



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 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

YE Fan (*Chairman*)

YE Tao (*Chief Executive Officer*)

LUO Liuyu

Independent Non-Executive Directors

CHEN Guiyi

WANG, Michael Chou

JIP Ki Chi

AUTHORISED REPRESENTATIVE

YE Tao

WONG Cheung Ki Johnny, FCPA, FCIS, FCS

COMPANY SECRETARY

WONG Cheung Ki Johnny, FCPA, FCIS, FCS

AUDIT COMMITTEE

JIP Ki Chi (*Chairman*)

CHEN Guiyi

WANG, Michael Chou

REMUNERATION COMMITTEE

WANG, Michael Chou (*Chairman*)

CHEN Guiyi

JIP Ki Chi

NOMINATION COMMITTEE

YE Fan (*Chairman*)

JIP Ki Chi

WANG, Michael Chou

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

Room 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

HONG KONG LEGAL ADVISORS

LC Lawyers LLP
Suite 3106, 31/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers 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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation
Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2020, China's economy faced severe challenges. The outbreak of COVID-19 and changing macroeconomic environment resulted in the slowdown of consumption with the total retail sales of consumer goods fell by 11.4% year-on-year ("yoy"). The automobile industry was also impacted by these challenges and uncertainties. According to the statistics of the China Association of Automobile Manufacturers, China's overall passenger vehicles sales over the first six months of 2020 decreased by 22.4% yoy to 7.873 million units, among which the sales of basic passenger cars ("sedans") decreased by 25.9% to 3.68 million units, and sports utility vehicles ("SUVs") decreased by 14.9% yoy to 3.68 million units. Despite the overall weakness of the automobile market, China's luxury car market remained relatively resilient. The sales of luxury cars in China over the first half of 2020 decreased by 6% yoy to approximately 1.41 million units while the market share continued to increase. According to the statistics of the China Passenger Car Association, during the six months ended 30 June 2020 (the "Period"), the overall market share of the luxury segment increased by 3.1 percentage points to 13.7% compared to the same period last year. With the gradual improvement of the COVID-19 situation, the automobile market in China started to see solid recovery since March 2020 and resumed growth in May 2020 as compared with the same period last year. The luxury segment has been leading the recovery of the overall automobile market in terms of consumption demand momentum. Based on the statistics of China Passenger Car Association, the luxury car market recorded a 27% growth in June 2020 compared to the same period of last year, while the market share reached its historical high to 14.8%.

BUSINESS AND FINANCIAL REVIEW

China MeiDong Auto Holdings Limited (the "Company", together with its subsidiaries collectively the "Group") maintained growth and efficiency in the extreme environments in the first half of 2020. During the Period, the revenue, profit and operating cash flow of the Company recorded stable growth. The balance sheet of the Company remained healthy and strong with the inventory turnover days reaching its historical low. The development plan was also well on track.

Revenue

During the Period, the Group recorded a revenue of approximately RMB8,447.9 million (first half of 2019: approximately RMB6,843.0 million), representing an increase of approximately 23.5% yoy. Revenue from new passenger vehicles sales increased by approximately 24.5% yoy to approximately RMB7,487.9 million (first half of 2019: approximately RMB6,015.2 million), accounting for approximately 88.6% (first half of 2019: approximately 87.9%) of total revenue, while revenue from after-sales services increased by approximately 16.0% yoy to approximately RMB960.0 million (first half of 2019: approximately RMB827.8 million), accounting for approximately 11.4% (first half of 2019: approximately 12.1%) of total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales increased by 24.0% yoy from approximately RMB6,150.5 million for the first half of 2019 to approximately RMB7,628.7 million for the Period. The increase in cost of sales was mainly attributable to the growth of the two major businesses of the Group, being new passenger vehicles sales and after-sales services. The cost of sales of new passenger vehicles sales and after-sales services grew by approximately 24.6% and approximately 16.8%, respectively.

Gross Profit

During the Period, the Group's gross profit increased by approximately 18.3% yoy from approximately RMB692.5 million for the first half of 2019 to approximately RMB819.1 million, driven by steady growth in total revenue. The overall gross profit margin remained stable, recording a modest decline of 0.4 percentage points to approximately 9.7%, among which the gross profit margin of new vehicles sales decreased slightly by 0.1 percentage point to approximately 4.9% (first half of 2019: approximately 5.0%) and that of after-sales services decreased by 0.4 percentage points from approximately 47.4% for 2019 to approximately 47.0%.

Costs and Expenses

During the Period, the Group was able to enhance its operational efficiency. Distribution costs amounted to approximately RMB238.0 million, accounting for approximately 2.8% of total revenue, representing a 0.3 percentage point decrease as compared to the approximately 3.1% for the same period of last year. Administrative expenses amounted to approximately RMB216.4 million, or approximately 2.6% of total revenue, a decrease of 0.1 percentage point as compared to approximately 2.7% for the same period of last year. Meanwhile, finance costs amounted to approximately RMB60.8 million, decreasing by 0.1 percentage point from approximately 0.8% for the same period of last year to approximately 0.7% as a percentage of revenue.

Taxation

During the Period, the Group's income tax expenses amounted to approximately RMB103.5 million, representing an increase of approximately 29.2% as compared to approximately RMB80.1 million for the same period of last year. The increase in income tax expenses was mainly due to the increase in total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period Attributable to Shareholders

The Group was able to maintain a high operational efficiency amidst the challenging environment of the overall automobile market. Coupled with effective cost control initiatives, the Group's profit attributable to shareholders for the Period increased by approximately 27.6% to approximately RMB300.8 million (first half of 2019: approximately RMB235.8 million). Net profit margin attributable to shareholders for the Period increased by 0.2 percentage point from approximately 3.4% for the first half of 2019 to approximately 3.6%.

Dividend

The Board recommended an interim dividend of RMB0.1451 per ordinary share for the Period (first half of 2019: RMB0.061 per ordinary share), with the payout ratio reaching 60.0%, representing a yoY increase of 30.1 percentage points (first half of 2019: payout ratio 29.9%).

A Joint Venture

During the Period, share of profit of a joint venture amounted to approximately RMB18.9 million, representing an increase of approximately 2.2% as compared to approximately RMB18.5 million for the same period of last year.

New Passenger Vehicles Sales

During the Period, through same store sales growth and new-store expansion, the Group still recorded a strong growth in new passenger vehicles sales amidst the challenging environment. In the first half of 2020, despite the significant reduction in customer foot traffic, the Group was still able to achieve sales growth through a higher customer conversion rate and other measures while further reducing its inventory turnover to 12 days. Revenue of new passenger vehicles sales amounted to approximately RMB7,487.9 million (first half of 2019: approximately RMB6,015.2 million), indicating an increase of approximately 24.5% as compared to the same period of last year. Luxury brands remained as the major revenue source of the Group, accounting for 84.3% of total new passenger vehicles sales. Specifically, BMW, Porsche, Lexus and Audi recorded sales of new passenger vehicles of approximately RMB2,978.4 million, RMB1,544.5 million, RMB1,726.1 million and RMB57.1 million respectively, accounting for approximately 39.8%, 20.6%, 23.1% and 0.8% of new passenger vehicles sales respectively. In terms of sales volume, the Group sold 23,691 new passenger vehicles in total during the Period, representing an increase of 7.9% yoY in sales volume.

MANAGEMENT DISCUSSION AND ANALYSIS

After-Sales Services

During the Period, revenue of after-sales services reached approximately RMB960.0 million, representing an increase of approximately 16.0% (first half of 2019: approximately RMB827.8 million) compared to the same period of last year. The total number of vehicles served was 227,744, representing an increase of approximately 8.7% yoy. The gross profit margin of this segment remained stable at approximately 47.0%.

Current Network

The Group continued to execute its highly effective “Single City Single Store” strategy for its luxury brands to further expand its distribution network. In the first half of 2020, we opened 2 new stores. As at 30 June 2020, the Group had 60 self-operated stores in provinces and cities such as Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu, Anhui and Shandong including a joint venture operated by the Group.

As at 30 June 2020, the number of stores operated by the Group is as follows:

Number of stores under operation	First half of 2020	First half of 2019	Change
Porsche	7	6	+1
BMW	24	23	+1
Lexus	15	11	+4
Toyota	12	12	—
Hyundai	1	1	—
Audi	1	1	—
Total	60	54	+6

Liquidity, Financial Resources and Position

As at 30 June 2020, total equity of the Group amounted to approximately RMB3,032.6 million (31 December 2019: approximately RMB1,769.3 million). As at 30 June 2020, the current asset of the Group amounted to approximately RMB4,610.9 million (31 December 2019: approximately RMB3,784.9 million) while current liability amounted to approximately RMB2,812.9 million (31 December 2019: approximately RMB3,180.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group's loans and borrowings amounted to RMB1,054,638,000 (with fixed rate loans of RMB536,222,000), representing a decrease of approximately 5.1% as compared to RMB1,111,707,000 as at 31 December 2019. Short-term loans and borrowings amounted to RMB834,241,000, and long-term loans and borrowings amounted to RMB220,397,000. The Group's loans and borrowings were principally denominated in Renminbi. The gearing ratio (being the total loans and borrowings divided by total equity attributable to equity shareholders of the Company) was approximately 35.8% as at 30 June 2020 (31 December 2019: approximately 65.0%).

As at 30 June 2020, cash and cash equivalents and pledged bank deposits amounted to RMB3,051,320,000. Most of the cash and cash equivalents and pledged bank deposits were denominated in Renminbi and Hong Kong Dollars. Apart from part of the cash denominated in Hong Kong Dollars, the Group's business operations in China and major transactions are all denominated in Renminbi. Therefore, the Group expects its foreign exchange risks to be low and will have no material adverse effect on its normal operations. For the Period, the Group did not employ any significant financial instruments such as forward foreign exchange contracts for foreign exchange hedging purposes, nor did it employ any major financial instruments for hedging purposes. The management of the Group will closely monitor foreign exchange risks and will consider measures to hedge potential major foreign exchange risks when necessary.

The operating and capital expenditure of the Group is funded by cash flow from business, internal cash and financing agreements with banks and financing companies of automobile manufacturers. The Group has adequate financial resources to meet all contractual obligations and operating requirements.

Contingent Liabilities

As at 30 June 2020, one subsidiary of the Group issued financial guarantee to a non-bank financial institution in respect of financial facilities granted to a related party of the Group amounting to RMB80,000,000 (31 December 2019: RMB80,000,000). As at 30 June 2020, the financial facilities utilised by the related party amounted to RMB10,004,000 (31 December 2019: RMB13,069,000).

As at 30 June 2020, the Directors do not consider it probable that a claim will be made pursuant to the above guarantee.

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Policy

The Group has adopted a prudent treasury policies and had maintained a healthy liquidity position throughout the Period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Significant Investments, Material Acquisitions and Disposals

During the Period, the Group had no significant investments held, nor material acquisitions and disposals of subsidiaries, associates or joint ventures.

Future Plans for Material Investments

Save as disclosed in this report, the Group has no future plans for material investments or capital assets.

Pledged Assets of the Group

As at 30 June 2020, the Group used property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and pledged bank deposits of RMB488,372,000 (31 December 2019: RMB491,968,000) as collateral for certain loans and borrowings.

Prospects

The Group will continue to pursue optimal efficiency and revenue mix, as well as to uphold our discipline in balance sheet and cashflow management in order to cope with uncertainties and risks. The Group will also actively explore potential merger and acquisition opportunities with the criteria of: (1) familiar brands; (2) reasonable valuation; and (3) appropriate locations to accelerate business growth. We will maintain our prudent management approach and our core development strategy — focus on luxury brands and “Single City Single Store”, to ensure sustainable long term development with strong return on investment.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the interests or short positions of the Directors and chief executives in the ordinary 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 2020 ⁽²⁾
		Personal interest in Shares	Family interest in Shares	Total interest in Shares		
Mr. YE Fan ⁽¹⁾	Settlor of trust	—	702,712,000	702,712,000	—	56.51%
Mr. YE Tao	Beneficial Owner	—	—	—	4,000,000	0.32%
Ms. LUO Liuyu	Beneficial Owner	48,000	—	48,000	1,430,000	0.12%
Mr. CHEN Guiyi	Beneficial Owner	250,000	—	—	750,000	0.08%
Mr. JIP Ki Chi	Beneficial Owner	—	—	—	750,000	0.06%
Mr. WANG, Michael Chou	Beneficial Owner	—	—	—	1,000,000	0.08%

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 holds 702,712,000 Shares and by virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail.*
- The percentage is calculated based on the total number of issued shares as at 30 June 2020, being 1,243,521,114.*

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme adopted by 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 2020 were as follows:

Name of Director	Date of grant	Exercisable period	Exercisable price (HK\$)	Number of Shares subject to the outstanding options as at 01.01.2020	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares subject to the outstanding option as at 30.06.2020	Approximate percentage of shareholding
Mr. YE Tao	20.01.2014	01.01.2015–12.11.2023	1.80	500,000	—	—	—	500,000	0.040%
	20.01.2014	01.01.2016–12.11.2023	1.80	500,000	—	—	—	500,000	0.040%
	20.01.2014	01.01.2017–12.11.2023	1.80	500,000	—	—	—	500,000	0.040%
	20.01.2014	01.01.2018–12.11.2023	1.80	500,000	—	—	—	500,000	0.040%
	04.01.2018	04.01.2018–03.01.2028	2.58	500,000	—	—	—	500,000	0.040%
	04.01.2018	04.01.2019–03.01.2028	2.58	500,000	—	—	—	500,000	0.040%
	04.01.2018	04.01.2020–03.01.2028	2.58	500,000	—	—	—	500,000	0.040%
	04.01.2018	04.01.2021–03.01.2028	2.58	500,000	—	—	—	500,000	0.040%
Ms. LUO Liuyu	20.01.2014	01.01.2015–12.11.2023	1.80	75,000	—	—	—	75,000	0.006%
	20.01.2014	01.01.2016–12.11.2023	1.80	75,000	—	—	—	75,000	0.006%
	20.01.2014	01.01.2017–12.11.2023	1.80	75,000	—	—	—	75,000	0.006%
	20.01.2014	01.01.2018–12.11.2023	1.80	75,000	—	—	—	75,000	0.006%
	04.01.2018	04.01.2018–03.01.2028	2.58	225,000	—	—	—	225,000	0.018%
	04.01.2018	04.01.2019–03.01.2028	2.58	225,000	—	—	—	225,000	0.018%
	04.01.2018	04.01.2020–03.01.2028	2.58	225,000	—	—	—	225,000	0.018%
	04.01.2018	04.01.2021–03.01.2028	2.58	225,000	—	—	—	225,000	0.018%
	18.07.2019	18.07.2019–17.07.2029	6.00	57,500	—	—	—	57,500	0.005%
	18.07.2019	18.07.2020–17.07.2029	6.00	57,500	—	—	—	57,500	0.005%
	18.07.2019	18.07.2021–17.07.2029	6.00	57,500	—	—	—	57,500	0.005%
	18.07.2019	18.07.2022–17.07.2029	6.00	57,500	—	—	—	57,500	0.005%

OTHER INFORMATION

Name of Director	Date of grant	Exercisable period	Exercisable price (HK\$)	Number of Shares subject to the	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares subject to the	Approximate percentage of shareholding
				outstanding options as at 01.01.2020				outstanding option as at 30.06.2020	
Mr. CHEN Guiyi	18.07.2019	18.07.2019–17.07.2029	6.00	250,000	—	(250,000)	—	—	—
	18.07.2019	18.07.2020–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
Mr. JIP Ki Chi	18.07.2019	18.07.2019–17.07.2029	6.00	250,000	—	(250,000)	—	—	—
	18.07.2019	18.07.2020–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
Mr. WANG Michael Chou	18.07.2019	18.07.2019–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2020–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
Total				8,430,000	—	(500,000)	—	7,930,000	0.638%

Note:

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

Save as disclosed above, as at 30 June 2020, 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.

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 acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of 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 any such person exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, 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:

Name of shareholder	Capacity	Number of	Approximate
		Shares	percentage of
		held as at	shareholding
		30.06.2020	as at
			30.06.2020
Apex Sail ^{(1), (2)}	Beneficial owner	702,712,000	56.51%
Apex Holdings ^{(1), (2)}	Interest in a controlled corporation	702,712,000	56.51%
Fiducia Suisse SA ^{(1), (2)}	Trustee	702,712,000	56.51%
Mr. David Henry Christopher HILL ^{(1), (2)}	Interest of a controlled corporation	702,712,000	56.51%
Mrs. Rebecca Ann HILL ^{(1), (2)}	Interest of spouse	702,712,000	56.51%
Ms. HU Huanran ^{(1), (3)}	Interest of spouse	702,712,000	56.51%

OTHER INFORMATION

Notes:

- (1) *This is based on the total Shares in issue as at 30 June 2020, being 1,243,521,114.*
- (2) *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.*
- (3) *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 therefore deemed to be interested in such 702,712,000 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 2020 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 2020, 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' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, 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.

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 employees of the subsidiaries of the Company, 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 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.

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.

OTHER INFORMATION

As at 30 June 2020, the Company had 20,832,500 share option outstanding under the SOS, representing approximately 1.68% 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
2019 Options	18.07.2019	18.07.2019-17.07.2029	HK\$6.00
	18.07.2019	18.07.2020-17.07.2029	HK\$6.00
	18.07.2019	18.07.2021-17.07.2029	HK\$6.00
	18.07.2019	18.07.2022-17.07.2029	HK\$6.00
2020 Options	16.01.2020	16.01.2020-15.01.2030	HK\$10.80
	16.01.2020	16.01.2021-15.01.2030	HK\$10.80
	16.01.2020	16.01.2022-15.01.2030	HK\$10.80
	16.01.2020	16.01.2023-15.01.2030	HK\$10.80

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 01.01.2020	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares outstanding to the option as at 30.06.2020	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. LUO Liuyu	2014 Options	20.01.2014	01.01.2015–12.11.2023	1.80	75,000	—	—	—	75,000	—
			20.01.2014	01.01.2016–12.11.2023	1.80	75,000	—	—	—	75,000	—
			20.01.2014	01.01.2017–12.11.2023	1.80	75,000	—	—	—	75,000	—
			20.01.2014	01.01.2018–12.11.2023	1.80	75,000	—	—	—	75,000	—
2018 Options		04.01.2018	04.01.2018–03.01.2028	2.58	225,000	—	—	—	225,000	—	
		04.01.2018	04.01.2019–03.01.2028	2.58	225,000	—	—	—	225,000	—	
		04.01.2018	04.01.2020–03.01.2028	2.58	225,000	—	—	—	225,000	—	
		04.01.2018	04.01.2021–03.01.2028	2.58	225,000	—	—	—	225,000	—	
2019 Options		18.07.2019	18.07.2019–17.07.2029	6.00	57,500	—	—	—	57,500	—	
		18.07.2019	18.07.2020–17.07.2029	6.00	57,500	—	—	—	57,500	—	
		18.07.2019	18.07.2021–17.07.2029	6.00	57,500	—	—	—	57,500	—	
		18.07.2019	18.07.2022–17.07.2029	6.00	57,500	—	—	—	57,500	—	

OTHER INFORMATION

Name of Director	Options type	Date of grant	Exercisable period	Exercisable price HK\$	Number of Shares outstanding options as at 01.01.2020	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares outstanding option as at 30.06.2020	Weighted average closing price of Shares immediately before the date on which the options were exercised
										HK\$
Mr. CHEN Guiji	Options	18.07.2019	18.07.2019-17.07.2029	6.00	250,000	—	(250,000)	—	—	15.80
		18.07.2019	18.07.2020-17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2021-17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2022-17.07.2029	6.00	250,000	—	—	—	250,000	—
Mr. JIP Ki Chi	Options	18.07.2019	18.07.2019-17.07.2029	6.00	250,000	—	(250,000)	—	—	12.94
		18.07.2019	18.07.2020-17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2021-17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2022-17.07.2029	6.00	250,000	—	—	—	250,000	—
Mr. WANG, Michael Chou	Options	18.07.2019	18.07.2019-17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2020-17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2021-17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2022-17.07.2029	6.00	250,000	—	—	—	250,000	—
Total for Directors				8,430,000	—	(500,000)	—	7,930,000		
Category 2:										
Employees	Options	20.01.2014	01.01.2015-12.11.2023	1.80	395,000	—	(337,500)	—	57,500	11.57
		20.01.2014	01.01.2016-12.11.2023	1.80	395,000	—	(337,500)	—	57,500	11.57
		20.01.2014	01.01.2017-12.11.2023	1.80	395,000	—	(337,500)	—	57,500	11.57
		20.01.2014	01.01.2018-12.11.2023	1.80	395,000	—	(337,500)	—	57,500	11.57

OTHER INFORMATION

Name of Director	Options type	Date of grant	Exercisable period	Exercisable price HK\$	Number of Shares outstanding options as at 01.01.2020	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares outstanding option as at 30.06.2020	Weighted average closing price of Shares immediately before the date on which the options were exercised
										HK\$
	2018	04.01.2018	04.01.2018–03.01.2028	2.58	1,312,500	—	(942,500)	—	370,000	13.97
	Options	04.01.2018	04.01.2019–03.01.2028	2.58	1,312,500	—	(617,500)	—	695,000	13.01
		04.01.2018	04.01.2020–03.01.2028	2.58	2,150,000	—	(930,000)	—	1,220,000	15.80
		04.01.2018	04.01.2021–03.01.2028	2.58	2,150,000	—	—	—	2,150,000	—
		2019	18.07.2019	18.07.2019–17.07.2029	6.00	1,602,500	—	(12,500)	(25,000)	1,565,000
	Options	18.07.2019	18.07.2020–17.07.2029	6.00	1,602,500	—	—	(25,000)	1,577,500	—
		18.07.2019	18.07.2021–17.07.2029	6.00	1,602,500	—	—	(25,000)	1,577,500	—
		18.07.2019	18.07.2022–17.07.2029	6.00	1,602,500	—	—	(25,000)	1,577,500	—
		2020	16.01.2020 ⁽²⁾	16.01.2020–15.01.2030	10.80	—	485,000	—	—	485,000
	Options	16.01.2020 ⁽²⁾	16.01.2021–15.01.2030	10.80	—	485,000	—	—	485,000	—
		16.01.2020 ⁽²⁾	16.01.2022–15.01.2030	10.80	—	485,000	—	—	485,000	—
		16.01.2020 ⁽²⁾	16.01.2023–15.01.2030	10.80	—	485,000	—	—	485,000	—
		Total for Employees				14,915,000	1,940,000	(3,852,500)	(100,000)	12,902,500
	All Categories				23,345,000	1,940,000	(4,352,500)	(100,000)	20,832,500	

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 as stated in the daily quotation sheet issued by the Stock Exchange on 15 January 2020, being the date immediately before the grant of the 2020 Options, was HK\$10.44.

OTHER INFORMATION

ISSUE OF BONDS AND WARRANTS

There is no issue of bonds or warrants in the Period.

PLACING OF SHARES

Save as disclosed in the section headed “Significant events” in this report, there is no issue or 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 2020. The independent non-executive directors of the Company 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 2020, the Group had a total of 4,763 employees (31 December 2019: 4,746), the majority of whom are based in the PRC. The total staff costs of the Group for the Period amounted to approximately RMB327,114,000 (for the six months ended 30 June 2019: approximately RMB280,825,000). In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options which may be granted to eligible employees based on individual performance, the Group advocates simple, direct and data-oriented corporate culture, which has become 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.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

As disclosed in the prospectus of the Company dated 22 November 2013, 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 2020.

The Group will promptly announce the progress of the relevant matters in accordance with relevant regulations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this report, 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 2020.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules 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 2020.

OTHER INFORMATION

SIGNIFICANT EVENTS

Placing of existing Shares by a Controlling Shareholder

On 17 April 2020, Apex Sail, a Controlling Shareholder of the Company, and Mr. Ye Fan have entered a placing agreement with Goldman Sachs (Asia) L.L.C., (“Goldman Sachs”, as the placing agent), pursuant to which Goldman Sachs has agreed to place 51,688,000 Shares held by Apex Sail, representing approximately 4.45% of the issued share capital of the Company as at the date of the relevant placing agreement, at the price of HK\$12.82 per Share. The completion of the said placing has taken place on 21 April 2020 and immediately after that, Apex Sail held 702,712,000 Shares, representing approximately 60.57% of the then issued share capital of the Company. For further details, please refer to the announcements of the Company dated 17 April 2020 and 21 April 2020.

Placing of existing Shares and top-up subscription for new Shares under general mandate

On 3 June 2020, the Company, Apex Sail, and Goldman Sachs and Merrill Lynch (Asia Pacific) Limited (together, the “Placing Agents”) entered into a placing and subscription agreement (the “Placing and Subscription Agreement”), pursuant to which (i) Apex Sail has agreed to appoint the Placing Agents, and the Placing Agents have agreed on a several basis, to act as agents for the purpose of procuring, the placees to purchase, or failing which to purchase themselves, 81,000,000 placing Shares (“Placing Shares”) at the placing price (the “Placing Price”) of HK\$15.84 per Share (the “Placing”); and (ii) Apex Sail has agreed to subscribe for, and the Company has agreed to issue to Apex Sail, 81,000,000 subscription Shares (the “Subscription Shares”) at the subscription price of HK\$15.84 per Share (being the same as the Placing Price) (the “Subscription”). The aggregate nominal value of the Subscription Shares is HK\$8,100,000. The Directors consider that the Placing and the Subscription (the “Top-up Placing”) will strengthen the capital base of the Company.

On 5 June 2020, the Placing Shares have been successfully placed at the Placing Price by the Placing Agents to not fewer than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, pursuant to the terms and conditions of the Placing and Subscription Agreement. Further, as all the conditions of the Subscription have been fulfilled, the Company allotted and issued 81,000,000 Subscription Shares (equal to the number of the Placing Shares successfully placed under the Placing) to Apex Sail at HK\$15.84 per Subscription Share on 10 June 2020. The Subscription Shares represent approximately 6.51% of the then issued share capital of the Company as at 10 June 2020.

The Placing Price represented:

1. a discount of approximately 9.90% to the closing price of HK\$17.58 per Share as quoted on the Stock Exchange on 2 June 2020, being the trading day prior to the date of the Placing and Subscription Agreement;
2. a discount of approximately 7.26% to the average closing price of approximately HK\$17.08 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the date of the Placing and Subscription Agreement;
3. a discount of approximately 4.92% to the average closing price of approximately HK\$16.66 per Share as quoted on the Stock Exchange for the ten consecutive trading days prior to the date of the Placing and Subscription Agreement; and
4. a premium of approximately 5.74% to the average closing price of approximately HK\$14.98 per Share as quoted on the Stock Exchange for the 30 consecutive trading days prior to the date of the Placing and Subscription Agreement.

The gross proceeds from the Subscription were approximately HK\$1,283,040,000 (equivalent to approximately RMB1,168,849,000) and the net proceeds (after deducting all applicable costs and expenses, including commission and levies) were approximately HK\$1,262,000,000. On such basis, the net price per Placing Share was approximately HK\$15.58.

OTHER INFORMATION

The net proceeds from the Top-up Placing are proposed to be used in accordance with the intended use as set out in the announcement of the Company dated 3 June 2020. Set out below is the details of the use of net proceeds from the Top-up Placing during the Period:

Intended use of net proceeds	Percentage of total net proceeds	Net proceeds utilised during the six months ended 30 June 2020	Unutilised net proceeds as at 30 June 2020 (HK\$)	Expected timeframe for utilising the remaining unutilised net proceeds (Note)
Opportunistic mergers and acquisitions purpose	70%	nil	883,400,000	10 June 2020 – 9 June 2021
General working capital of the Group	30%	nil	378,600,000	10 June 2020 – 9 June 2021
Total	100%	nil	1,262,000,000	—

Note:

The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

For further details, please refer to the announcements of the Company dated 3 June 2020 and 10 June 2020.

IMPORTANT EVENTS AFTER THE PERIOD

Save as disclosed in note 20 to the unaudited interim financial report of the Company, no important events affecting the Group has occurred since the end of the Period.

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 19 August 2020 and the Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2020. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2020 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 RMB0.1451 per ordinary share for the six months ended 30 June 2020 (2019: RMB0.061 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 RMB180.4 million will be distributed.

The interim dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 10 September 2020. The register of members of the Company will be closed from Wednesday, 9 September 2020 to Thursday, 10 September 2020 (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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 8 September 2020. The interim dividend will be payable on or about Thursday, 24 September 2020.

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 28 to 58 which comprises the consolidated statement of financial position of China MeiDong Auto Holdings Limited as of 30 June 2020 and the related consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months 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 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	3	8,447,854	6,843,012
Cost of sales	5	(7,628,715)	(6,150,481)
Gross profit		819,139	692,531
Other income	4	87,782	64,236
Distribution costs		(237,989)	(213,654)
Administrative expenses		(216,354)	(184,849)
Profit from operations		452,578	358,264
Finance costs	5(a)	(60,819)	(57,685)
Share of profits of a joint venture		18,895	18,506
Profit before taxation	5	410,654	319,085
Income tax	6	(103,464)	(80,053)
Profit for the period		307,190	239,032
Other comprehensive income for the period		—	—
Profit and total comprehensive income for the period		307,190	239,032
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		300,775	235,751
Non-controlling interests		6,415	3,281
Profit and total comprehensive income for the period		307,190	239,032
Earnings per share	7		
Basic (RMB cents)		25.72	20.43
Diluted (RMB cents)		25.42	20.30

The notes on pages 34 to 58 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	8	1,078,831	1,035,059
Right-of-use assets	9	1,301,893	825,776
Intangible assets		64,094	65,308
Interest in a joint venture		32,081	55,140
Other non-current assets		70,966	104,220
Deferred tax assets		59,659	54,472
		2,607,524	2,139,975
Current assets			
Inventories	10	607,329	540,509
Trade and other receivables	11	952,286	1,158,815
Pledged bank deposits	12	669,735	961,729
Cash and cash equivalents	13	2,381,585	1,123,892
		4,610,935	3,784,945
Current liabilities			
Loans and borrowings	14	834,241	871,215
Trade and other payables	15	1,777,831	2,132,165
Income tax payables		83,007	92,127
Lease liabilities		117,833	84,694
		2,812,912	3,180,201
Net current assets		1,798,023	604,744
Total assets less current liabilities		4,405,547	2,744,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Loans and borrowings	14	220,397	240,492
Deferred tax liabilities		12,993	8,701
Lease liabilities		1,139,600	726,178
		1,372,990	975,371
NET ASSETS		3,032,557	1,769,348
EQUITY			
Share capital	16	99,156	91,383
Reserves		2,849,944	1,620,204
Total equity attributable to equity shareholders of the Company		2,949,100	1,711,587
Non-controlling interests		83,457	57,761
TOTAL EQUITY		3,032,557	1,769,348

Approved and authorised for issue by the board of directors on 19 August 2020.

Ye Fan
Director

Ye Tao
Director

The notes on pages 34 to 58 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – 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, as previously reported	90,978	196,813	986	(46,196)	204,056	932,783	1,379,420	208,16	1,400,236
Impact of initial application of HKFRS 16	—	—	—	—	—	(70,655)	(70,655)	(1,202)	(71,857)
Adjusted balance at 1 January 2019	90,978	196,813	986	(46,196)	204,056	862,128	1,308,765	196,94	1,328,379
Profit and total comprehensive income for the period	—	—	—	—	—	235,751	235,751	32,81	239,032
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	3,000	3,000
Acquisition of non-controlling interests	—	—	—	—	—	(3,691)	(3,691)	(5,309)	(9,000)
Dividends approved in respect of the previous years (Note 16(a))	—	(98,157)	—	—	—	—	(98,157)	—	(98,157)
Dividends paid to non-controlling interests (Note 16(a))	—	—	—	—	—	—	—	(2,927)	(2,927)
Equity settled share-based transactions (Note 16(b))	—	—	—	854	—	—	854	—	854
Issue of ordinary shares upon exercise of share options (Note 16(b))	223	5,310	—	(1,514)	—	—	4,019	—	4,019
Balance at 30 June 2019 and 1 July 2019	91,201	103,966	986	(46,856)	204,056	1,094,188	1,447,541	17,659	1,465,200
Profit and total comprehensive income for the year	—	—	—	—	—	315,060	315,060	3,435	318,495
Capital injection by non-controlling interests	—	—	—	—	—	—	—	30,000	30,000
Changes in ownership interests in subsidiaries without change in control	—	—	—	—	—	5,439	5,439	9,561	15,000
Appropriation to reserves	—	—	—	—	44,276	(44,276)	—	—	—
Interim dividends declared and paid (Note 16(a))	—	(70,648)	—	—	—	—	(70,648)	—	(70,648)
Dividends paid to non-controlling interests (Note 16(a))	—	—	—	—	—	—	—	(2,894)	(2,894)
Equity settled share-based transactions (Note 16(b))	—	—	—	9704	—	—	9704	—	9,704
Issue of ordinary shares upon exercise of share options (Note 16(b))	182	5,724	—	(1,415)	—	—	4,491	—	4,491
Balance at 31 December 2019	91,383	39,042	986	(38,567)	248,332	1,370,411	1,711,587	57,761	1,769,348

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company								Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve		PRC		Retained earnings RMB'000	Sub-total RMB'000		Non- controlling interests RMB'000
			Share redemption reserve RMB'000	Capital reserves RMB'000	Capital reserves RMB'000	statutory reserves RMB'000				
Balance at 1 January 2020	91,383	39,042	986	(38,567)	248,332	1,370,411	1,711,587	57,761	1,769,348	
Profit and total comprehensive income for the period	—	—	—	—	—	300,775	300,775	6,415	307,190	
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	6,000	6,000	
Changes in ownership interests in subsidiaries without change in control	—	—	—	—	—	1,246	1,246	16,854	18,100	
Dividends approved in respect of the previous years (Note 16(a))	—	(232,504)	—	—	—	—	(232,504)	—	(232,504)	
Dividends paid to non-controlling interests (Note 16(a))	—	—	—	—	—	—	—	(3,573)	(3,573)	
Equity settled share-based transactions (Note 16(b))	394	14,189	—	(3,771)	—	7,126	7,126	—	7,126	
Issue of ordinary shares upon exercise of share options (Note 16(b))	7,379	1,142,679	—	—	—	—	10,812	—	10,812	
Issuance of new shares, net of issuance expenses (Note 16(c))	—	—	—	—	—	—	1,150,058	—	1,150,058	
Balance at 30 June 2020	99,156	963,406	986	(35,212)	248,332	1,672,432	2,949,100	83,457	3,032,557	

The notes on pages 34 to 58 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations		623,567	518,147
Income tax paid		(113,479)	(64,508)
Net cash generated from operating activities		510,088	453,639
Investing activities			
Payment for the purchase of property, plant and equipment		(150,441)	(251,222)
Dividends received from a joint venture		41,954	32,284
Proceeds from disposal of property, plant and equipment		51,665	60,990
Net cash flow from business combination		—	(14,824)
Interest received		8,487	4,828
Other cash flows arising from investing activities		(913)	(2,534)
Net cash used in investing activities		(49,248)	(170,478)
Financing activities			
Capital element of lease rentals paid		(34,619)	(21,919)
Interest element of lease rentals paid		(31,297)	(26,009)
Proceeds from loans and borrowings		1,431,718	1,065,048
Repayment of loans and borrowings		(1,469,328)	(1,073,287)
Dividends paid to equity shareholders	16(a)	(232,504)	—
Dividends paid to non-controlling interests	16(a)	(3,573)	(2,927)
Proceeds from exercise of share options	16(b)	10,812	4,019
Interest paid		(33,314)	(29,587)
Proceeds from issuance of new shares, net of issuance expenses	16(c)	1,150,058	—
Proceeds from changes in interests in a subsidiary without change in control		2,900	—
Capital injection by non-controlling interests		6,000	3,000
Acquisition of non-controlling interests		—	(6,000)
Repayment of advances from related parties	19(b)	—	(50)
Net cash generated from/(used in) financing activities		796,853	(87,712)
Net increase in cash		1,257,693	195,449
Cash at 1 January	13	1,123,892	866,821
Cash at 30 June	13	2,381,585	1,062,270

The notes on pages 34 to 58 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 19 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 26.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

3 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Sales of passenger vehicles	7,487,925	6,015,151
— After-sales services	959,929	827,861
	8,447,854	6,843,012

All revenue was recognised at a point in time.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(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.

4 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Commission income	61,049	46,515
Bank interest income	8,814	4,640
Management service income	4,649	4,914
Net gain on disposal of property, plant and equipment	8,844	5,929
Net foreign exchange (loss)/gain	(195)	243
Others	4,621	1,995
	87,782	64,236

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
(a)	Finance costs:		
	Interest on:		
	— loans and borrowings	23,074	25,489
	— lease liabilities	31,297	26,009
	Total interest expense	54,371	51,498
	Other finance costs (i)	6,448	6,187
	Total finance costs	60,819	57,685

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
(b)	Staff costs:		
	Salaries, wages and other benefits	317,491	269,647
	Equity settled share-based payment expenses (ii)	7,126	854
	Contributions to defined contribution retirement plans (iii)	2,497	10,324
		327,114	280,825

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION (continued)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(c) Other items:		
Cost of inventories	7,556,508	6,076,793
Depreciation charge		
— owned property, plant and equipment	58,472	52,980
— right-of-use assets	37,316	31,206
Amortisation of intangible assets	2,128	2,122
Lease expenses	2,495	3,647
Net foreign exchange loss/(gain)	195	(243)

- (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 RMB7,126,000 for the six months ended 30 June 2020 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (six months ended 30 June 2019: RMB854,000) (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 also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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	
	2020	2019
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	104,359	86,653
Deferred tax:		
Origination of temporary differences	(895)	(6,600)
	103,464	80,053

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 2020 is based on the profit attributable to equity shareholders of the Company of RMB300,775,000 (six months ended 30 June 2019: RMB235,751,000) and the weighted average of 1,169,504,000 ordinary shares in issue (six months ended 30 June 2019: 1,153,917,000 ordinary shares) during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2020	2019
Issued ordinary shares at 1 January	1,158,169,000	1,153,544,000
Effect of exercise of share options (note 16(b))	2,434,000	373,000
Effect of new shares issued (note 16(c))	8,901,000	—
Weighted average number of ordinary shares at 30 June	1,169,504,000	1,153,917,000

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 for the six months ended 30 June 2020 is based on the profit attributable to equity shareholders of the Company of RMB300,775,000 (six months ended 30 June 2019: RMB235,751,000) and the weighted average of 1,183,438,000 ordinary shares (six months ended 30 June 2019: 1,161,106,000 ordinary shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the period ended 30 June 2020.

Weighted average number of shares (diluted)

	Six months ended 30 June	
	2020	2019
Weighted average number of ordinary shares at 30 June	1,169,504,000	1,153,917,000
Effect of deemed issue of shares under the employee share option scheme	13,934,000	7,189,000
Weighted average number of ordinary shares (diluted) at 30 June	1,183,438,000	1,161,106,000

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with original costs of RMB145,063,000 (six months ended 30 June 2019: RMB197,149,000). Items of property, plant and equipment with a net book value of RMB42,821,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB55,061,000), resulting in a gain on disposal of RMB8,844,000 (six months ended 30 June 2019: RMB5,929,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of buildings and warehouses, and therefore recognised the additions to right-of-use assets of RMB513,434,000 (six months ended 30 June 2019: RMB95,558,000).

During the six months ended 30 June 2020, the Group received rent concessions of RMB761,000 in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The total fixed payments, net of rent concessions, of RMB65,916,000 (six months ended 30 June 2019: RMB47,928,000) were paid during the six months ended 30 June 2020.

As disclosed in note 2, the Group has early adopted the Amendment to HKFRS 16, Leases, Covid-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period.

10 INVENTORIES

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

	At 30 June 2020	At 31 December 2019
	RMB'000	RMB'000
Motor vehicles	493,641	431,954
Others	113,688	108,555
	607,329	540,509

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

10 INVENTORIES (continued)

- (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	
	2020	2019
	RMB'000	RMB'000
Carrying amount of inventories sold	7,556,508	6,076,793

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:

	At 30 June	At 31
	2020	December
	RMB'000	2019
	RMB'000	RMB'000
Within 1 month	104,507	127,021
1 to 2 months	12,770	10,684
2 to 3 months	4,298	9,316
Over 3 months	2,058	4,810
Trade debtors	123,633	151,831
Prepayments	199,319	350,616
Other receivables and deposits	624,515	649,670
Amounts due from third parties	947,467	1,152,117
Amounts due from related parties (note 19(c))	4,819	6,698
Trade and other receivables	952,286	1,158,815

- (i) 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)

12 PLEDGED BANK DEPOSITS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings	29,315	48,774
Restricted bank deposits pledged in respect of bills payable	640,420	912,955
	669,735	961,729

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

13 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash at banks and in hand	2,381,585	1,123,892

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

14 LOANS AND BORROWINGS

(a) At 30 June 2020, loans and borrowings were repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year or on demand	834,241	871,215
After 1 year but within 2 years	101,484	86,332
After 2 years but within 5 years	118,913	154,160
	220,397	240,492
	1,054,638	1,111,707

(b) At 30 June 2020, loans and borrowings were secured as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Unsecured borrowings from other financial institutions	—	5,528
Unsecured borrowings from a related party (note 19(c))	—	44,789
	—	50,317
Secured bank loans (i)	851,275	814,457
Secured borrowings from other financial institutions (i)	203,363	246,933
	1,054,638	1,061,390
	1,054,638	1,111,707

(i) As at 30 June 2020, certain loans and borrowings were secured by property, plant and equipment, right-of-use assets, inventories, trade and other receivables and pledged banks deposits of the Group and were guaranteed by related parties.

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:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 3 months	1,002,851	1,326,106
Over 3 months but within 6 months	74,446	37,244
Total trade payables and bills payable (i)	1,077,297	1,363,350
Contract liabilities	521,487	552,777
Other payables and accruals	170,937	208,025
Amounts due to third parties	1,769,721	2,124,152
Amounts due to related parties (note 19(c))	8,110	8,013
Trade and other payables	1,777,831	2,132,165

- (i) As at 30 June 2020, certain bills payable were guaranteed by a related party.
- (ii) 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)

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	
	2020	2019
	RMB'000	RMB'000
Interim dividend declared after the interim period, of RMB0.1451 per ordinary share (six months ended 30 June 2019: RMB0.061 per ordinary share)	180,435	70,525

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.2 per ordinary share (six months ended 30 June 2019: RMB0.0894 per ordinary share)	232,504	98,157

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Dividends *(continued)*

(iii) Other dividends

During the six months ended 30 June 2020, a subsidiary of the Group declared and paid dividends of RMB3,573,000 (six months ended 30 June 2019: RMB2,927,000) in cash to non-controlling interests.

(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 of the Group 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 (retired with effect from 25 March 2019), 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.

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)*

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

During the six months ended 30 June 2020, 1,350,000 options were exercised (six months ended 30 June 2019: 2,600,000) at a subscription price of HK\$1.8 per ordinary share for a total consideration of HK\$2,430,000 (equivalent to RMB2,179,000) and consequently, RMB121,000 and RMB2,058,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB771,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share options.

The number of options granted on 20 January 2014 still outstanding at 30 June 2020 are 2,530,000 (31 December 2019: 3,880,000) which have an exercise price of HK\$1.8 (31 December 2019: HK\$1.8) and a remaining contractual life of 3.37 years (31 December 2019: 3.87 years).

(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 of the Group 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 (retired with effect from 25 March 2019), 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.

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 (continued)*

During the six months ended 30 June 2020, 2,490,000 options were exercised (six months ended 30 June 2019: nil) at a subscription price of HK\$2.58 per ordinary share for a total consideration of HK\$6,424,000 (equivalent to RMB5,844,000) and consequently, RMB227,000 and RMB5,617,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,794,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of RMB219,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB854,000) (see note 5(b)(ii)).

The number of options granted on 4 January 2018 still outstanding at 30 June 2020 are 7,335,000 (31 December 2019: 9,825,000) which have an exercise price of HK\$2.58 (31 December 2019: HK\$2.58) and a remaining contractual life of 7.51 years (31 December 2019: 8.01 years).

(iii) *Share options granted on 18 July 2019*

Pursuant to a resolution of the board of directors of the Company passed on 18 July 2019, 9,700,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 9,700,000 shares of the Company in aggregate with an exercise price of HK\$6.00, among which 230,000 share options were granted to Ms. Luo Liuyu (appointed as an executive director of the Company with effect from 25 March 2019) and 1,000,000 share options each were granted to Mr. Chen Guiyi, Mr. WANG Michael Chou, and Mr. JIP Ki Chi, the independent non-executive directors of the Company.

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)*

(iii) Share options granted on 18 July 2019 *(continued)*

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 18 July 2019, 18 July 2020, 18 July 2021 and 18 July 2022, respectively, and be exercisable until 17 July 2029.

During the six months ended 30 June 2020, 512,500 options were exercised at a subscription price of HK\$6.00 per ordinary share for a total consideration of HK\$3,075,000 (equivalent to RMB2,789,000) and consequently, RMB46,000 and RMB2,743,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,206,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of RMB4,110,000 for the six months ended 30 June 2020 (see note 5(b)(ii)).

The number of options granted on 18 July 2019 still outstanding at 30 June 2020 are 9,027,500 (31 December 2019: 9,640,000) which have an exercise price of HK\$6.00 (31 December 2019: HK\$6.00) and a remaining contractual life of 9.04 years (31 December 2019: 9.54 years).

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)*

(iv) Share options granted on 16 January 2020

Pursuant to a resolution of the board of directors of the Company passed on 16 January 2020, 1,940,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 1,940,000 shares of the Company in aggregate with an exercise price of HK\$10.80.

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 16 January 2020, 16 January 2021, 16 January 2022 and 16 January 2023, respectively, and be exercisable until 15 January 2030.

The Group recorded equity settled share-base payment expenses of RMB2,797,000 for the six months ended 30 June 2020 (see note 5(b)(ii)).

The number of options granted on 16 January 2020 still outstanding at 30 June 2020 are 1,940,000 which have an exercise price of HK\$10.80 and a remaining contractual life of 9.55 years.

(c) Issuance of new shares

On 10 June 2020, the Company issued 81,000,000 new ordinary shares at the subscription price of HK\$15.84 per share. The gross proceeds of HK\$1,283,040,000 (equivalent to RMB1,168,849,000), net of direct share issuance expenses of HK\$20,627,000 (equivalent to RMB18,791,000), were raised, of which RMB7,379,000 and RMB1,142,679,000 was credited to share capital and share premium account, respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	53,020	143,022
Authorised but not contracted for	—	5,470
	53,020	148,492

18 CONTINGENT LIABILITIES

As at 30 June 2020, one subsidiary of the Group has issued financial guarantees to a non-bank financial institution in respect of financial facilities granted to Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong") amounting to RMB80,000,000 (31 December 2019: RMB80,000,000). As at 30 June 2020, the financial facility utilised by Dongguan Meidong amounted to RMB10,004,000 (31 December 2019: RMB13,069,000) (see note 19(e)).

As at 30 June 2020, 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)

19 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2020, 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
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
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)

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Recurring transactions

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Short-term rental expense:		
— Dadong Group	1,100	1,100
Management service income:		
— Dongguan Meidong	4,649	4,914

(b) Non-recurring transactions

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Sales of passenger vehicles:		
— Dongguan Meidong	9,565	1,059
Purchases of passenger vehicles:		
— Dongguan Meidong	19,877	2,994
Repayment of advance from a related party:		
— Ye Fan	—	50
Repayment of loans and borrowings from a related party:		
— Apex Sail	44,789	—

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

At 30 June 2020, the Group had the following balances with related parties:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Other receivables due from:		
— Dongguan Meidong	4,819	6,698
Other payables due to:		
— Dongguan Meidong	1,492	1,755
— Dadong Group	1,044	684
— Ye Fan	5,574	5,574
	8,110	8,013
Loans and borrowings due to:		
— Apex Sail (ii)	—	44,789

- (i) All the amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.
- (ii) During the six months ended 30 June 2020, the Company repaid the unsecured loans and borrowings of HK\$50,000,000 (equivalent to RMB44,789,000) borrowed from Apex Sail.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(d) Guarantees and securities issued by related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
— Ye Fan	910,877	798,371
— Dadong Group	16,800	17,100
Guarantees issued by a related party in respect of bills issued by the Group:		
— Ye Fan	654,461	908,668

(e) Guarantees issued by the Group

	At 30 June 2020 RMB'000	The Group At 31 December 2019 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to a related party:		
— Dongguan Meidong	80,000	80,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(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	
	2020	2019
	RMB'000	RMB'000
Short-term employee benefits	5,162	3,819
Equity compensation benefits	4,796	494
	9,958	4,313

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

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Interim dividend

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