in 2012. Currently there are three luxury brand 4S dealership stores operating in the city of Liuzhou and they are Mercedes Benz, BMW and Audi. This will be the first Lexus 4S dealership store in the city of Liuzhou.

### Yueyang

Yueyang is a prefecture-level city in northeastern corner of Hunan and according to the Hunan Provincial Bureau of Statistics, Yueyang has a population of more than 5.52 million and recorded a GDP of RMB219.99 billion in 2012. Currently, Chrysler is the only other luxury brand 4S dealership store operating in the city of Yueyang. This will be the first BMW 4S dealership store in the city of Yueyang.

### NEW MOUs FOR NEW PROJECTS

During the period, we received seven memorandums of understanding (“MOU(s)”) from BMW China to open a BMW 4S dealership stores and one MOU from Lexus China to open a Lexus 4S dealership store as follows:

<b>Brand</b>	<b>City</b>	<b>Province</b>
BMW	Huanggang	Hubei
BMW	Xiaogan	Hubei
BMW	Xianning	Hubei
BMW	Yongzhou	Hunan
BMW	Zhangjiajie	Hunan
BMW	Jingdezhen	Jiangxi
BMW	Chengdu	Sichuan
Lexus	Zhangzhou	Fujian

MOUs are subject to, among other things, the manufacturer’s approval of the store site before a formal authorization letter will be issued.

# Management Discussion and Analysis

## STAFF TRAINING AND DEVELOPMENT

As at 30 June 2014, the Group had a total of 1,896 employees, the majority of whom are situated in China. In addition to offering competitive remuneration packages to employee discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group continues to improve its training courses, enhance personnel training and cultivation and perfect the personnel promotion system with the combination of KPI evaluation system. The new personnel of about 30 for management posts throughout the year were trained for and transferred to the Group with rate of brain drain of less than 5%, forming a personnel pool of over 100 strong.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his associates, and executive, is involved in dealing his own remuneration.

On 20 January 2014, share options to subscribe for 11,400,000 Shares were granted under the SOS (as defined below) to two Directors and eligible employees (the "Grant"). The Grant represents approximately 1.14% of the issued share capital of the Company as at the date of this report.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

## PROPERTIES WITH DEFECTIVE TITLES – STATUS UPDATE

As disclosed in the Prospectus of the Company dated 22 November 2013, the Company will provide an update on the status of rectification of properties with title defects with respect to owned and leased properties as follows:

### Properties owned by the Group

#### (1) Changde Meibaohang

Changde Meibaohang commenced operations in January 2014; we have obtained the relevant valid title certificates prior to the commencement of operations.

#### (2) Chengde Meibaohang

Chengde Meibaohang commenced operations in July 2014; we have obtained the relevant valid title certificates prior to the commencement of operations.

#### (3) Longyan Meidong

Longyan Meidong have not yet commenced operations.

#### (4) Lanzhou Meidong

We are still liaising with the relevant government authorities in relation to the rectification of the title defects relating to Lanzhou.

### Properties leased by the Group

There have not been any updates regarding the rectification of leased properties with defective titles nor have we obtained any consent from automobile manufacturers, local government and landlords (collectively the "Stakeholders") for the potential relocations. However, we will continue to negotiate with the Stakeholders on the potential relocations should the relevant landlords fail to achieve title rectification by the designated timeframe.



# Management Discussion and Analysis

## PROSPECTS

In the second half of 2014, through organic expansion, MeiDong Auto will strive for continuous improvement in business operational efficiency, diversification in product and service categories and the development of new auto-related areas, in order to build a solid foundation for the sustainable and healthy business development for the future.

We expect to have at least three new shops opening later this year, including our first Porsche dealership store, which will further optimize our brand and regional structure.

We will continue to improve sales efficiency, increase after-sales service pre-appointment rate, improve the level of service satisfaction, reduce customer lost ratio, extend customers spending life-cycle, and optimize revenue and cost structure by diversifying and completing product categories in the areas of auto finance, auto accessories, used car, car repair and services and continuously improving our data-driven operational management system.

We will look for new growth and business opportunities in the auto-related industry by setting foot in car finance leases, used car auctions, auto parts distribution and online commerce.

### DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the interests or short positions of the Directors and chief executive in the shares of the Company (the "Shares") and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions or Short Positions in Shares and Underlying Shares

Name of Director	Capacity	Interest in shares			Interest in underlying Shares pursuant to share options	Approximate percentage of shareholding as at 30 June 2014
		Personal interest shares	Family Interest	Total interest in shares		
Mr. Ye Fan	Settlor of trust	-	750,000,000	750,000,000	-	75.00%
Mr. Ye Tao	Beneficial Owner	-	-	-	2,000,000	0.20%
Ms. Liu Xuehua	Beneficial Owner	-	-	-	2,150,000	0.21%

Mr. Ye Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail. Apex Sail directly holds 750 million Shares and by virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares of Apex Sail.

Details of Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares" below.

## Other Information

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 13 November 2013 (the "SOS"), the Company has granted to certain Directors options to subscribe Shares, details of which as at 30 June 2014 were as follows:

Name of Director	Date of Grant	Exercisable period	Number of Shares subject to the outstanding options as at 01.01.2014	Exercise price HK\$	At at 30 June 2014	
					Number of Shares outstanding options	Approximate percentage of shareholding
Mr. Ye Tao	20.01.2014	01.01.2015 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2016 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2017 – 12.11.2023	–	1.80	500,000	0.05%
	20.01.2014	01.01.2018 – 12.11.2023	–	1.80	500,000	0.05%
Ms. Liu Xuehua	20.01.2014	01.01.2015 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2016 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2017 – 12.11.2023	–	1.80	537,500	0.05%
	20.01.2014	01.01.2018 – 12.11.2023	–	1.80	537,500	0.05%

On 20 January 2014, share options to subscribe for 4,150,000 Shares were granted under the SOS to two Directors at an exercise price of HK\$1.80 per Share, details of which are as follows:

Mr. Ye Tao	2,000,000
Ms. Liu Xue hua	2,150,000

*Notes:*

- (1) The vesting period of the share options is from the date of grant until the commencement of the relevant exercise period.*
- (2) During the period, no options held by the Directors had lapsed, cancelled or exercised.*
- (3) These options represent personal interests held by the Directors as beneficial owners.*

Save as disclosed above, as at 30 June 2014, none of the Directors of the Company had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

Other than the SOS, at no time during the period was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, chief executive, or any of his/their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

## Other Information

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares Held</b>	<b>Approximate percentage of shareholding</b>
Apex Sail	Beneficial owner	750,000,000	75.00%
Apex Holdings <sup>(1)</sup>	Interest in a controlled corporation	750,000,000	75.00%
Mr. Ye Fan <sup>(2)</sup>	Settlor of a trust	750,000,000	75.00%
Ms. Hu Huanran <sup>(2)</sup>	Interest of spouse	750,000,000	75.00%
FIL Limited	Investment Manager	60,350,000	6.04%

<sup>(1)</sup> *Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by Fiducia Suisse as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. Ye Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.*

<sup>(2)</sup> *Mr. Ye Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares of Apex Sail. Mr. Ye Fan's spouse, Ms. Hu Huanran, is deemed to be interested in such 750,000,000 Shares by virtue of the SFO.*

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2014, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

### SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

As at 30 June 2014, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

### OTHER PERSONS

As at 30 June 2014, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### SHARE OPTION SCHEME

Pursuant to the SOS, the Company may, at their discretion, invite full-time or part-time employees of the Group, including Directors of the Company and its subsidiaries, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares. The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 13 November 2013.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the Listing Date without prior approval from the Company's shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

## Other Information

Options granted under the SOS must be taken up within 21 days of the date of grant, upon payment of HK\$1.00 per grant.

Details of specific categories of options are as follows:

Option Type	Date of Grant	Exercisable Period	Exercise Price
2014 Options	20.01.2014	01.01.2015 – 12.11.2023	HK\$1.80
	20.01.2014	01.01.2016 – 12.11.2023	HK\$1.80
	20.01.2014	01.01.2017 – 12.11.2023	HK\$1.80
	20.01.2014	01.01.2018 – 12.11.2023	HK\$1.80

The following table discloses movements in the share options of the Company during the period:

Option type	Date of Grant	Exercisable Period	Exercise price HK\$	Number of Shares subject to the outstanding options as at 01.01.2014	Granted during the period	Lapsed during the period	Number of Shares subject to the outstanding options as at 30.06.2014	Weighted average closing price of Shares immediately before the date(s) on which the options were exercised	
								HK\$	
<b>Category 1:</b>									
<b>Directors</b>									
Mr. Ye Tao	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	–	500,000	–	500,000	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	–	500,000	–	500,000	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	–	500,000	–	500,000	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	–	500,000	–	500,000	–
Ms. Liu Xuehua	2014 Options	20.01.2014	01.01.2015 – 12.11.2023	1.80	–	537,500	–	537,500	–
		20.01.2014	01.01.2016 – 12.11.2023	1.80	–	537,500	–	537,500	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	–	537,500	–	537,500	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	–	537,500	–	537,500	–
<b>Total for Directors</b>					–	4,150,000	–	4,150,000	–

## Other Information

	Option type	Date of Grant	Exercisable Period	Exercise price HK\$	Number of Shares subject to the outstanding options as at 01.01.2014	Granted during the period	Lapsed during the period	Number of Shares subject to the outstanding options as at 30.06.2014	Weighted average closing price of Shares immediately before the date(s) on which the options were exercised HK\$
<b>Category 2:</b>									
Employees	2014	20.01.2014	01.01.2015 – 12.11.2023	1.80	–	1,812,500	–	1,812,500	–
	Options	20.01.2014	01.01.2016 – 12.11.2023	1.80	–	1,812,500	–	1,812,500	–
		20.01.2014	01.01.2017 – 12.11.2023	1.80	–	1,812,500	–	1,812,500	–
		20.01.2014	01.01.2018 – 12.11.2023	1.80	–	1,812,500	–	1,812,500	–
<b>Total for Employees</b>						–	7,250,000	–	7,250,000
<b>All Category</b>						–	11,400,000	–	11,400,000

### Notes:

- (1) *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*
- (2) *During the period, no options had lapsed, cancelled or exercised.*
- (3) *The closing price of the Shares immediately before 20 January 2014, the date of grant of the 2014 Options, was HK\$1.63.*
- (4) *The fair value of the 2014 Options granted at the date of grant (20 January 2014) totaled approximately HK\$8,505,000.*



## Other Information

The following significant assumptions were used to derive the fair value using the Binomial Option-Pricing Model:

Expected volatility:	54.34% based on historical volatility
Expected dividend yield:	2.02% based on forecast of earnings per share in the Company's prospectus and management's estimation of dividend payment
Post vesting exit rate:	5.00%
Risk free interest rate:	2.257% based on the yield curve of HKMA Hong Kong Exchange Fund Notes with a maturity life equal to the remaining maturity life of the 2014 Options

All options forfeited before expiry of the options will be treated as lapse options under the SOS.

Based on the closing price of the Shares on the date of the grant and above assumptions, the estimated fair value under the options granted to the Directors and employees during the period were approximately HK\$0.766 and HK\$0.734 respectively.

The Binomial Option-Pricing Model requires the input of subjective assumptions, including the volatility of the share price. As changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the Binomial Option-Pricing Model does not necessarily provide a reliable single measure of the fair value of the share options.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

### **CORPORATE GOVERNANCE**

Save as disclosed below, the Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules (the "Code") during the six months ended 30 June 2014.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

### AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls.

An Audit Committee meeting was held on 18 August 2014 to review the unaudited interim financial report for the six months ended 30 June 2014. KPMG, the Group’s external auditor, has carried out a review of the unaudited interim financial report for the six months ended 30 June 2014 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

# Report on Review of Interim Financial Report



## Review report to the board of directors of China MeiDong Auto Holdings Limited

*(Incorporated in Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 28 to 52 which comprises the consolidated balance sheet of China MeiDong Auto Holdings Limited as at 30 June 2014 and the related consolidated statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

# Report on Review of Interim Financial Report (continued)

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

## KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

18 August 2014

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014 – unaudited

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Turnover</b>	3&4	1,797,669	1,514,526
Cost of sales	6	(1,588,571)	(1,384,599)
<b>Gross profit</b>		209,098	129,927
Other revenue and net income	5	15,405	20,374
Distribution costs		(54,523)	(41,881)
Administrative expenses		(46,776)	(34,232)
<b>Profit from operations</b>		123,204	74,188
Finance costs	6(a)	(27,266)	(19,148)
Share of profits of an associate		1,195	612
Share of profits of a joint venture		6,132	4,987
<b>Profit before taxation</b>	6	103,265	60,639
Income tax	7	(27,387)	(14,865)
<b>Profit and total comprehensive income for the period</b>		75,878	45,774
<b>Profit and total comprehensive income attributable to:</b>			
Equity shareholders of the Company		74,317	43,941
Non-controlling interests		1,561	1,833
<b>Profit and total comprehensive income for the period</b>		75,878	45,774
<b>Earnings per share (RMB)</b>	8		
Basic and diluted		0.07	0.06

The notes on pages 34 to 52 form part of this interim financial report.

# Consolidated Balance Sheet

At 30 June 2014 – unaudited

		<b>At 30 June 2014</b>	At 31 December 2013
	<i>Note</i>	<b>RMB'000</b>	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	370,163	288,370
Lease prepayments		104,052	105,323
Intangible assets		11,061	11,438
Interest in an associate		5,406	4,211
Interest in a joint venture		29,500	23,368
Deferred tax assets		8,480	9,860
		528,662	442,570
<b>Current assets</b>			
Inventories	10	639,472	457,920
Trade and other receivables	11	242,664	242,354
Pledged bank deposits	12	163,124	181,590
Cash and cash equivalents	13	239,874	491,205
		1,285,134	1,373,069
<b>Current liabilities</b>			
Loans and borrowings	14	810,412	804,732
Trade and other payables	15	469,161	514,539
Income tax payables		6,792	16,297
		1,286,365	1,335,568
<b>Net current (liabilities)/assets</b>		<b>(1,231)</b>	<b>37,501</b>
<b>Total assets less current liabilities</b>		<b>527,431</b>	<b>480,071</b>

The notes on pages 34 to 52 form part of this interim financial report.

## Consolidated Balance Sheet (continued)

At 30 June 2014 – unaudited

		<b>At 30 June</b>	At 31 December
		<b>2014</b>	2013
	<i>Note</i>	<b>RMB'000</b>	RMB'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,765	2,859
		2,765	2,859
<b>NET ASSETS</b>		524,666	477,212
<b>EQUITY</b>	16		
Share capital		78,620	78,620
Reserves		427,545	381,652
<b>Total equity attributable to equity shareholders of the Company</b>		506,165	460,272
<b>Non-controlling interests</b>		18,501	16,940
<b>TOTAL EQUITY</b>		524,666	477,212

Approved and authorised for issue by the board of directors on 18 August 2014.

**Ye Fan**  
Director

**Ye Tao**  
Director

The notes on pages 34 to 52 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	PRC		Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				statutory reserves RMB'000	Retained earnings RMB'000			
<b>Balance at 1 January 2013</b>	259,010	-	1,935	18,382	171,004	450,331	8,640	458,971
<b>Changes in equity for the six months ended 30 June 2013</b>								
Capital injection	19,000	-	-	-	-	19,000	-	19,000
Profit and total comprehensive income for the period	-	-	-	-	43,941	43,941	1,833	45,774
Change in the Group's interests in a subsidiary	(7,500)	-	128	-	-	(7,372)	7,372	-
Deemed distribution	-	-	(18,530)	-	-	(18,530)	-	(18,530)
Dividends declared and paid to then equity holder	-	-	-	-	(166,609)	(166,609)	(3,310)	(169,919)
Capital injection in connection with reorganisation	50,000	-	-	-	-	50,000	-	50,000
Deemed distributions arising from reorganisation	(320,510)	-	(23,397)	-	-	(343,907)	-	(343,907)
<b>Balance at 30 June 2013 and 1 July 2013</b>	-	-	(39,864)	18,382	48,336	26,854	14,535	41,389
<b>Changes in equity for the six months ended 31 December 2013</b>								
Capital injection	58,965	-	-	-	-	58,965	-	58,965
Profit and total comprehensive income for the period	-	-	-	-	62,015	62,015	2,405	64,420
Appropriation to reserves	-	-	-	12,438	(12,438)	-	-	-
Deemed distributions arising from reorganisation	-	-	(16,748)	-	-	(16,748)	-	(16,748)
Issue of ordinary shares by initial public offering net of issuance costs	19,655	309,531	-	-	-	329,186	-	329,186
<b>Balance at 31 December 2013</b>	78,620	309,531	(56,612)	30,820	97,913	460,272	16,940	477,212

The notes on pages 34 to 52 form part of this interim financial report.



# Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014 – unaudited

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	PRC		Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
				statutory reserves RMB'000	Reserves RMB'000					
<b>Balance at 1 January 2014</b>	78,620	309,531	(56,612)	30,820	97,913	460,272	16,940	477,212		
<b>Changes in equity for the six months ended 30 June 2014</b>										
Profit and total comprehensive income for the period	-	-	-	-	74,317	74,317	1,561	75,878		
Dividends declared and paid (Note 16(a))	-	(30,000)	-	-	-	(30,000)	-	(30,000)		
Equity settled share-based transactions (Note 16(b))	-	-	1,576	-	-	1,576	-	1,576		
<b>Balance at 30 June 2014</b>	78,620	279,531	(55,036)	30,820	172,230	506,165	18,501	524,666		

The notes on pages 34 to 52 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 – unaudited

		Six months ended 30 June	
	Note	2014 RMB'000	2013 RMB'000
<b>Operating activities</b>			
Cash used in operations		(6,432)	(17,723)
Income tax paid		(35,606)	(15,866)
<b>Net cash used in operating activities</b>		<b>(42,038)</b>	<b>(33,589)</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(104,066)	(53,843)
Advances to related parties		–	(184,777)
Repayment of advances to related parties		–	366,640
Other cash flows arising from investing activities		8,202	3,539
<b>Net cash (used in)/generated from investing activities</b>		<b>(95,864)</b>	<b>131,559</b>
<b>Financing activities</b>			
Proceeds from loans and borrowings		538,766	1,284,687
Repayment of loans and borrowings		(592,864)	(1,131,648)
Dividends paid to equity shareholders/ then equity holders		(30,000)	(40,429)
Advances from related parties		–	48,005
Repayment of advances from related parties		(865)	(95,544)
Capital injection from equity shareholder of the Company		–	69,000
Payments to then equity holders arising from the reorganisation		–	(220,680)
Interest paid		(28,466)	(22,526)
<b>Net cash used in financing activities</b>		<b>(113,429)</b>	<b>(109,135)</b>
<b>Net decrease in cash</b>		<b>(251,331)</b>	<b>(11,165)</b>
<b>Cash at 1 January</b>	13	491,205	158,571
<b>Cash at 30 June</b>	13	239,874	147,406

The notes on pages 34 to 52 form part of this interim financial report.

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 1. GENERAL INFORMATION AND THE BASIS OF PRESENTATION

China MeiDong Auto Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (together, the “Group”) are principally engaged in 4S dealership business in the People’s Republic of China (the “PRC”).

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 18 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 1. GENERAL INFORMATION AND THE BASIS OF PRESENTATION *(continued)*

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 26.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The independent auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2014.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 2. CHANGES IN ACCOUNTING POLICIES *(continued)*

### Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

### Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

### Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as the Group did not have impaired non-financial assets as at 30 June 2014.

### Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group did not hold any derivatives.

### HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 3. SEGMENT REPORTING

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of passenger vehicles and provision of after-sales services.

### (i) Information about geographical area

All of the Group's revenue is derived from the sales of passenger vehicles and provision of after-sales services in mainland China and the principal non-current assets employed by the Group are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting period.

### (ii) Information about major customers

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues.

## 4. TURNOVER

The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Sales of passenger vehicles	1,599,073	1,350,057
After-sales services	198,596	164,469
	1,797,669	1,514,526

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 5. OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Other revenue:</b>		
Commission income	9,006	8,278
Bank interest income	5,026	1,094
Interest income from a related party	–	8,324
	14,032	17,696
<b>Other net income:</b>		
Net gain on disposal of property, plant and equipment and lease prepayment	212	831
Others	1,161	1,847
	1,373	2,678
	15,405	20,374

## Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

### 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
<b>(a)</b>	<b>Finance costs:</b>		
	Interest on loans and borrowings wholly repayable within 5 years	23,103	20,066
	Other finance costs (i)	4,959	2,406
	Less: interest expense capitalized (ii)	(796)	(3,324)
		27,266	19,148
<b>(b)</b>	<b>Staff costs:</b>		
	Salaries, wages and other benefits	63,579	45,200
	Equity settled share-based payment expenses (iii)	1,576	–
	Contributions to defined contribution retirement plans (iv)	2,997	1,790
		68,152	46,990

- (i) It mainly represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.
- (ii) The borrowing costs have been capitalised at a rate of 7.07% per annum for the six months ended 30 June 2014 (2013: 7.07%).
- (iii) The Group recognised an expense of RMB1,576,000 for the six months ended 30 June 2014 (2013: nil) in relation to share options granted to certain employees of the Group pursuant to a share option scheme (see note 16(b)).



# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 6. PROFIT BEFORE TAXATION *(continued)*

- (iv) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

### (c) Other items:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cost of inventories	1,570,384	1,369,418
Depreciation	12,199	8,814
Amortisation of lease prepayments	1,271	1,417
Amortisation of intangible assets	377	377
Operating lease charges	8,061	6,378
Net foreign exchange gain	(535)	–

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 7. INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Current tax:</b>		
Provision for PRC income tax for the period	26,101	14,904
<b>Deferred tax:</b>		
Reversal/(origination) of temporary differences	1,286	(39)
	27,387	14,865

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Under the Corporate Income Tax Law of the PRC which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate.

Taxation for the Group's PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable.

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity shareholders of the Company of RMB74,317,000 (six months ended 30 June 2013: RMB43,941,000) and the weighted average of 1,000,000,000 ordinary shares in issue (six months ended 30 June 2013: 750,000,000 shares) during the interim period.

The impact of share options to earnings per share was anti-dilutive for the six months ended 30 June 2014 and therefore there were no dilutive potential ordinary shares during the interim period, as a result, the diluted earnings per share is equivalent to the basic earnings per share.

## 9. PROPERTY, PLANT AND EQUIPMENT

	2014 RMB'000	2013 RMB'000
Net book value, at 1 January	288,370	180,567
Additions	98,472	134,650
Disposals	(7,394)	(12,776)
Depreciation charge for the period/year	(12,199)	(18,684)
Written back on disposals	2,914	4,613
At 30 June/31 December	370,163	288,370

## 10. INVENTORIES

Inventories in the consolidated balance sheet comprised:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Motor vehicles	607,410	434,043
Others	32,062	23,877
	639,472	457,920

No inventory provision was made as at 30 June 2014 and 31 December 2013, and the inventories as at 30 June 2014 and 31 December 2013 were stated at cost.

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 11. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date is as follows:

	<b>At 30 June 2014 RMB'000</b>	<b>At 31 December 2013 RMB'000</b>
Within 1 month	20,336	26,093
1 to 2 months	71	67
2 to 3 months	109	170
Over 3 months	304	176
Trade debtors	20,820	26,506
Prepayments	61,650	85,256
Other receivables and deposits	160,194	129,785
Amounts due from third parties	242,664	241,547
Amounts due from related parties	–	807
Trade and other receivables	242,664	242,354

Credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, which is normally settled within one month directly by major financial institutions.

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 12. PLEDGED BANK DEPOSITS

Guarantee deposits in respect of:

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Bills payable	160,124	181,590
Borrowings from other financial institutions	3,000	–
	163,124	181,590

The pledged bank deposits will be released upon the settlement of relevant bills payable and borrowings from other financial institutions.

## 13. CASH AND CASH EQUIVALENTS

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Cash at banks and in hand	239,874	491,205

## Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

### 14. LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
Unsecured bank loans	348,073	276,183
Unsecured loans from third parties	–	120,000
Unsecured borrowings from other financial institutions	6,848	4,590
	354,921	400,773
Secured bank loans	165,922	201,910
Secured borrowings from other financial institutions	289,569	202,049
	455,491	403,959
	810,412	804,732

## Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

### 15. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At</b> <b>30 June</b> <b>2014</b> <b>RMB'000</b>	At 31 December 2013 RMB'000
Within 3 months	354,566	357,078
Over 3 months but within 6 months	4,159	9,928
Total trade payables and bills payable	358,725	367,006
Receipts in advance	80,232	90,848
Other payables and accruals	29,753	54,921
Amounts due to third parties	468,710	512,775
Amounts due to related parties	451	1,764
Trade and other payables	469,161	514,539

All trade and other payables are expected to be settled within one year.

### 16. CAPITAL, RESERVES AND DIVIDENDS

#### (a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June <b>2014</b> <b>RMB'000</b>	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB 3 cents per ordinary share (six months ended 30 June 2013: nil)	30,000	–

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 16. CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Equity settled share-based transactions

Pursuant to a resolution of the board of directors of the Company passed on 20 January 2014, 11,400,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK\$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua, the executive directors of the Company, respectively (no share options were granted during the six months ended 30 June 2013).

Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the Company. Each 25% of these share options will vest on 1 January 2015, 1 January 2016, 1 January 2017 and 1 January 2018, respectively, and be exercisable until 12 November 2023.

No options were exercised during the six months ended 30 June 2014 (2013: nil).

The Group recorded equity settled share-based payment expenses of RMB1,576,000 for the six months ended 30 June 2014 (see note 6(b)(iii)).

## 17. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Contracted for	–	43,722
Authorised but not contracted for	308,462	353,721
	308,462	397,443



# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 18. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014, the directors are of the view that the following companies are related parties of the Group:

<b>Name of party</b>	<b>Relationship</b>
Ye Fan 葉帆	Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Liu Haiming 劉海銘	Non-controlling shareholder of a subsidiary
Wang Shenwu 王慎武	Non-controlling shareholder of subsidiaries
Guangdong Dadong Automotive Group Co., Ltd. ("Dadong Group") 廣東大東汽車集團有限公司	Controlled by the Controlling Shareholder
Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong") 東莞美東汽車服務有限公司	Joint venture
Dongguan Anxin Toyota Automotive Sales and Services Co., Ltd. ("Dongguan Anxin") 東莞安信豐田汽車銷售服務有限公司	Associate
Hunan Meibohang Auto Sales and Services Co., Ltd. ("Hunan Meibohang") 湖南省美博行汽車銷售服務有限公司	Controlled by the Controlling Shareholder before 14 May 2013

*Notes: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.*

## Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

### 18. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

#### (a) Recurring transactions

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Rental expense:</b>		
Dadong Group	228	–

#### (b) Non-recurring transactions

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
<b>Sales of passenger vehicles:</b>		
Dongguan Meidong	4,478	8,995
Dongguan Anxin	1,310	–
Dadong Group	63	–
	5,851	8,995
<b>Purchases of passenger vehicles:</b>		
Dongguan Meidong	7,004	3,251
Dongguan Anxin	1,135	–
	8,139	3,251
<b>Advance to related parties:</b>		
Dadong Group	–	184,027
Hunan Meibohang	–	750
	–	184,777

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 18. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

### (b) Non-recurring transactions *(continued)*

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Repayment of advance to related parties:</b>		
Dadong Group	114	365,880
Ye Fan	–	760
	114	366,640
<b>Advance from related parties:</b>		
Dadong Group	–	48,005
<b>Repayment of advance from related parties:</b>		
Dadong Group	74	92,044
Hunan Meibohang	146	3,500
Ye Fan	645	–
	865	95,544
<b>Disposal of fixed assets and lease prepayment to related parties:</b>		
Dadong Group	–	4,775
<b>Interest income:</b>		
Dadong Group	–	8,324

## Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

### 18. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

#### (c) Balances with related parties

At 30 June 2014, the Group had the following balances with related parties:

	The Group	
	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
<b>Other receivables due from:</b>		
Dadong Group	–	114
Dongguan Meidong	–	693
	–	807
<b>Other payables due to:</b>		
Dongguan Meidong	451	–
Dadong Group	–	74
Hunan Meibohang	–	146
Ye Fan	–	645
Dongguan Anxin	–	899
	451	1,764

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

# Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

## 18. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

### (d) Guarantees issued by related parties

	The Group	
	At	At
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
<b>Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:</b>		
– Ye Fan/Dadong Group	–	54,000
– Wang Shenwu/Liu Haiming	–	15,000
– Ye Fan/Ye Tao/Dadong Group	–	55,000
	–	124,000

### (e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	2,419	1,116
Equity compensation benefits	779	–
	3,198	1,116

Total remuneration is included in staff costs (see note 6(b)).