



MEIDONG
AUTO

China MeiDong Auto Holdings Limited 中國美東汽車控股有限公司

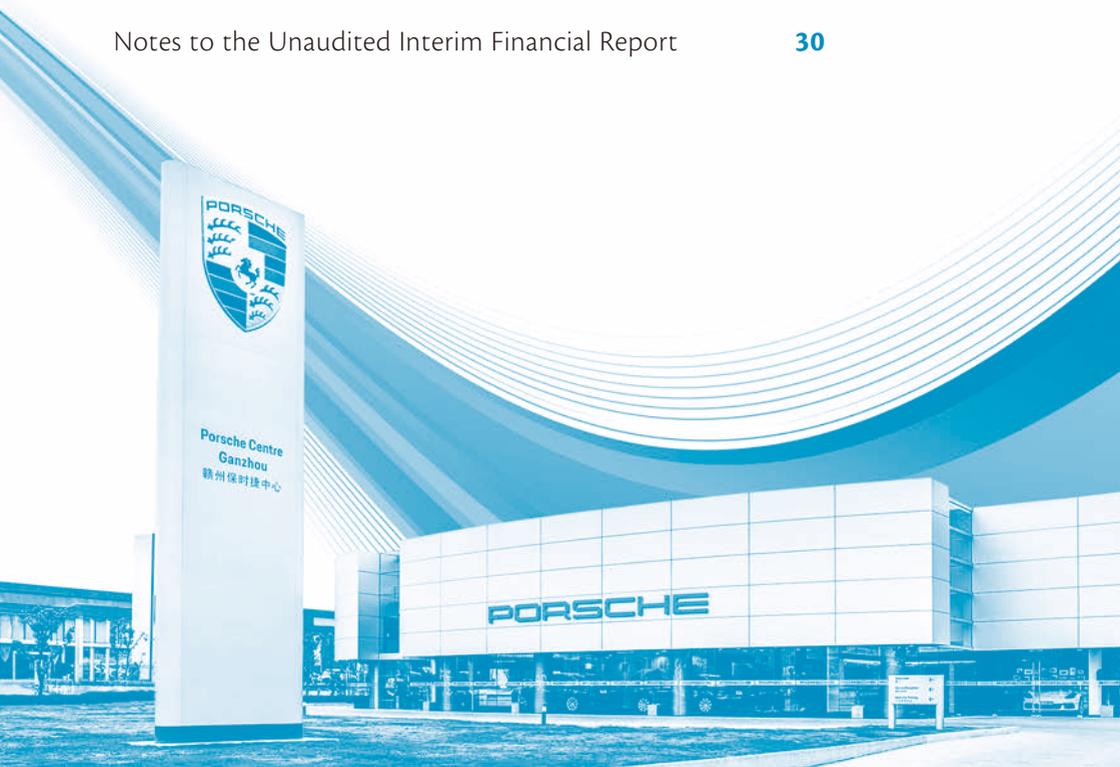
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1268

Interim Report
2018



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ye Fan (*Chairman*)

Ye Tao (*Chief Executive Officer*)

Liu Xuehua

Independent Non-Executive Directors

Chen Guiyi

Wang, Michael Chou

Jip Ki Chi

AUTHORISED REPRESENTATIVE

Ye Tao

COMPANY SECRETARY

Wong Cheung Ki Johnny

AUDIT COMMITTEE

Jip Ki Chi (*Chairman*)

Wang, Michael Chou

Chen Guiyi

REMUNERATION COMMITTEE

Wang, Michael Chou (*Chairman*)

Chen Guiyi

Jip Ki Chi

NOMINATION COMMITTEE

Ye Fan (*Chairman*)

Wang, Michael Chou

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

CORPORATE INFORMATION

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust (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 Construction Bank (Asia) Corporation Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the Chinese economy maintained a steady growth amidst the uncertainties with GDP growth of 6.8% year-on-year (YoY). Consumer demand maintained a good momentum. The total sales of consumer goods increased by 9.4%. During the period, the automobile industry witnessed a steady growth. According to China Association of Automobile Manufacturers (CAAM), the total sales of passenger vehicles grew by 4.64% to 11,775,300 units, in which the sales of sedans amounted to 5,694,000, an increase of 5.46% while the sales of sports utility vehicles (SUVs) grew 9.68% to 4,964,700 units. In the first half of 2018, the automobile market maintained an overall trend of consumption upgrade. Despite of short-term market uncertainties in the second quarter due to factors such as tariff reduction, the growth of major luxury brands remained stable that outpaced the overall automobile market.

RESULTS ANALYSIS

REVENUE

For the six months ended 30 June 2018 (the "Period"), China MeiDong Auto Holdings Limited (the "Company") and its subsidiaries (the "Group") recorded a revenue of approximately RMB4,346.7 million, representing a YoY increase of 30.4% (The first half of 2017 ("20171H"): RMB3,332.3 million). During the Period, both new passenger vehicles sales and after-sales service achieved fruitful results. The revenue of new passenger vehicles sales increased by 29.1% to approximately RMB3,779.5 million (20171H: RMB2,927.6 million), accounting for 86.9% of the total revenue (20171H: 87.9%). The revenue of after-sales service increased by 40.2% YoY to approximately RMB567.3 million (20171H: approximately RMB404.7 million), accounting for approximately 13.1% of the total revenue (20171H: 12.1%).

Gross Profit

During the Period, the gross profit increased by 27.8% from RMB371.3 million for the first half of 2017 to RMB474.6 million, which was driven by the steady growth in the overall revenue. The overall gross profit margin remained stable with a slight decline of 0.2 percentage points to approximately 10.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution Expenses and Administrative Expenses

During the Period, distribution costs amounted to RMB169.2 million, representing an increase of approximately 34.4% from RMB125.9 million for the same period of last year, accounting for 3.9% of the total revenue (20171H: 3.8%). Administrative expenses increased by approximately 27.3% from RMB112.3 million for the same period of last year to RMB143.0 million, accounting for 3.3% of the total revenue (20171H: 3.4%).

Finance Costs

During the Period, finance costs recorded a decrease of 6.6% from RMB28.6 million to RMB26.7 million, accounting for 0.6% of the revenue, fell by 0.3 percentage points from 0.9%.

Profit for the Period Attributable to Shareholders

Leveraged on its excellent information management capabilities, overall operational efficiency of the Group continued to improve. Combined with the effective control over expenses, profit for the Period attributable to shareholders increased by 46.1% to RMB157.6 million (20171H: RMB107.9 million). Net profit margin increased by 0.4 percentage points to approximately 3.6% (20171H: 3.2%).

Dividend

The board (the “Board”) of directors (the “Directors”) of the Company proposed to declare an interim dividend of RMB0.041 per ordinary share for the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

New Passenger Vehicles Sales

During the Period, the Group continued to maintain a balanced and expedited growth rate through the new-store expansion and the same-store growth. Together with the Group's effective "Single City Single Store" strategy, new passenger vehicles sales maintained a satisfactory growth during the first half of 2018. During the Period, the Group's revenue of new passenger vehicles sales amounted to RMB3,779.5 million (20171H: RMB2,927.6 million), representing an increase of approximately 29.1% over the same period of last year. Luxury brands continued to be the core sales revenue source of the Group, accounting for 73.1% of the revenue of new passenger vehicles sales. During the first half of 2018, BMW, Porsche and Lexus recorded new passenger vehicles sales of approximately RMB1,397.9 million, RMB461.8 million and RMB901.6 million respectively, accounting for 37.0%, 12.2% and 23.9% of the revenue respectively. In terms of sales volume, the Group sold 15,587 new passenger vehicles in total, representing a YoY increase of 24.6% of new passenger vehicles sales. Among which, luxury brands were still the main source of revenue, the sales volume of BMW, Porsche and Lexus were 4,219 units, 576 units and 2,603 units respectively.

After-sales service

Revenue from after-sales service amounted to approximately RMB567.3 million, representing an increase of 40.2% as compared with the same period of last year (20171H: RMB404.7 million). A total of 170,889 units were served, representing a YoY increase of 16.2%. The gross profit margin of this segment remained at a stable and high level of 48.4%. The Group holds a young store portfolio; as the stores become matured, the contribution from after-sales services with high margin will gradually enhance. This serves as one of the major driving forces for the optimization of the Group's revenue structure. In addition, the Group is committed to providing high quality value-added services to increase customer loyalty. At the same time, with the growing demand for after-sales services in the second-tier to fourth-tier cities and the local competitive advantage brought by the Group's unique "Single City Single Store" strategy, the Group will fully capture the enormous growth potential in the after-sales service market.

MANAGEMENT DISCUSSION AND ANALYSIS

Current network

The Group continued to implement its effective strategy of “Single City Single Store” with a focus on luxury brands for expanding the sales network. As at 30 June 2018, there were 41 4S self-operated stores which operate in Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong and Gansu, including a joint venture that is operated by the Group.

As at 30 June 2018, the number of stores operated by the Group is as follows:

Number of stores under operation	20171H	20181H	Change
Porsche	2	3	+1
BMW	11	15	+4
Lexus	8	10	+2
Toyota	11	11	–
Hyundai	2	2	–
Total	34	41	+7

Agreement to Acquire Assets of BMW Outlets

Dongguan Meixin Business Consulting Co., Ltd. (東莞美信企業管理諮詢有限公司) (the “Purchaser”), a wholly-owned subsidiary of the Company, recently entered into an agreement (the “Agreement”) with an independent third party, pursuant to which, the Purchaser agreed to acquire certain assets of six BMW selling and service outlets in Huaibei (淮北), Suzhou (宿州), Chuzhou (滁州), Tongling (銅陵), Chizhou (池州) and Huangshan (黃山), Anhui Province in the People’s Republic of China (the “PRC”) (the “Acquisition”).

The Board believes that the Acquisition is consistent with its proven strategy of “Single City Single Store” focusing on mainstream luxury vehicles. The strategy allows the Group to enter many fast growing lower tier cities and to be the only dealer for certain luxury brand in those cities.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS OF THE SECOND HALF OF 2018

For the second half of 2018, despite the uncertainties in China's macro economy and automobile market, supported by the consumption upgrade and the gradual implementation of encouraging policies, the automobile industry is full of opportunities. Such trend will be particularly recognizable in lower tier cities. The Group will adhere to the "Single City Single Store" strategy with a focus on developing luxury brands portfolio in lower tier cities. Through the development of new stores and merger and acquisition projects, the Group will proactively yet cautiously expand its network, injecting new driving forces for the Group's sustainable and stable growth.

While developing the sales network, the Group is also actively expanding its luxury brand products portfolio. In addition to its current portfolio of Porsche, BMW and Lexus, the Group will bring in the brands of Audi and BMW Mini. Audi is one of the top three luxury brands in China and has a massive car ownership in China. BMW Mini brand focuses on the younger generation market. The inclusion of the above two brands will help the Group to cover a wider consumer base and further optimize the source of revenue.

In addition to its active expansion, the Group is also committed to continually optimizing its internal data management system and implementing the Group's "simple, direct and data-driven" business principle. At the general management level, continuously optimizing capital and inventory management and enhancing the investment return remain as the managerial priorities of the Group. This aims to bring balance for the Group between maintaining a prudent and solid management approach while capturing market opportunities, ensuring the Group's sustainable long term developments with high returns.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Resources and Position

As at 30 June 2018, the Group's loans and borrowings amounted to RMB899,917,000, representing an increase of approximately 10.2% from the loans and borrowings of RMB816,864,000 as at 31 December 2017 (including RMB91,905,000 of corporate bonds as at 31 December 2017), including approximately RMB793,924,000 of short-term loans and borrowings, and RMB105,993,000 of long-term loans and borrowings.

As at 30 June 2018, cash and cash equivalents and pledged bank deposits amounted to RMB819,240,000. Most of the cash and cash equivalents and pledged bank deposits are dominated in Renminbi and Hong Kong Dollars. As the Group's business is conducted in the PRC, the Group does not anticipate 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

As at 30 June 2018, one subsidiary of the Group has issued financial guarantees to a financial institution in respect of financial facilities granted to Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong") amounting to RMB80,000,000 (31 December 2017: RMB80,000,000) and Dongguan Anxin Toyota Automotive Sales and Services Co., Ltd. ("Dongguan Anxin") amounting to RMB78,000,000 (31 December 2017: RMB78,000,000). As at 30 June 2018, the financial facility utilised by Dongguan Meidong amounted to RMB411,300 (31 December 2017: RMB8,218,000), and the financial facility utilised by Dongguan Anxin amounted to RMB16,231,000 (31 December 2017: RMB24,540,000).

As at 30 June 2018, the Directors do not consider it probable that a claim will be made under the above guarantee.

OTHER INFORMATION

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests or short positions of the Directors and chief executives 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 (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 2018
		Personal interest in Shares	Family interest in Shares	Total interest in Shares		
Mr. Ye Fan ⁽¹⁾	Settlor of trust	—	754,400,000	754,400,000	—	65.45%
Mr. Ye Tao	Beneficial Owner	—	—	—	2,000,000 ⁽²⁾	0.17%
Ms. Liu Xuehua	Beneficial Owner	1,000,000	—	1,000,000	1,150,000 ⁽²⁾	0.10%

Notes:

- Mr. Ye Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited ("Apex Holdings") is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited ("Apex Sail"). Apex Sail directly hold 754.4 million Shares and by virtue of the SFO, Mr. Ye Fan is deemed to be interested in the Shares of Apex Sail.*
- These do not include the 2,000,000 shares options and 2,150,000 share options granted to Mr. Ye Tao and Ms. Liu Xuehua on 4 January 2018 respectively, where option certificates have not been issued to Mr. Ye Tao and Ms. Liu Xuehua. Details of the share options are further set out under the heading "Directors' Rights to Acquire Shares" below.*

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 (the "Shareholders") on 13 November 2013 (the "SOS"), the Company has granted to certain Directors options to subscribe Shares, details of which as at 30 June 2018 were as follows:

Name of Director	Date of grant	Exercisable period	Exercisable price HK\$	Number of Shares subject to the options as at 01.01.2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Number of shares subject to the option as at 30.06.2018	Approximate percentage of shareholding
Mr. Ye Tao	20.01.2014	01.01.2015–12.11.2023	1.80	500,000	—	—	—	500,000	0.04%
	20.01.2014	01.01.2016–12.11.2023	1.80	500,000	—	—	—	500,000	0.04%
	20.01.2014	01.01.2017–12.11.2023	1.80	500,000	—	—	—	500,000	0.04%
	20.01.2014	01.01.2018–12.11.2023	1.80	500,000	—	—	—	500,000	0.04%
	04.01.2018	04.01.2018–03.01.2028	2.58	—	500,000	—	—	500,000	0.04%
	04.01.2018	04.01.2019–03.01.2028	2.58	—	500,000	—	—	500,000	0.04%
	04.01.2018	04.01.2020–03.01.2028	2.58	—	500,000	—	—	500,000	0.04%
	04.01.2018	04.01.2021–03.01.2028	2.58	—	500,000	—	—	500,000	0.04%
Ms. Liu Xuehua	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	—	(462,500)	—	75,000	0.01%
	20.01.2014	01.01.2017–12.11.2023	1.80	537,500	—	—	—	537,500	0.05%
	20.01.2014	01.01.2018–12.11.2023	1.80	537,500	—	—	—	537,500	0.05%
	04.01.2018	04.01.2018–03.01.2028	2.58	—	537,500	—	—	537,500	0.05%
	04.01.2018	04.01.2019–03.01.2028	2.58	—	537,500	—	—	537,500	0.05%
	04.01.2018	04.01.2020–03.01.2028	2.58	—	537,500	—	—	537,500	0.05%
	04.01.2018	04.01.2021–03.01.2028	2.58	—	537,500	—	—	537,500	0.05%

Note:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2018, none of the Directors 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the register of interests in shares and short positions 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:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Apex Sail ⁽¹⁾	Beneficial owner	754,400,000	65.45%
Apex Holdings ⁽¹⁾	Interest in a controlled corporation	754,400,000	65.45%
Fiducia Suisse SA ⁽¹⁾	Interest in a controlled corporation	754,400,000	65.45%
Mr. David Henry Christopher Hill ⁽¹⁾	Interest of a controlled corporation	754,400,000	65.45%
Mrs. Rebecca Ann Hill ⁽¹⁾	Interest of spouse	754,400,000	65.45%
Ms. Hu Huanran ⁽²⁾	Interest of spouse	754,400,000	65.45%
FIL Limited	Interest in a controlled corporation	97,314,000	8.44%
Fidelity China Special Situations PLC	Beneficial owner	97,314,000	8.44%

OTHER INFORMATION

Notes:

- (1) *Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by Fiducia Suisse SA as the trustee of the Ye Family Trust. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher Hill and Ms. Rebecca Ann Hill is the wife of Mr. David Henry Hill. 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.*
- (2) *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 754,400,000 Shares by virtue of the SFO.*

Save for the Shareholders as disclosed herein, the Directors are not aware of any person (other than the Directors and chief executives of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded as at 30 June 2018 in the register to be kept by the Company under Section 336 of the SFO.

SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

As at 30 June 2018, 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 2018, 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 Division 2 and 3 of Part XV of the SFO and the Listing Rules.

OTHER INFORMATION

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 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 date of the listing of the Company on 5 December 2013 (the "Listing Date") without prior approval from the 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

As at 30 June 2018, the Company had 19,550,000 share options outstanding under the SOS, representing approximately 1.70% of the issued share capital of the Company as at the date of this report. Details of the share options outstanding as at the date of this report 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
2018 Options	04.01.2018	04.01.2018-03.01.2028	HK\$2.58
	04.01.2018	04.01.2019-03.01.2028	HK\$2.58
	04.01.2018	04.01.2020-03.01.2028	HK\$2.58
	04.01.2018	04.01.2021-03.01.2028	HK\$2.58

OTHER INFORMATION

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

Name of Director	Options type	Date of grant	Exercisable period	Exercisable price HK\$	Number of Shares subject to the outstanding options as at 01.01.2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Number of shares outstanding option as at 30.06.2018	Weighted average closing price of shares immediately before the date on which the options were exercised	
										HK\$	
Category 1:											
Directors											
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	—	
	2018 Options	04.01.2018	04.01.2018—03.01.2028	2.58	—	500,000	—	—	—	500,000	—
		04.01.2018	04.01.2019—03.01.2028	2.58	—	500,000	—	—	—	500,000	—
		04.01.2018	04.01.2020—03.01.2028	2.58	—	500,000	—	—	—	500,000	—
		04.01.2018	04.01.2021—03.01.2028	2.58	—	500,000	—	—	—	500,000	—
Ms. Liu Xuehua	2014 Options	20.01.2014	01.01.2015—12.11.2023	1.80	537,500	—	(537,500)	—	—	3.51	
		20.01.2014	01.01.2016—12.11.2023	1.80	537,500	—	(462,500)	—	75,000	3.51	
		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	—	
	2018 Options	04.01.2018	04.01.2018—03.01.2028	2.58	—	537,500	—	—	—	537,500	—
		04.01.2018	04.01.2019—03.01.2028	2.58	—	537,500	—	—	—	537,500	—
		04.01.2018	04.01.2020—03.01.2028	2.58	—	537,500	—	—	—	537,500	—
		04.01.2018	04.01.2021—03.01.2028	2.58	—	537,500	—	—	—	537,500	—
Total for Directors					4,150,000	4,150,000	(1,000,000)	—	7,300,000		

OTHER INFORMATION

Name of Director	Options type	Date of grant	Exercisable period	Exercisable price HK\$	Number of Shares subject to the			Cancelled/ Lapsed during the period	Number of shares subject to the 30.06.2018	Weighted average closing price of shares immediately before the date on which the options were exercised HK\$
					outstanding options as at 01.01.2018	Granted during the period	Exercised during the period			
Category2	2014	20.01.2014	01.01.2015—12.11.2023	1.80	1,330,000	—	(187,500)	(12,500)	1,130,000	3.51
Employees	Options	20.01.2014	01.01.2016—12.11.2023	1.80	1,330,000	—	(187,500)	(12,500)	1,130,000	3.51
		20.01.2014	01.01.2017—12.11.2023	1.80	1,330,000	—	(187,500)	(12,500)	1,130,000	3.51
		20.01.2014	01.01.2018—12.11.2023	1.80	1,330,000	—	(187,500)	(12,500)	1,130,000	3.51
	Options	2018	04.01.2018—03.01.2028	2.58	—	1,957,500	—	(25,000)	1,932,500	—
		04.01.2018	04.01.2019—03.01.2028	2.58	—	1,957,500	—	(25,000)	1,932,500	—
		04.01.2018	04.01.2020—03.01.2028	2.58	—	1,957,500	—	(25,000)	1,932,500	—
		04.01.2018	04.01.2021—03.01.2028	2.58	—	1,957,500	—	(25,000)	1,932,500	—
Total for Employees					5,320,000	7,830,000	(750,000)	(150,000)	12,250,000	
All Category					9,470,000	11,980,000	(1,750,000)	(150,000)	19,550,000	

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) The closing price of the Shares immediately before 4 January 2018, the date of grant of the 2018 Options, was HK\$2.60.
- (3) The fair value of the 2018 Options granted at the date of grant (4 January 2018) totaled approximately HK\$10,377,000.

OTHER INFORMATION

ISSUE OF BONDS AND WARRANTS

There is no issue of bonds or warrants in the current period.

PLACING OF SHARES

There is no issue of placing of shares in the current period.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company (the “Controlling Shareholders”) has provided to the Company a written confirmation in respect of his/its compliance with the non-compete undertakings dated 13 November 2013 (the “Non-Compete Undertakings”) for the six months ended 30 June 2018. The independent non-executive Directors have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

STAFF TRAINING AND DEVELOPMENT

As at 30 June 2018, the Group had a total of 3,758 employees. The majority of whom are based in the PRC. 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 advocates simple, direct and data-oriented corporate culture, which becomes one of key elements of attracting talents. The management team of the Group values satisfaction of employees, strives for creating a better working environment and career paths for employees.

OTHER INFORMATION

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

As disclosed in the prospectus of the Company dated 22 November 2013 (the “Prospectus”), the Company will provide timely updates on the status of rectifications for properties with title defects with respect to owned and leased properties.

The Group has no status update on the property title defect for the six months ended 30 June 2018.

Matters in relation to the updated progress, the Group will timely announce in accordance with the respective rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2018.

OTHER INFORMATION

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 20 August 2018 and the Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2018. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2018 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.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to declare an interim dividend of RMB0.041 per ordinary share for the six months ended 30 June 2018 (2017: RMB0.035 per ordinary share). The interim dividend will be paid in cash. Based on the number of shares in issue as at the date of this report, a total amount of dividend of approximately RMB47.3 million will be distributed.

The interim dividend will be distributed to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 14 September 2018. The register of members of the Company will be closed from Thursday, 13 September 2018 to Friday, 14 September 2018 (both days inclusive), during such period no share transfer will be registered. To qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 12 September 2018. The interim dividend will be payable on or about Friday, 28 September 2018.

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



Review report to the board of directors of China Meidong Auto Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 60 which comprises the consolidated statement of financial position of China MeiDong Auto Holdings Limited as of 30 June 2018 and the related consolidated statement of comprehensive income and consolidated 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

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 2018 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

20 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 — unaudited

	Note	Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Revenue	3	4,346,746	3,332,259
Cost of sales	5	(3,872,115)	(2,960,979)
Gross profit		474,631	371,280
Other income	4	68,506	32,671
Distribution costs		(169,218)	(125,883)
Administrative expenses		(142,999)	(112,349)
Profit from operations		230,920	165,719
Finance costs	5(a)	(26,725)	(28,634)
Share of profits of an associate		—	87
Share of profits of a joint venture		12,950	12,471
Profit before taxation	5	217,145	149,643
Income tax	6	(56,500)	(40,895)
Profit for the period		160,645	108,748
Other comprehensive income for the period		—	—
Profit and total comprehensive income for the period		160,645	108,748
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		157,586	107,940
Non-controlling interests		3,059	808
Profit and total comprehensive income for the period		160,645	108,748
Earnings per share	7		
Basic (RMB cents)		13.75	9.92
Diluted (RMB cents)		13.67	9.92

The notes on pages 30 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 — unaudited

	<i>Note</i>	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	8	764,762	681,146
Lease prepayments		119,284	97,528
Intangible assets		14,305	10,228
Interest in an associate		—	19,153
Interest in a joint venture		50,363	37,413
Other non-current assets		45,828	48,392
Deferred tax assets		17,126	12,887
		1,011,668	906,747
Current assets			
Inventories	9	746,651	673,129
Trade and other receivables	10	667,894	583,983
Pledged bank deposits	11	207,466	264,543
Cash and cash equivalents	12	611,774	545,207
		2,233,785	2,066,862
Current liabilities			
Loans and borrowings	13	793,924	674,282
Trade and other payables	14	1,061,730	1,030,069
Corporate bonds	15	—	91,905
Income tax payables		21,184	30,212
		1,876,838	1,826,468
Net current assets		356,947	240,394
Total assets less current liabilities		1,368,615	1,147,141

The notes on pages 30 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 — unaudited

	<i>Note</i>	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current liabilities			
Loans and borrowings	13	105,993	50,677
Deferred tax liabilities		4,475	2,849
		110,468	53,526
NET ASSETS			
		1,258,147	1,093,615
EQUITY			
	16		
Share capital		90,899	86,585
Reserves		1,129,545	968,972
Total equity attributable to equity shareholders of the Company		1,220,444	1,055,557
Non-controlling interests		37,703	38,058
TOTAL EQUITY		1,258,147	1,093,615

Approved and authorised for issue by the board of directors on 20 August 2018

Ye Fan
Director

Ye Tao
Director

The notes on pages 30 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited

	Attributable to equity shareholders of the Company							Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	PRC statutory reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		Non-controlling interests RMB'000
Balance at 1 January 2017	85,529	322,312	986	(37,976)	89,537	404,096	864,484	37,806	902,290
Changes in equity for the six months ended 30 June 2017									
Profit and total comprehensive income for the period	—	—	—	—	—	107,940	107,940	808	108,748
Acquisition of non-controlling interest	—	—	—	—	—	(788)	(788)	(6,712)	(7,500)
Dividends approved in respect of the previous years (Note 16(a))	—	(69,640)	—	—	—	—	(69,640)	—	(69,640)
Equity settled share-based transactions (Note 16(b))	—	—	—	172	—	—	172	—	172
Balance at 30 June 2017 and 1 July 2017	85,529	252,672	986	(37,804)	89,537	511,248	902,168	31,902	934,070
Profit and total comprehensive income for the period	—	—	—	—	—	167,847	167,847	2,156	170,003
Capital injection by non-controlling interests	—	—	—	—	—	—	—	4,000	4,000
Appropriation of reserves	—	—	—	—	46,324	(46,324)	—	—	—
Dividends declared and paid (Note 16(a))	—	(38,172)	—	—	—	—	(38,172)	—	(38,172)
Equity settled share-based transactions (Note 16(b))	—	—	—	176	—	—	176	—	176
Issue of ordinary shares upon exercise of warrants	1,056	25,091	—	(2,609)	—	—	23,538	—	23,538
Balance at 31 December 2017	86,585	239,591	986	(40,237)	135,861	632,771	1,055,557	38,058	1,093,615

The notes on pages 30 to 60 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited

	Attributable to equity shareholders of the Company							Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	PRC statutory reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		Non-controlling interests RMB'000
Balance at 1 January 2018	86,585	239,591	986	(40,237)	135,861	632,771	1,055,557	38,058	1,093,615
Changes in equity for the six months ended 30 June 2018									
Profit and total comprehensive income for the period	—	—	—	—	—	157,586	157,586	3,059	160,645
Changes in ownership interests in a subsidiary without change in control	—	—	—	—	—	7,837	7,837	1,163	9,000
Dividends approved in respect of the previous years (Note 16(a))	—	(101,779)	—	—	—	—	(101,779)	—	(101,779)
Dividends paid to non-controlling interests (Note 16(a))	—	—	—	—	—	—	—	(4,577)	(4,577)
Equity settled share-based transactions (Note 16(b))	—	—	—	4,029	—	—	4,029	—	4,029
Issue of ordinary shares upon exercise of share options (Note 16(b))	142	34,311	—	(1,024)	—	—	2,549	—	2,549
Issue of ordinary shares upon exercise of warrants (Note 16(c))	4,172	100,987	—	(10,494)	—	—	94,665	—	94,665
Balance at 30 June 2018	90,899	242,230	986	(47,726)	135,861	798,194	1,220,444	37,703	1,258,147

The notes on pages 30 to 60 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 – unaudited

	Note	Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Operating activities			
Cash generated from operations		161,421	133,131
Income tax paid		(68,141)	(48,671)
Net cash generated from operating activities		93,280	84,460
Investing activities			
Payment for the purchase of property, plant and equipment		(136,635)	(73,934)
Payment for purchase of lease prepayments		(23,402)	–
Dividends received from a joint venture		–	38,731
Dividends received from an associate		12,497	–
Proceeds from disposal of property, plant and equipment		29,512	19,837
Proceeds from disposal of an associate		19,850	–
Other cash flows arising from investing activities		3,635	1,314
Net cash used in investing activities		(94,543)	(14,052)
Financing activities			
Proceeds from loans and borrowings		588,510	448,713
Repayment of loans and borrowings		(394,737)	(456,348)
Dividends paid to equity shareholders	16(a)	(101,779)	(69,640)
Dividends paid to non-controlling interests	16(a)	(4,577)	–
Proceeds from exercise of share options	16(b)	2,549	–
Proceeds from exercise of warrants	16(c)	92,217	–
Interest paid		(28,279)	(21,900)
Repayment of corporate bonds	15	(89,074)	–
Proceeds from changes in interests in a subsidiary without change in control		3,000	–
Acquisition of non-controlling interests in a subsidiary		–	(7,500)
Advances from related parties		–	4,801

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2018 – unaudited

	Note	Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
Net cash generated from/(used in) financing activities		67,830	(101,874)
Net increase/(decrease) in cash		66,567	(31,466)
Cash at 1 January	12	545,207	426,169
Cash at 30 June	12	611,774	394,703

The notes on pages 30 to 60 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 20 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any change 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 2017 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”).

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 21.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK (IFRIC) 22, Foreign currency transactions and advance consideration

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

HKFRS 9 and HK (IFRIC) 22 do not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has been impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 15. Under the transition methods chosen, the Group recognises the cumulative effects of the initial application of HKFRS 15 as an adjustment to the opening statement of financial position at 1 January 2018. Comparative information is not restated.

(b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKFRS 15, Revenue from contracts with customers *(continued)*

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) *Presentation of contract liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

- “Receipts in advance” amounting to RMB328,939,000 as at 1 January 2018, which was mainly related to sales of passenger vehicles and after-sales services previously included in trade and other payables is now presented as Contract liabilities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales of passenger vehicles	3,779,495	2,927,564
After-sales services	567,251	404,695
	4,346,746	3,332,259

(b) 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 OTHER INCOME

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Commission income	31,043	20,343
Bank interest income	4,519	1,104
Management service income	3,733	—
Net gain on disposal of an associate	13,194	—
Net gain on disposal of property, plant and equipment	14,114	6,398
Net foreign exchange (loss)/gain	(745)	4,503
Others	2,648	323
	68,506	32,671

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
(a) Finance costs:		
Interest on:		
— loans and borrowings	16,214	14,695
— corporate bonds	3,746	10,418
Total borrowing cost	19,960	25,113
Other finance costs (i)	6,765	3,521
Total finance costs	26,725	28,634

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION *(continued)*

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(b) Staff costs:		
Salaries, wages and other benefits	177,569	142,154
Equity settled share-based payment expenses (ii)	4,029	172
Contributions to defined contribution retirement plans (iii)	7,208	6,747
	188,806	149,073
(c) Other items:		
Cost of inventories	3,818,186	2,918,040
Write down of inventories	4,914	8,293
Depreciation	46,417	31,755
Amortisation of lease prepayments	1,646	1,474
Amortisation of intangible assets	1,368	1,116
Operating lease charges	28,108	19,207
Net foreign exchange loss/(gain)	745	(4,503)

- (i) *It represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.*
- (ii) *The Group recognised an expense of RMB4,029,000 for the six months ended 30 June 2018 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (six months ended 30 June 2017: RMB172,000) (see note 16(b)).*
- (iii) *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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	59,113	40,005
Deferred tax:		
Origination and reversal of temporary differences	(2,613)	890
	56,500	40,895

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)

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to equity shareholders of the Company of RMB157,586,000 (six months ended 30 June 2017: RMB107,940,000) and the weighted average of 1,146,259,000 ordinary shares in issue (six months ended 30 June 2017: 1,088,130,000 ordinary shares) during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
Issued ordinary shares at 1 January	1,100,630,000	1,088,130,000
Effect of exercise of warrants	45,157,000	—
Effect of exercise of share options	472,000	—
Weighted average number of ordinary shares at 30 June	1,146,259,000	1,088,130,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB157,586,000 (six months ended 30 June 2017: RMB107,940,000) and the weighted average of 1,152,455,000 ordinary shares (six months ended 30 June 2017: 1,088,130,000 ordinary shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme and warrants during the period ended 30 June 2018.

Weighted average number of shares (diluted)

	Six months ended 30 June	
	2018	2017
Weighted average number of ordinary shares for the period ended 30 June	1,146,259,000	1,088,130,000
Effect of deemed issue of shares under the employee share option scheme	4,737,000	—
Effect of deemed issue of shares on warrants	1,459,000	—
Weighted average number of ordinary shares at 30 June	1,152,455,000	1,088,130,000

The impact of share options and warrants to earnings per share was anti-dilutive for the period ended 30 June 2017 and therefore there were no dilutive potential ordinary shares during the period, as a result, the diluted earnings per share is equivalent to the basic earnings per share for the period ended 30 June 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Net book value, at 1 January	681,146	621,525
Additions	145,431	167,482
Disposals	(34,714)	(62,350)
Depreciation charge for the period/year	(46,417)	(69,048)
Written back on disposals	19,316	23,537
At 30 June/31 December	764,762	681,146

9 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprised:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Motor vehicles	679,467	622,802
Others	67,184	50,327
	746,651	673,129

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	3,818,186	2,918,040
Write down of inventories	4,914	8,293
	3,823,100	2,926,333

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

10 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 that are neither individually nor collectively considered to be impaired is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	69,857	72,994
1 to 2 months	9,150	3,348
2 to 3 months	1,417	340
Over 3 months	5,304	4,501
Trade debtors	85,728	81,183
Prepayments	180,005	134,017
Other receivables and deposits	390,381	354,551
Amounts due from third parties	656,114	569,751
Amounts due from related parties (<i>note 20(c)</i>)	11,780	14,232
Trade and other receivables	667,894	583,983

Credit sales are offered in rare cases subject to senior 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)

11 PLEDGED BANK DEPOSITS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings	27,301	50,559
Restricted bank deposits pledged in respect of bills payable	180,165	213,984
	207,466	264,543

The pledged bank deposits will be released upon the settlement of relevant loans and borrowings and bills payable.

12 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Cash at banks and in hand	611,774	545,207

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 LOANS AND BORROWINGS

(a) At 30 June 2018, loans and borrowings were repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year or on demand	793,924	674,282
After 1 year but within 2 years	55,593	50,677
After 2 years but within 5 years	50,400	—
	105,993	50,677
	899,917	724,959

(b) At 30 June 2018, loans and borrowings were secured as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Unsecured bank loans	3,528	—
Unsecured borrowings from other financial institutions	38,548	17,371
Unsecured borrowings from a related party (note 20(c))	42,155	33,436
	84,231	50,807
Secured bank loans	476,995	358,984
Secured borrowings from other financial institutions	338,691	315,168
	815,686	674,152
	899,917	724,959

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

14 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:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 3 months	528,076	516,386
Over 3 months but within 6 months	55,107	44,015
Total trade payables and bills payable	583,183	560,401
Receipts in advance	—	328,939
Contract liabilities	357,672	—
Other payables and accruals	114,038	134,990
Amounts due to third parties	1,054,893	1,024,330
Amounts due to related parties (<i>note 20(c)</i>)	6,837	5,739
Trade and other payables	1,061,730	1,030,069

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 CORPORATE BONDS

On 9 March 2015, the Company issued bonds in the aggregate principal amount of HK\$101,400,000 and warrants (see note 16(c)) to certain third parties. The fair value of the bonds amounting to RMB67,126,000 was estimated at the issuance date using the Discounted Cashflow Method.

According to the terms and conditions of the bonds, the bonds bear an interest rate of 9% per annum and will mature in 3 years. The bonds may additionally bear a default interest rate of 25% per annum subject to the occurrence of certain default events. The bondholders were entitled to redeem the bonds after the second anniversary of the issuance date but no later than the date which is fourteen days before the bond maturity date, in a maximum principal amount equal to 50 percent of the principal amount. Unless previously redeemed or cancelled as provided herein, the Company shall redeem any outstanding bonds on the maturity date in an amount equal to the redemption amount and an additional redemption amount HK\$22,815,000 on the bonds, to be payable to each bondholder pro-rata to the principal amount of the bonds held by that bondholder. The redemption rights of the bonds were evaluated with nil fair value at the issuance date. As at 30 June 2018, the fair value of redemption rights of the bonds was nil after the repayment of corporate bonds on the maturity date.

During the period ended 30 June 2018, subscription rights attaching to 50,274,000 warrant shares were exercised at a subscription price of RMB1.883 per ordinary share (see note 16(c)). Consequently, the Company issued 50,274,000 ordinary shares upon the exercise of the subscription rights, of which 48,974,000 ordinary shares were issued for a cash consideration of RMB92,217,000 and 1,300,000 ordinary shares were issued for a consideration of RMB2,447,900 which is setting off with the outstanding principal amount of the corporate bonds held by the warrants holders.

On 9 March 2018, the maturity date of corporate bonds, the Group repaid the remaining outstanding principal amount of the corporate bonds of RMB70,611,000, corresponding interests of RMB3,360,000 and the additional redemption amount of RMB18,463,000 to bond holders. Accordingly, 355,838,151 ordinary shares of the Company held by Apex Sail Limited ("Apex Sail") and secured for the corporate bonds have been released.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) *Dividends payable to equity shareholders of the Company attributable to the interim period.*

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interim dividend declared after the interim period, of RMB4.1 cents per ordinary share (six months ended 30 June 2017: RMB3.5 cents per ordinary share)	47,259	38,172

- (ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period.*

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB8.83 cents per ordinary share (six months ended 30 June 2017: RMB6.4 cents per ordinary share)	101,779	69,640

- (iii) *Other dividends*

During the six months ended 30 June 2018, a subsidiary of the Group declared and paid dividends of RMB4,577,000 (six months ended 30 June 2017: nil) in cash to non-controlling interests.

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

(i) *Share options granted on 20 January 2014*

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.

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.

During the six months ended 30 June 2018, 1,750,000 options were exercised (six months ended 30 June 2017: nil) at a subscription price of HK\$1.8 per ordinary share for a total consideration of HK\$3,150,000 (equivalent to RMB2,549,000) and consequently, HK\$175,000 (equivalent to RMB142,000) and RMB2,407,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,024,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share options.

The Group recorded equity settled share-based payment expenses of nil for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB172,000) (see note 5(b)(ii)).

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 *(continued)*

(ii) *Share options granted on 4 January 2018*

Pursuant to a resolution of the board of directors of the Company passed on 4 January 2018, 11,980,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,980,000 shares of the Company in aggregate with an exercise price of HK\$2.58, 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.

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 4 January 2018, 4 January 2019, 4 January 2020 and 4 January 2021, respectively, and be exercisable until 3 January 2028.

The Group recorded equity settled share-based payment expenses of RMB4,029,000 for the six months ended 30 June 2018 (see note 5(b)(ii)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Warrants

On 9 March 2015, the Company issued warrants, which entitled the holders thereof to subscribe up to RMB118,202,715 for 62,774,000 warrant shares at a subscription price of RMB1.883 per warrant share within three years after the issuance date. The fair value of warrants amounting to RMB13,103,000 net of direct warrant issuance expenses of RMB127,000 was credited to capital reserve during the six months ended 30 June 2015.

During the period ended 30 June 2018, subscription rights attaching to 50,274,000 warrant shares were exercised at a subscription price of RMB1.883 per ordinary share for a total consideration of RMB94,665,000 and consequently, HK\$5,027,400 (equivalent to RMB4,172,000) and RMB90,493,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these warrants in an aggregate amount of RMB10,494,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of warrants.

No warrants were exercised during the six months ended 30 June 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group hired an external valuation company performing valuations for the financial instruments, including the redemption option embedded in the corporate bonds. The external valuation company reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(i) Fair value hierarchy *(continued)*

	Fair value at 30 June 2018 and 31 December 2017 RMB'000	Fair value measurement as at 30 June 2018 and 31 December 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial liabilities:				
Derivative financial instruments:				
— Redemption option embedded in corporate bonds	—	N/A	N/A	—

During the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(a) Financial assets and liabilities measured at fair value *(continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Redemption option embedded in corporate bonds	Swaption Model	Discount rate	N/A (2017: 17%)	N/A (2017: 17%)

The fair value of redemption option embedded in the corporate bonds is determined using swaption model and the significant unobservable input used in the fair value measurement is discount rate. The fair value measurement is negatively correlated to the discount rate. As at 30 June 2018, the fair value of redemption option embedded in the corporate bonds was nil after the repayment of corporate bonds on the maturity date.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	RMB'000
Redemption option embedded in corporate bonds at issuance date (9 March 2015), 31 December 2017 and 30 June 2018	—

(b) Financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2018 and 31 December 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for	22,157	22,485
Authorised but not contracted for	81,705	99,962
	103,862	122,447

19 CONTINGENT LIABILITIES

As at 30 June 2018, one subsidiary of the Group has issued financial guarantees to a financial institution in respect of financial facilities granted to Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong") amounting to RMB80,000,000 (31 December 2017: RMB80,000,000) and Dongguan Anxin Toyota Automotive Sales and Services Co., Ltd. ("Dongguan Anxin") amounting to RMB78,000,000 (31 December 2017: RMB78,000,000). As at 30 June 2018, the financial facility utilised by Dongguan Meidong amounted to RMB411,300 (31 December 2017: RMB8,218,000), and the financial facility utilised by Dongguan Anxin amounted to RMB16,231,000 (31 December 2017: RMB24,540,000) (see note 20(e)).

As at 30 June 2018, the directors do not consider it probable that a claim will be made under the above guarantee.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2018, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Ye Fan 葉帆	Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Liu Jintan 劉金譚	Non-controlling shareholder of a subsidiary
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 東莞美東汽車服務有限公司	Joint venture
Dongguan Anxin 東莞安信豐田汽車銷售服務有限公司	Associate (disposed on 1 January 2018)
Apex Sail	Immediate parent company

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)

20 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Recurring transactions

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Rental expense:		
— Dadong Group	1,170	1,170
Management service income:		
— Dongguan Meidong	3,733	—

(b) Non-recurring transactions

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales of passenger vehicles:		
— Dongguan Meidong	19,568	6,090
Purchases of passenger vehicles:		
— Dongguan Meidong	9,209	6,295
Advance from a related party:		
— Ye Fan	—	4,801
Loans and borrowings from a related party:		
— Apex Sail (i)	16,862	8,679
Repayment of loans and borrowings from a related party:		
— Apex Sail (ii)	8,359	—

(i) *Unsecured loan and borrowing of HK\$20,000,000 (equivalent to RMB16,862,000) with one year maturity period was borrowed by the Company from Apex Sail during the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$10,000,000 (equivalent to RMB8,679,000)), which bears an annual interest rate at 6%.*

(ii) *Unsecured loan and borrowing of HK\$10,000,000 (equivalent to RMB8,359,000) with one year maturity period was repaid by one subsidiary of the Group to Apex Sail during the six months ended 30 June 2018 (six months ended 30 June 2017: nil), which bears an annual interest rate at 6%.*

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

At 30 June 2018, the Group had the following balances with related parties:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Other receivables due from:		
— Dongguan Meidong	5,780	14,232
— Liu Jintan	6,000	—
	11,780	14,232
Other payables due to:		
— Dongguan Meidong	63	—
— Dadong Group	1,719	684
— Ye Fan	5,055	5,055
	6,837	5,739
Loans and borrowings due to:		
— Apex Sail	42,155	33,436

Except for loans and borrowings due to Apex Sail, 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)

20 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Guarantees and securities issued by related parties

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
— Ye Fan (i)	612,238	442,823
— Dadong Group (ii)	14,700	—
Guarantees issued by a related party in respect of bills issued by the Group:		
— Ye Fan	265,265	199,803
Guarantees issued by related parties in respect of corporate bonds issued by the Group:		
— Ye Fan/Ye Tao (iii)	—	91,905
Securities provided by a related party in respect of corporate bonds issued by the Group:		
— Apex Sail (iii)	—	91,905

- (i) *Loans and borrowings of RMB612,238,000 were guaranteed by Mr. Ye Fan as at 30 June 2018 (31 December 2017: RMB442,823,000).*
- (ii) *Loans and borrowings of RMB14,700,000 were guaranteed by Dadong Group as at 30 June 2018 (31 December 2017: nil).*
- (iii) *Corporate bonds of RMB91,905,000 was guaranteed by Mr. Ye Fan and Mr. Ye Tao and secured by 355,838,151 original shares of the Company held by Apex Sail as at 31 December 2017. On 9 March 2018, the guarantee and security was released after repayment of corporate bonds.*

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(e) Guarantees issued by the Group

	The Group	
	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to related parties:		
— Dongguan Meidong	80,000	80,000
— Dongguan Anxin (i)	—	78,000
	80,000	158,000

(i) *Dongguan Anxin was an associate of the Group as at 31 December 2017. The Group disposed its interest in Dongguan Anxin on 1 January 2018.*

(f) 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	
	2018 RMB'000	2017 RMB'000
Short-term employee benefits	2,455	2,478
Equity compensation benefits	2,274	99
	4,729	2,577

Total remuneration is included in staff costs (see note 5(b)).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Assets acquisition

In July 2018, Dongguan Meixin Business Consulting Co., Ltd. (“Dongguan Meixin”), a wholly owned subsidiary of the Group entered into an agreement with a third party, pursuant to which Dongguan Meixin agreed to acquire certain assets from six BMW branded 4S stores wholly owned by the third party.

(b) Interim dividend

After the end of the reporting period, the directors declared an interim dividend. Further details are disclosed in note 16(a).

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, Leases, which may have a significant impact on the Group’s consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018 *(continued)*

HKFRS 16, Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

During the six months ended 30 June 2018, the Group has entered into some new lease agreements for its operating premises in mainland China, with the lease term over 10 years, and a number of other leases for equipment. These leases are currently classified as operating leases. As a result of these new lease agreements, the impact of the initial adoption of HKFRS 16 is now estimated to be more significant than the Group's expectation at the time when the 2017 annual financial statements were prepared.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018 *(continued)*

HKFRS 16, Leases *(continued)*

The following is an updated information about the Group's future minimum lease payments, based on the non-cancellable operating leases that have been entered into by 30 June 2018:

	Properties RMB'000
Amounts payable:	
Within 6 months	32,445
After 6 months but within 1 year	14,772
After 1 year but within 5 years	111,446
After 5 years	234,983
	<hr/> 393,646 <hr/>

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.