



HARMONY AUTO  
和諧汽車

# 中國和諧汽車控股有限公司 China Harmony Auto Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3836

Interim Report 2013






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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Feng Changge (*Chairman*)  
Mr. Yu Feng  
Mr. Fong Heung Sang, Addy (Dexter)  
Mr. Yang Lei  
Mr. Cui Ke  
Ms. Liu Wei  
Ms. Ma Lintao

### Non-executive Director

Mr. Wang Nengguang

### Independent Non-executive Directors

Mr. Xiao Changnian  
Mr. Liu Zhangmin  
Mr. Li Daomin  
Mr. Xue Guoping

### Audit Committee

Mr. Xiao Changnian (*Chairman*)  
Mr. Liu Zhangmin  
Mr. Xue Guoping

### Remuneration Committee

Mr. Xue Guoping (*Chairman*)  
Mr. Liu Zhangmin  
Mr. Yang Lei

### Nomination Committee

Mr. Feng Changge (*Chairman*)  
Mr. Li Daomin  
Mr. Xue Guoping

## Company Secretary

Ms. Wong Wai Yee, Ella

## Authorized Representatives

Mr. Fong Heung Sang, Addy (Dexter)  
Ms. Wong Wai Yee, Ella

## Auditors

Ernst & Young

## Principal Banks

China CITIC Bank, Zhengzhou Branch  
Shanghai Pudong Development Bank, Zhengzhou Branch  
China Merchants Bank, Zhengzhou Branch  
The Bank of East Asia, Zhengzhou Branch  
Bank of Communications, Zhengzhou Branch

## Registered Office

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## Principal Place of Business and Headquarter in the PRC

15A, Building A, Shangwunehuan Road  
CBD Zhengdongxin District  
Zhengzhou, Henan Province  
PRC

## **Principal Place of Business in Hong Kong**

Level 28, Three Pacific Place  
1 Queen's Road East  
Hong Kong  
(relocated to:  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
with effect from September 3, 2013)

## **Cayman Islands Share Registrar**

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

## **Hong Kong Share Registrar**

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## **Compliance Adviser**

REORIENT Financial Markets Limited  
Suites 1102-03, Far East Finance Centre  
16 Harcourt Road, Admiralty  
Hong Kong

## **Company's website**

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

## **Stock Code**

3836

# Chairman's Statement

## Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of China Harmony Auto Holding Limited (“**China Harmony Auto**” or the “**Company**” or “**we**”), I am pleased to present the first report for the interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) after its listing.

The Company made remarkable achievements in the first half of 2013. Our brand influence and sales network were further expanded; and our revenue, profit and other financial indicators experienced rapid growth. These were primarily attributable to our distinctive network expansion strategies which stress on the sales of luxury passenger vehicles in the central-western region and ultra-luxury passenger vehicles in the economically developed coastal region, as well as the establishment of our dominant position in certain areas. The Company continued to open outlets in core areas and prime locations in the first and second-tier cities and adopt the low-investment operating mode.

## Rapid growth in our operating results

For the six months ended 30 June 2013, China Harmony Auto realized revenue of RMB3,659 million, representing a year-on-year increase of 24%, of which our revenue from the sales of new passenger vehicles was approximately RMB3,345 million, up by 21.1%, and our revenue from after-sales services amounted to approximately RMB314 million, up by 65.0%. In the first half of 2013, the Company sold 7,038 new passenger vehicles, representing a year-on-year increase of 30.2%, which was much higher than the average growth rate of 13.8% in the industry.

## Continued expansion in our sales network

During the six months ended 30 June 2013, the number of our luxury and ultra-luxury passenger vehicle outlets increased by six to 30, and the Company was authorized to open one Maserati outlet in Changzhou and one Ferrari/Maserati outlet in Shijiazhuang.

## Continued expansion in our brand portfolio

During the six months ended 30 June 2013, the Company was authorized to open one Lincoln 4S outlet in Zhengzhou, and one Volvo 4S outlet in each of Shangqiu and Nanyang, bringing the number of brands of luxury and ultra-luxury passenger vehicles distributed by the Company from ten previously to 12.

## Our future development

The Company believes that China has huge potential for growth in its passenger vehicle market. In particular, with the steady progress in industrialization and urbanization and the continuous improvement in people's living standards in China, the demand for luxury and ultra-luxury passenger vehicles will be further boosted. As one of the leading dealership group that deals exclusively in luxury and ultra-luxury passenger vehicles in China, the Company is committed to fully exert its leading role and maintain a steady expansion of its sales network. At the same time, the Company will also continue to develop its automobile after-sales service business. Further, the Company is developing the provision of the automobile hire purchase financing services. I believe that the provision of such services will further enhance the profitability of the Company. With the increase in the sales of new vehicles in China, the second-hand vehicle business will also inevitably become a new growth driver of the Company. The Company is currently making efforts to develop its second-hand vehicle business by establishing a second-hand vehicle trading center, and believes that the business will contribute higher profit margin to the Company. In the past decade, China's high-end automobile market maintained an annual average growth rate of 36%. In 2012, total sales of new high-end vehicles in China reached 1,250,000, making it the second largest high-end automobile market in the world, only behind the U.S. From a long-term perspective, with the continuous growth in the sales of new vehicles and the number of vehicles in use in China, the after-sales market will inevitably become the "golden niche" in the PRC automobile industry, which is highly lucrative and sustainable. To grasp this opportunity, the Company launched its comprehensive after-sales service in a number of provinces and cities which focuses on the repair and maintenance of luxury passenger vehicles and the repair of crashed vehicles. It will continue to adopt the low-investment operating mode in which the Company would not purchase land and construct new outlets, but will enter into long-term leases for its new outlets to reduce their initial investments, and will establish 50 to 100 repair and maintenance bays for each outlet in respect of its after-sales services. I believe that the project will become another profit growth driver of China Harmony Auto in the future, bringing lucrative return to the Company and its shareholders.

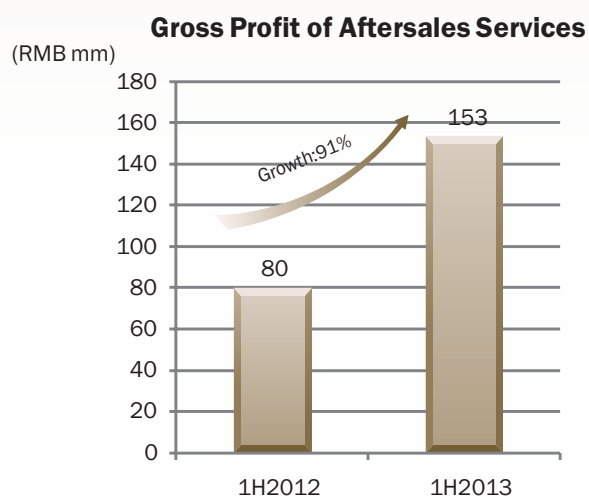
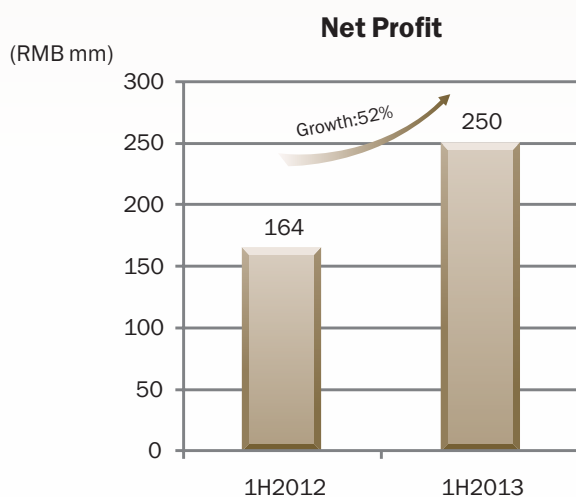
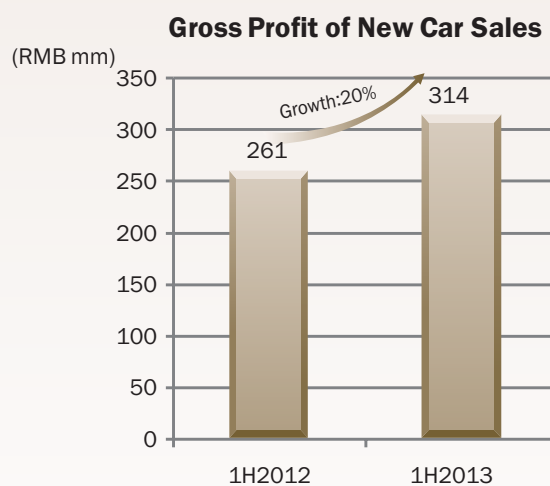
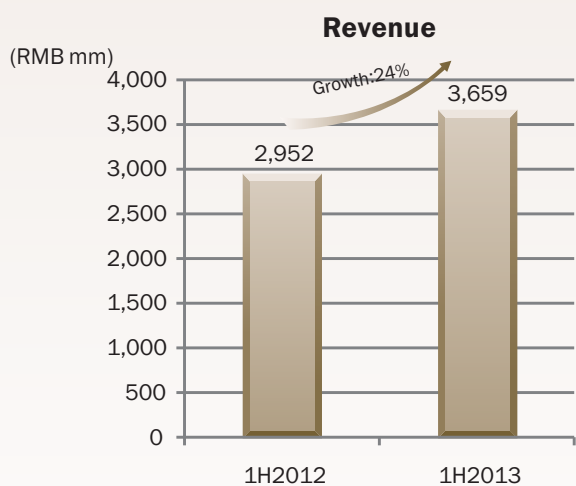
The Company delivered remarkable results in the first half of 2013, which was attributable to the continuing effort of all our staff, as well as the strong support of all our shareholders and business partners. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of them.

### **Feng Changge**

*Chairman*

August 27, 2013

# Financial Highlights



As a leading dealership group that deals exclusively in luxury and ultra-luxury passenger vehicles in China, the Company continued to focus on expanding our business and increasing our profit in the first half of 2013. We opened three outlets for operation in the first half of 2013, namely, Guangzhou Guangdebao 5S store, Xiamen Yuanda Lexus 4S store and Henan Yingzhiyi MINI 4S store, bringing the total number of outlets we operated to 25 as of June 30, 2013. As of the date of this report, we had three additional outlets that were opened for operation, namely, Zhenzhou Zhengdebao service center, Jiaozuo Yuanda Lexus 4S store and Beijing Maserati 4S store.

Despite recent uncertainties affecting the passenger vehicle market in China, including a general slow-down in the global economy, the Diaoyu Island dispute between Japan and China and the reported possible purchase tax on ultra-luxury passenger vehicles, we continued to experience increasing demand for luxury and ultra-luxury passenger vehicles in China in the first half of 2013. Our sales volume of new passenger vehicles in the six months ended June 30, 2013 was 7,044, representing a 30.3% increase from 5,407 in the six months ended June 30, 2012. In particular, our sales volume for BMW passenger vehicles increased by 34.8% from 4,692 in the six months ended June 30, 2012 to 6,327 in the six months ended June 30, 2013. However, our sales volume for Lexus passenger vehicles decreased by 36.6% from 689 in the six months ended June 30, 2012 to 437 in the six months ended June 30, 2013, primarily due to the continued negative impact of the Diaoyu Island dispute. The average selling price per passenger vehicle decreased from RMB0.51 million in the six months ended June 30, 2012 to RMB0.47 million in the six months ended June 30, 2013, as a result of the continued introduction of various mid to lower range models of luxury brands by certain automobile manufacturers.

Due to the general increase in market demand and the expansion of our sales network, our revenue for sales of new passenger vehicles increased by 21.1% from RMB2,761.3 million for the six months ended June 30, 2012 to RMB3,344.9 million for the six months ended June 30, 2013. Our gross profit margin for sales of new passenger vehicles was 9.4% in the six months ended June 30, 2013, which remained relatively stable when compared to the gross profit margin for sales of new passenger vehicles for the six month ended June 30, 2012.

After-sales services have become one of the most important drivers of our operation and our profit growth. We also benefited from our exclusive focus on luxury and ultra-luxury passenger vehicles, the owners of which are generally less price-sensitive and place higher value on after-sales service quality. Due to our strategic focus on after-sales services, as well as the expansion of our outlet network and the ramp-up of our newly-opened outlets, we achieved a 91.6% increase in gross profit generated from after-sales services in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. Gross profit margin for after-sales services also increased from 42.0% in the six months ended June 30, 2012 to 48.8% in the six months ended June 30, 2013.

As part of our stated strategy of seeking to diversify our revenue sources, and as a natural extension and progression of our financing and insurance consulting services, we announced on August 9, 2013 that we are developing the provision of hire purchase financing of luxury and ultra-luxury passenger vehicles in China. Through our financing and insurance consulting services, we have been accumulating experience in providing financing consulting services and seeing firsthand how hire purchase financing services are carried out by the relevant service providers and we believe that it is the right time to start developing our own hire purchase financing services. We intend to start the services on a trial basis in our outlets in Henan Province.



# Financial Overview

## Revenue

Revenue was RMB3,659.4 million for the six months ended June 30, 2013, a 24.0% increase from RMB2,951.9 million in the six months ended June 30, 2012. This increase was primarily attributable to an increase in revenues from both sales of new passenger vehicles and after-sales services.

Revenue from sales of new passenger vehicles increased by 21.1% from RMB2,761.3 million for the six months ended June 30, 2012 to RMB3,344.9 million for the six months ended June 30, 2013, which was primarily attributable to an increase in sales volumes, as a result of the continuing increase in demand for luxury and ultra-luxury passenger vehicles in China.

Revenue from after-sales services increased by 65.1% from RMB190.5 million in the six months ended June 30, 2012 to RMB314.5 million in the six months ended June 30, 2013, primarily attributable to the increased after-sale services generated from our growing customer base. Revenue from after-sales services accounted for 8.6% of the total revenue in the six months ended June 30, 2013, as compared to 6.5% in the six months ended June 30, 2012, primarily as a result of our efforts to promote after-sales services which have a higher profit margin than sales of new passenger vehicles.

## Cost of sales and services provided

Our cost of sales and services provided increased by 22.3% from RMB2,610.7 million in the six months ended June 30, 2012 to RMB3,191.6 million in the six months ended June 30, 2013, largely in line with the increase of our revenue. Cost of sales attributable to sales of new passenger vehicles increased by 21.2% from RMB2,500.2 million in the six months ended June 30, 2012 to RMB3,030.6 million in the six months ended June 30, 2013. Cost of sales attributable to after-sales services increased by 45.7% from RMB110.5 million in the six months ended June 30, 2012 to RMB161.0 million in the six months ended June 30, 2013.

## Gross profit and gross profit margin

As a result of foregoing, our gross profit increased by 37.1% from RMB341.2 million in the six months ended June 30, 2012 to RMB467.8 million in the six months ended June 30, 2013. Our gross profit margin was 12.8% in the six months ended June 30, 2013 as compared to 11.6% in the six months ended June 30, 2012.

Gross profit from sales of new passenger vehicles increased by 20.4% from RMB261.1 million in the six months ended June 30, 2012 to RMB314.4 million in the six months ended June 30, 2013. Gross profit margin was 9.4% in the six months ended June 30, 2013, largely unchanged as compared to 9.5% in the six months ended June 30, 2012.

Gross profit from after-sales services increased by 91.6% from RMB80.1 million in the six months ended June 30, 2012 to RMB153.4 million in the six months ended June 30, 2013, primarily attributable to our continued strategic focus on improving our after-sales services. Gross profit margin was 48.8% in the six months ended June 30, 2013, as compared to 42.0% in the six months ended June 30, 2012, and the increase was primarily attribute to the increase in after-sales rates we charged.

## Other income and net gain (excluding interest income from the controlling shareholder)

Other income and net gain (excluding interest income from the controlling shareholder, Mr. Changge Feng (the “**Controlling Shareholder**”)) increased by 212% from RMB32.8 million in the six months ended June 30, 2012 to RMB102.4 million in the six months ended June 30, 2013, and the increase was primarily due to:

- a 200% increase in commission income from RMB23.4 million in the six months ended June 30, 2012 to RMB70.1 million in the six months ended June 30, 2013, primarily attributable to (i) the increase in sales volume of new passenger vehicles; (ii) the increasing number of purchases of new passenger vehicles through financing services provided by manufacturers as compared to with cash; and (iii) the increasing number of customers who used the insurance we referred in connection with purchases of new passenger vehicles; and
- a significant increase in bank interest income from RMB2.8 million in the six months ended June 30, 2012 to RMB19.0 million in the six months ended June 30, 2013, primarily attributable to the increase of our bank deposit, including the proceeds from the global offering.

## Interest income from the Controlling Shareholder

Interest income from the Controlling Shareholder increased by 54.1% from RMB42.9 million in the six months ended June 30, 2012 to RMB66.1 million in the six months ended June 30, 2013, primarily due to the increase in the amount of loan we granted to the Controlling Shareholder which bore an annual interest rate of 15%. Such loan was repaid in full as of June 30, 2013.

## Profit for the period

As a result of the foregoing, our profit in the six months ended June 30, 2013 was RMB249.6 million, a 51.8% increase from RMB164.4 million in the six months ended June 30, 2012. Our adjusted profit excluding interest income from the Controlling Shareholder and the related tax impact in the six months ended June 30, 2013 would be RMB200.0 million, representing a 51.3% increase from RMB132.2 million in the six months ended June 30, 2012.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

Our primary uses of cash were to pay for the purchases of new passenger vehicles, spare parts and automobile accessories, to establish new dealership outlets and to fund our working capital and normal operating expenses. We financed our liquidity needs through a combination of short-term bank loans and cash flows generated from our operating activities.

# Financial Overview

Our net cash used in operating activities was RMB79.6 million in the six months ended June 30, 2013, as compared to net cash generated from operating activities of RMB485.4 million in the six month ended June 30, 2012. Net cash used in investing activities was RMB173.9 million and RMB930.9 million in the six months ended June 30, 2013 and 2012, respectively. Net cash generated from financing activities was RMB1,420.3 million and RMB648.6 million in the six months ended June 30, 2013 and 2012, respectively.

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loans and other borrowings and the net proceeds from the initial public offering, the board believes that our liquidity needs are satisfied.

## Net current assets

As of June 30, 2013, we had net current assets of RMB684.0 million, as compared to net current liabilities of RMB315.8 million as of June 30, 2012.

## Capital expenditure

Our capital expenditure, which was primarily in respect of the purchase of items of property, plant and equipment in connection of establishment of new outlets, was RMB302.4 million in the six months ended June 30, 2013 (June 30, 2012: RMB205.6 million).

## Inventory

Our inventories primarily consisted of new passenger vehicles, spare parts and automobile accessories. Each of our outlets individually manages its orders for new passenger vehicles and after-sales products, but a monthly report is submitted by each outlet to our headquarters for review.

Our inventories increased by 74.3% from RMB710.6 million as of December 31, 2012 to RMB1,238.8 million as of June 30, 2013, primarily due to an increase in our inventory of new passenger vehicles by 78.1% from RMB655.8 million as of December 31, 2012 to RMB1,168.0 million as of June 30, 2013. The increase in our inventories as of June 30, 2013 was due to the increase in demand and the addition of three dealership outlets which commenced operation during the six months ended June 30, 2013.

Our average inventory turnover days in the six months ended June 30, 2013 were 55.7 days, which increased from 38 days for the year ended December 31, 2012, as we build up our inventories for the newly-opened outlets.

## Bank loans and other borrowings

As of June 30, 2013, we had bank loans and other borrowings in the aggregate amount of RMB2,364.0 million, as compared to RMB2,067.8 million as of December 31, 2012. The table below sets forth breakdowns of our bank loans and other borrowings as of the indicated dates:

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
<b>Bank loans repayable:</b>		
Within one year or on demand	<b>1,538,636</b>	1,283,000
In the second year	-	60,000
In the third to fifth years	<b>57,037</b>	-
	<b>1,595,673</b>	1,343,000
<b>Other borrowings repayable:</b>		
Within one year or on demand	<b>768,282</b>	494,774
In the second year	-	230,000
	<b>768,282</b>	724,774
<b>Total</b>	<b>2,363,955</b>	2,067,774

Our gearing ratio, which is calculated by net debt (total debt minus cash and cash equivalents) divided by the total equity attributable to owners of the parent plus net debt, was 51.5% for the six months ended June 30, 2013.

As of June 30, 2013, certain of our bank loans and other borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of June 30, 2013 consisted of (i) inventories in the amount of RMB562.5 million; (ii) property, plant and equipment in the amount of RMB36.4 million; (iii) land use rights in the amount of RMB13.3 million; and (iv) equity interest in our various subsidiaries. In addition, certain of our bank loans and other borrowings were guaranteed by the Controlling Shareholder or affiliates of the Controlling Shareholder.

# Financial Overview

## **Contingent liabilities**

As of June 30, 2013, we did not have any material contingent liabilities or guarantees.

## **Future Plans for Material Investments**

There was no specific plan for material investments and acquisition of material capital assets as at June 30, 2013. The Group will continue to seek new business development opportunities.

## **Interest rate risk and foreign exchange risk**

We are exposed to interest rate risk resulting from fluctuations in interest rate on our debt. Certain of our borrowings have floating interest rates that are mostly linked to the benchmark rates of the People's Bank of China. Increases in interest rate could result in an increase in our cost of borrowing. If this occurs, it could adversely affect our finance costs, profit and our financial condition. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. We do not currently use any derivative instruments to manage our interest rate risk.

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

## **Employees and remuneration policies**

As at June 30, 2013, the Group had a total of 2,222 employees (December 31, 2012: 1,428 employees). Relevant staff cost for the six months ended June 30, 2013 was approximately RMB62.7 million while our staff cost was approximately RMB34.0 million for the corresponding period of 2012. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees.

# Corporate Governance and Other Information

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at June 30, 2013, the interests and short positions of the directors of the Company (the “**Directors**”) or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) were as follows:

Name of Director	Name of Corporation	Capacity/Nature of Interest	Number of Shares/ Underlying Shares <sup>(4)</sup>	Approximate % of Shareholding Interest
Mr. Feng Changge	Company	Interest of controlled corporation	686,720,000 (L) <sup>(1)</sup>	62.76%
Ms. Ma Lintao	Company	Interest of spouse	686,720,000 (L) <sup>(1)</sup>	62.76%
Mr. Yu Feng	Company	Beneficial owner	2,662,994 (L) <sup>(2)(3)</sup>	0.24%
Mr. Yang Lei	Company	Beneficial owner	2,506,347 (L) <sup>(2)(3)</sup>	0.23%
Mr. Fong Heung Sang, Addy (Dexter)	Company	Beneficial owner	2,036,407 (L) <sup>(2)(3)</sup>	0.19%
Mr. Cui Ke	Company	Beneficial owner	1,879,760 (L) <sup>(2)(3)</sup>	0.17%
Ms. Liu Wei	Company	Beneficial owner	1,801,437 (L) <sup>(2)(3)</sup>	0.16%

Notes:

- (1) These shares in the Company (the “**Shares**”) are held by Eagle Seeker Company Limited (“**Eagle Seeker**”). Mr. Feng Changge is deemed to be interested in the Shares by virtue of Eagle Seeker being controlled by Mr. Feng Changge. Ms. Ma Lintao is Mr. Feng Changge's spouse and is therefore deemed to be interested in all the Shares in which Mr. Feng Changge is interested in.
- (2) These shares represent Shares underlying the restricted share unit awards (“**RSU Awards**”) granted to the relevant Directors pursuant to the restricted share unit scheme (“**RSU Scheme**”) of the Company. For further details, please refer to the section headed “Restricted Share Unit Scheme” below.
- (3) On August 27, 2013, each of Mr. Yu Feng, Mr. Yang Lei, Mr. Fong Heung Sang, Addy (Dexter), Mr. Cui Ke and Ms. Liu Wei agreed to, and as confirmed and approved by the Board, reduce the number of RSU Awards granted to them by 62,000 units each. As a result of the foregoing, as of the date of this report, the number of Shares underlying the RSU Awards granted to Mr. Yu Feng, Mr. Yang Lei, Mr. Fong Heung Sang, Addy (Dexter), Mr. Cui Ke, Ms. Liu Wei are reduced to 2,600,994, 2,444,347, 1,974,407, 1,817,760 and 1,739,437, respectively. For further details, please refer to the section headed “Restricted Share Unit Scheme” below.
- (4) The letter “L” denotes the person's long position in such Shares.

Save as disclosed above, as at June 30, 2013, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures 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 by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

# Corporate Governance and Other Information

## Restricted Share Unit Scheme

On May 20, 2013, the RSU Scheme of the Company was approved and adopted by the then shareholders of the Company. The purpose of the RSU Scheme is to attract skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in our Company.

A RSU Award granted under the RSU Scheme gives a participant in the RSU Scheme (the “**RSU Participant**”) a conditional right when the RSU Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion.

On May 28, 2013, RSU Awards in respect of an aggregate of 19,110,898 new Shares, representing approximately 1.75% of the Shares in issue as at the date of this report, were granted pursuant to the RSU Scheme to several RSU Participants, 5 of which are Directors. During the period commencing from the date of grant of such RSU Awards to June 30, 2013, no RSU Award has been vested, nor has any of the RSU Awards lapsed or been cancelled.

Details of the RSU Awards granted pursuant to the RSU Scheme are set out below:

<b>Name</b>	<b>Number of Shares Underlying the RSU Awards Granted as at June 30, 2013</b>
<b>Directors</b>	
Mr. Yu Feng	2,662,994
Mr. Yang Lei	2,506,347
Mr. Fong Heung Sang, Addy (Dexter)	2,036,407
Mr. Cui Ke	1,879,760
Ms. Liu Wei	1,801,437
<b>Employees of the Group</b>	<b>8,223,953</b>
<b>Total</b>	<b>19,110,898</b>

On August 27, 2013, each of Mr. Yu Feng, Mr. Yang Lei, Mr. Fong Heung Sang, Addy (Dexter), Mr. Cui Ke and Ms. Liu Wei agreed to, and as confirmed and approved by the Board, reduce the RSU Awards granted to them by 62,000 units each. The aggregate amount of the RSU Awards so reduced (i.e. 310,000 RSU Awards) were granted to an employee of the Company. As a result of the foregoing, the total number of RSU Awards granted under the RSU Scheme remains unchanged and as of the date of this report, the number of Shares underlying the RSU Awards granted to Mr. Yu Feng, Mr. Yang Lei, Mr. Fong Heung Sang, Addy (Dexter), Mr. Cui Ke, Ms. Liu Wei and the employees are 2,600,994, 2,444,347, 1,974,407, 1,817,760, 1,739,437 and 8,533,953, respectively.

The RSU Awards granted to the RSU Participants on May 28, 2013 pursuant to the RSU Scheme originally had a vesting period of four years as follows: 10% on January 2, 2014, 30% on January 2, 2015, 30% on January 2, 2016 and 30% on January 2, 2017. Pursuant to a resolution passed by the Board on August 27, 2013 and as confirmed by each of the RSU Participants, the vesting period in respect of the RSU Awards granted is extended from four years to five years as follows: 10% on January 2, 2014, 10% on June 30, 2014, 20% on January 2, 2015, 20% on January 2, 2016, 20% on January 2, 2017 and 20% on January 2, 2018. Other than the adjustments in the number of Shares underlying the RSU Awards granted to certain RSU Participants as described in the previous paragraph and the duration of the vesting period, the terms of the RSU Scheme remain unchanged. Please refer to the prospectus of the Company dated May 31, 2013 for further details of the principal terms of the RSU Scheme.

# Corporate Governance and Other Information

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at June 30, 2013, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares Directly or Indirectly Held <sup>(4)</sup>	Approximate % of Shareholding Interest
Eagle Seeker <sup>(1)</sup>	Beneficial owner	686,720,000 (L)	62.76%
LC Fund V, L.P.	Beneficial owner	63,680,000 (L)	5.82%
JPMorgan Chase & Co.	Beneficial owner	6,383,000 (L) <sup>(2)</sup>	0.58%
	Investment manager	37,828,000 (L)	3.46%
	Custodian corporation/ approved lending agent	17,899,000 (L)	1.64%
The Goldman Sachs Group, Inc.	Interest of controlled corporation	44,215,500 (L) <sup>(3)</sup>	4.04%
		41,268,500 (S) <sup>(3)</sup>	3.77%
	Interest held jointly with another person	41,268,500 (L) <sup>(3)</sup>	3.77%

Notes:

- (1) Eagle Seeker is wholly-owned by Mr. Feng Changge, an executive Director and the chairman of the Company.
- (2) JPMorgan Chase & Co. had, or was deemed to have, an interest in a total number of 62,110,000 Shares (including a lending pool of 17,899,000 Shares), of which (i) 6,383,000 Shares were beneficial interest held by J.P. Morgan Clearing Corp, a company wholly-owned by J.P. Morgan Securities LLC, the sole member of which is J.P. Morgan Broker-Dealer Holdings Inc. J.P. Morgan Broker-Dealer Holdings Inc. is in turn wholly-owned by JPMorgan Chase & Co.; (ii) 37,828,000 Shares were interest held as an investment manager by J.P. Morgan Investment Management Inc., a company wholly-owned by JPMorgan Asset Management Holdings Inc., which is in turn wholly-owned by JPMorgan Chase & Co.; and (iii) 17,899,000 Shares were interest held by JPMorgan Chase Bank, N.A. as custodian corporation/approved lending agent. JPMorgan Chase Bank, N.A. is wholly-owned by JPMorgan Chase & Co.

As each of the above entities is ultimately controlled by JPMorgan Chase & Co., JPMorgan Chase & Co. was deemed to have a long position in such 62,110,000 Shares.

- (3) The Goldman Sachs Group, Inc. had, or was deemed to have, an interest in a total number of 85,484,000 Shares, of which (i) 44,215,500 Shares were held by Goldman Sachs International, which is 99% owned by Goldman Sachs Holdings (U.K.), which is in turn wholly-owned by Goldman Sachs Group Holdings (U.K.). Goldman Sachs Group Holdings (U.K.) is wholly-owned by Goldman Sachs (UK) L.L.C., the sole member of which is The Goldman Sachs Group, Inc.; and (ii) 41,268,500 Shares were jointly owned interest with China International Capital Corporation Hong Kong Securities Limited by Goldman Sachs (Asia) L.L.C., the sole member of which is Goldman Sachs Holdings (Hong Kong) Limited. Goldman Sachs Holdings (Hong Kong) Limited is wholly-owned by Goldman Sachs (Asia) Corporate Holdings L.P., the general partner of which is GS India Holdings (Delaware) L.L.C. The Goldman Sachs Group, Inc. is the sole member of GS India Holdings (Delaware) L.L.C.

Goldman Sachs International also had a short position in 41,268,500 Shares.

As each of the above entities is ultimately controlled by The Goldman Sachs Group, Inc., The Goldman Sachs Group, Inc. was deemed to have a long position in such 85,484,000 Shares and a short position in such 41,268,500 Shares.

- (4) The letter "L" denotes the person's long position in such Shares, and the letter "S" denotes the person's short position in such Shares.

Save as disclosed above, as at June 30, 2013, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.



# Corporate Governance and Other Information

## Purchase, Sale or Redemption of the Company's Listed Securities

During the period commencing from the date of the listing of the Company on the Stock Exchange on June 13, 2013 (the "Listing Date") through to June 30, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period commencing from the Listing Date to June 30, 2013.

## Compliance with the Corporate Governance Code

For the period commencing from the Listing Date through to June 30, 2013, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

## Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2013.

## Use of Proceeds from the Global Offering

On June 13, 2013, the Shares were listed on the main board of the Stock Exchange. A total of 275,126,000 ordinary Shares with nominal value of HK\$0.01 each were issued at HK\$6.08 per Share for a total of approximately HK\$1,672.77 million. The net proceeds raised by the Company from the global offering are approximately HK\$1,551.03 million.

After the Shares were listed on the Stock Exchange on June 13, 2013, the Company has not used any net proceeds raised from the global offering as at June 30, 2013. The Company deposited the unutilised proceeds with licensed banks in Hong Kong and in the PRC. The Company will use such proceeds in accordance with the purposes disclosed in the prospectus of the Company dated May 31, 2013.

## Change in Directors' Biographical Details

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors up to the date of this interim report are set out below:

Mr. Fong Heung Sang, Addy (Dexter), being an executive Director, has retired from being an independent non-executive director and member of the audit committee, nomination committee and remuneration committee of Universal Technologies Holdings Limited (Stock Code: 1026), a listed public company in Hong Kong, with effect from June 3, 2013.

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Listing Rules and the Code. As at the date of this report, the Audit Committee consists of three members, namely Mr. Xiao Changnian, Mr. Liu Zhangmin and Mr. Xue Guoping, all of whom are independent non-executive Directors of the Company. Mr. Xiao Changnian is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results for the six months ended June 30, 2013.

# Interim Consolidated Income Statement

For the six month period ended June 30, 2013

		<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
	Notes		
<b>Revenue</b>	4(a)	<b>3,659,406</b>	2,951,852
Cost of sales and services provided	5(b)	<b>(3,191,585)</b>	(2,610,652)
<b>Gross profit</b>		<b>467,821</b>	341,200
Other income and gains, net	4(b)	<b>168,441</b>	75,726
Selling and distribution costs		<b>(164,691)</b>	(108,706)
Administrative expenses		<b>(45,178)</b>	(27,411)
<b>Profit from operations</b>		<b>426,393</b>	280,809
Finance costs	6	<b>(82,161)</b>	(59,547)
Share of profit of an associate		<b>151</b>	-
<b>Profit before tax</b>	5	<b>344,383</b>	221,262
Tax	7	<b>(94,811)</b>	(56,856)
<b>Profit for the period</b>		<b>249,572</b>	164,406
<b>Attributable to:</b>			
Owners of the parent		<b>250,812</b>	164,576
Non-controlling interests		<b>(1,240)</b>	(170)
		<b>249,572</b>	164,406
<b>Earnings per share attributable to ordinary equity holders of the parent</b>	9		
Basic (RMB)		<b>0.30</b>	0.21
Diluted (RMB)		<b>0.30</b>	0.21

The accompanying notes on pages 23 to 44 form an integral part of the interim condensed consolidated financial statements.

# Interim Consolidated Statement of Comprehensive Income

For the six month period ended June 30, 2013

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
PROFIT FOR THE PERIOD	<b>249,572</b>	164,406
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>257</b>	-
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	<b>257</b>	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<b>257</b>	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>249,829</b>	164,406
Attributable to:		
Owners of the parent	<b>251,069</b>	164,576
Non-controlling interests	<b>(1,240)</b>	(170)
	<b>249,829</b>	164,406

The accompanying notes on pages 23 to 44 form an integral part of the interim condensed consolidated financial statements.

# Interim Consolidated Statement of Financial Position

June 30, 2013

		<b>June 30, 2013</b>	December 31, 2012
		<b>Unaudited</b>	Audited
	Notes	<b>RMB'000</b>	RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,377,894</b>	1,149,926
Land use rights		<b>13,297</b>	13,497
Intangible assets		<b>3,187</b>	1,050
Prepayments		<b>48,660</b>	31,943
Investment in an associate		<b>6,373</b>	6,222
Deferred tax assets		<b>10,927</b>	10,092
		<hr/>	<hr/>
Total non-current assets		<b>1,460,338</b>	1,212,730
<b>CURRENT ASSETS</b>			
Inventories	10	<b>1,238,837</b>	710,554
Trade receivables	11	<b>58,333</b>	59,112
Prepayments, deposits and other receivables	12	<b>909,460</b>	688,221
Amounts due from related parties	19(b)	<b>2,416</b>	679,448
Pledged bank deposits		<b>852,660</b>	665,055
Cash in transit		<b>94,405</b>	17,333
Cash and cash equivalents		<b>2,190,254</b>	342,685
		<hr/>	<hr/>
Total current assets		<b>5,346,365</b>	3,162,408
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings	13	<b>2,306,918</b>	1,777,774
Trade and bills payables	14	<b>1,277,873</b>	818,129
Other payables and accruals		<b>741,324</b>	626,852
Income tax payable		<b>336,234</b>	255,415
		<hr/>	<hr/>
Total current liabilities		<b>4,662,349</b>	3,478,170
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		<b>684,016</b>	(315,762)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>2,144,354</b>	896,968
		<hr/>	<hr/>

# Interim Consolidated Statement of Financial Position

June 30, 2013

		<b>June 30, 2013</b>	December 31, 2012
		<b>Unaudited</b>	Audited
	Notes	<b>RMB'000</b>	RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	13	<b>57,037</b>	290,000
Deferred tax liabilities		<b>9,289</b>	4,929
<b>Total non-current liabilities</b>		<b>66,326</b>	294,929
<b>NET ASSETS</b>		<b>2,078,028</b>	602,039
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	<b>8,633</b>	-
Reserves	16	<b>2,057,354</b>	588,758
		<b>2,065,987</b>	588,758
<b>Non-controlling interests</b>		<b>12,041</b>	13,281
<b>Total equity</b>		<b>2,078,028</b>	602,039

The accompanying notes on pages 23 to 44 form an integral part of the interim condensed consolidated financial statements.

# Interim Consolidated Statement of Changes in Equity

For the six month period ended June 30, 2013

	Attributable to owners of the parent									
	Share capital	Share premium	Statutory reserve	Merger reserve	Exchange fluctuation reserve	Retained profits	Awarded shares compensation reserve	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000
<b>At January 1, 2013</b>	-	-	58,449	371,200	(15)	159,124	-	588,758	13,281	602,039
Profit for the year	-	-	-	-	-	250,812	-	250,812	(1,240)	249,572
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	257	-	-	257	-	257
Total comprehensive income for the year	-	-	-	-	257	250,812	-	251,069	(1,240)	249,829
Issue of shares	8,633	1,215,059	-	-	-	-	-	1,223,692	-	1,223,692
Award shares compensation expense	-	-	-	-	-	-	2,468	2,468	-	2,468
<b>At June 30, 2013</b>	<b>8,633</b>	<b>1,215,059</b>	<b>58,449</b>	<b>371,200</b>	<b>242</b>	<b>409,936</b>	<b>2,468</b>	<b>2,065,987</b>	<b>12,041</b>	<b>2,078,028</b>
<b>At January 1, 2012 (Unaudited)</b>	-	-	37,785	427,300	-	388,286	-	853,371	4,984	858,355
Profit for the year	-	-	-	-	-	164,576	-	164,576	(170)	164,406
Total comprehensive income for the year	-	-	-	-	-	164,576	-	164,576	(170)	164,406
Contribution by the then equity holders	-	-	-	171,200	-	-	-	171,200	-	171,200
Non-controlling interests arising from establishing a new subsidiary	-	-	-	-	-	-	-	-	3,500	3,500
Acquisition of non-controlling interests by the Group	-	-	-	(116,000)	-	-	-	(116,000)	-	(116,000)
<b>At June 30, 2012 (Unaudited)</b>	-	-	37,785	482,500	-	552,862	-	1,073,147	8,314	1,081,461

\* These reserve accounts comprise the consolidated reserves of RMB2,057,354,000 (December 31, 2012: RMB588,758,000) in the consolidated statement of financial position as at June 30, 2013.

The accompanying notes on pages 23 to 44 form an integral part of the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statement of Cash Flows

For the six month period ended June 30, 2013

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
Net cash (used in)/generated from operating activities	<b>(79,571)</b>	485,364
Net cash used in investing activities	<b>(173,888)</b>	(930,877)
Net cash generated from financing activities	<b>1,420,271</b>	648,580
<b>Net increase in cash and cash equivalents</b>	<b>1,166,812</b>	203,067
Cash and cash equivalents at the beginning of each period	<b>342,685</b>	179,383
Effect of foreign exchange rate changes	<b>257</b>	-
<b>Cash and cash equivalents at the end of each period</b>	<b>1,509,754</b>	382,450
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balance	<b>1,509,754</b>	382,450
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>1,509,754</b>	382,450
Non-pledged time deposits with original maturity of more than three months when acquired	<b>680,500</b>	-
<b>Cash and cash equivalents as stated in the statement of financial position</b>	<b>2,190,254</b>	382,450

The accompanying notes on pages 23 to 44 form an integral part of the interim condensed consolidated financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 1. GENERAL INFORMATION

The Company was incorporated on September 24, 2012 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on June 13, 2013.

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

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Eagle Seeker Company Limited, which was incorporated in the British Virgin Islands ("BVI").

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months period ended June 30, 2013 (the "Reporting Period") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year end December 31, 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated interim financial statements were presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on August 27, 2013. These condensed consolidated interim financial statements have not been audited.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2012, except for the adoption of the new standards and interpretations as of January 1, 2013, noted below.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

The adoption of these revised HKFRSs has had no significant financial effect on the interim condensed consolidated financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> <sup>1</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> <sup>1</sup>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
HK(IFRIC)-Int 21	<i>Levies</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2014

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 3. SEGMENT INFORMATION

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

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

### Information about geographical area

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

### Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months period ended June 30, 2013, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

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

### (a) Revenue

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
Revenue from the sale of motor vehicles	<b>3,344,948</b>	2,761,326
Others	<b>314,458</b>	190,526
	<b>3,659,406</b>	2,951,852

### (b) Other income and gains, net:

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
Commission income	<b>70,081</b>	23,399
Advertisement support received from motor vehicle manufacturers	<b>2,497</b>	2,212
Bank interest income	<b>19,004</b>	2,770
Interest income from the Controlling Shareholder (i)	<b>66,077</b>	42,947
Net gain on disposal of items of property, plant and equipment	<b>142</b>	-
Others	<b>10,640</b>	4,398
	<b>168,441</b>	75,726

- (i) Interest income from controlling shareholder, Mr. Changge Feng, (the "Controlling Shareholder") was generated from loans the Group granted to the Controlling Shareholder which bore an annual interest rate of 15% during the period. Such loans were fully settled upon listing of the Company's shares on the Stock Exchange on June 13, 2013.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 5. PROFIT BEFORE TAX

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

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
<b>(a) Employee benefit expense (including directors' and chief executive's remuneration)</b>		
Wages and salaries	<b>53,176</b>	24,978
Other welfare	<b>9,545</b>	9,026
	<b>62,721</b>	34,004
<b>(b) Cost of sales and services:</b>		
Cost of sales of motor vehicles	<b>3,030,561</b>	2,500,200
Others	<b>161,024</b>	110,452
	<b>3,191,585</b>	2,610,652
<b>(c) Other items</b>		
Depreciation of items of property, plant and equipment	<b>31,623</b>	16,066
Amortisation of land use rights	<b>200</b>	200
Amortisation of intangible assets	<b>244</b>	162
Net (gain)/loss on disposal of items of property, plant and equipment	<b>(142)</b>	671
Advertisement and business promotion expenses	<b>37,040</b>	24,873
Bank charges	<b>4,089</b>	3,765
Lease expenses	<b>10,105</b>	10,284
Logistics and petroleum expenses	<b>5,612</b>	3,362
Office expenses	<b>9,610</b>	6,213

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 6. FINANCE COSTS

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
Interest expense on bank borrowings wholly repayable within five years	<b>85,820</b>	58,298
Interest expense on other borrowings	<b>13,782</b>	1,249
Less: Interest capitalised	<b>(17,441)</b>	-
	<b>82,161</b>	59,547

## 7. TAX

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
Current Mainland China corporate income tax	<b>91,286</b>	57,561
Deferred tax	<b>3,525</b>	(705)
	<b>94,811</b>	56,856

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company and the subsidiary incorporated in the Cayman Islands have obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company and the subsidiary incorporated in the Cayman Islands.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to an income tax at the rate of 16.5% during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate of the Mainland China subsidiaries is 25%.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 8. DIVIDENDS

The Board of the Company has resolved not to declare any interim dividend for the six months period ended June 30, 2013 (six months period ended June 30, 2012: Nil).

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

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue, during the six months period ended June 30, 2013 and June 30, 2012.

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of parent	<b>250,812</b>	164,576
	<b>For the six months ended June 30, 2013</b>	For the six months ended June 30, 2012
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>825,984,122</b>	800,000,000
Effect of dilution – weighted average number of ordinary shares:		
– Restricted share	<b>1,804,918</b>	–
	<b>827,789,040</b>	800,000,000

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

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

The weighted average number of ordinary shares used to calculate the basic earnings per share in the six months period ended June 30, 2012 was 800,000,000, which were deemed to have been issued throughout the period.

### Earnings per share

Basic (RMB)	<b>0.30</b>	0.21
Diluted (RMB)	<b>0.30</b>	0.21

## 10. INVENTORIES

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Motor vehicles	<b>1,167,952</b>	655,809
Spare parts and accessories	<b>70,885</b>	54,745
	<b>1,238,837</b>	710,554

Certain of the Group's inventories with a carrying amount of RMB562,473,000 at June 30, 2013, were pledged as security for the Group's bank loans and other borrowings (Note 13(a)).

Certain of the Group's inventories with a carrying amount of RMB274,640,000 at June 30, 2013, were pledged as security for the Group's bills payables (Note 14).

As at June 30, 2013, none of the Group's inventories were carried at fair value less costs to sell.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 11. TRADE RECEIVABLES

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Trade receivables	<b>58,333</b>	59,112

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Within 3 months	<b>51,059</b>	54,222
More than 3 months but less than 1 year	<b>6,111</b>	4,890
Over 1 year	<b>1,163</b>	-
Total	<b>58,333</b>	59,112



# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Prepayments to suppliers	<b>292,617</b>	262,433
Rebate receivables	<b>274,748</b>	229,329
VAT recoverable (i)	<b>231,922</b>	164,094
Deposit for potential acquisition	<b>47,489</b>	-
Staff advances	<b>8,996</b>	9,629
Others	<b>53,688</b>	22,736
	<b>909,460</b>	688,221

Note:

- (i) The Group's sales of motor vehicles are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is deductible input VAT which has not been claimed to the tax bureau. The applicable tax rate for domestic sales of the Group is 17%.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 13. BANK LOANS AND OTHER BORROWINGS

	June 30, 2013		December 31, 2012	
	Effective interest rate (%)	Unaudited RMB'000	Effective interest rate (%)	Audited RMB'000
Current				
Bank loans	6.0-11.8	1,538,636	6.2-12.0	1,283,000
Other borrowings	5.8-8.5	768,282	5.8-8.5	494,774
		<u>2,306,918</u>		<u>1,777,774</u>
Non-current				
Bank loans	8.7	57,037	6.6-7.2	60,000
Other borrowings	-	-	8.5	230,000
		<u>57,037</u>		<u>290,000</u>
		<u>2,363,955</u>		<u>2,067,774</u>
Bank loans and other borrowings representing:				
- secured		313,797		455,000
- guaranteed		856,588		675,000
- secured and guaranteed		1,082,187		889,774
- unsecured		111,383		48,000
		<u>2,363,955</u>		<u>2,067,774</u>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 13. BANK LOANS AND OTHER BORROWINGS (continued)

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<b>1,538,636</b>	1,283,000
In the second year	-	60,000
In the third to fifth years	<b>57,037</b>	-
	<b>1,595,673</b>	1,343,000
Other borrowings repayable:		
Within one year or on demand	<b>768,282</b>	494,774
In the second year	-	230,000
	<b>768,282</b>	724,774
Total	<b>2,363,955</b>	2,067,774

(a) Certain of the Group's bank loans and other borrowings are secured by:

- (i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB13,297,000 as at June 30, 2013 (December 31, 2012: RMB13,497,000);
- (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB36,423,000 as at June 30, 2013 (December 31, 2012: RMB37,496,000); and
- (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB562,473,000 as at June 30, 2013 (December 31, 2012: RMB242,559,000).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 13. BANK LOANS AND OTHER BORROWINGS (continued)

- (b) Certain of the Group's bank loans and other borrowing are guaranteed by:
- (i) Certain of the Group's bank loans and other borrowing amounted to RMB416,337,000 were guaranteed by the Controlling Shareholder as at June 30, 2013 (December 31, 2012: RMB315,228,000);
  - (ii) Certain of the Group's bank loans amounted to RMB35,000,000 were guaranteed by the Controlling Shareholder and 河南省同樂醫藥有限公司 (Henan Tongle Pharmaceutical Co., Ltd. ("Tongle Pharmaceutical")), which is controlled by a close family member of the Controlling Shareholder, as at June 30, 2013 (December 31, 2012: RMB35,000,000);
  - (iii) Certain of the Group's bank loans amounted to RMB15,000,000 were guaranteed by the Controlling Shareholder and Mr. Liu Fenglei, who is an employee of the Group, as at June 30, 2013 (December 31, 2012: RMB15,000,000);
  - (iv) Certain of the Group's bank loans and other borrowing amounted to RMB906,438,000 were guaranteed by the Controlling Shareholder and 河南和諧實業集團有限公司 (Henan Hexie Industrial Group Co., Ltd. ("Hexie Industrial Group")), which is controlled by the Controlling Shareholder, as at June 30, 2013 (December 31, 2012: RMB679,546,000);
  - (v) Certain of the Group's bank loans amounted to RMB35,000,000 were guaranteed by the Controlling Shareholder, Hexie Industrial Group, 河南東方金沙湖國際高爾夫俱樂部有限公司 ("Henan Jinshahu Golf Club Co., Ltd."), which is controlled by the Controlling Shareholder, and Ms. Zhao Lu, who is a close family member of the Controlling Shareholder, as at June 30, 2013 (December 31, 2012: RMB35,000,000);
  - (vi) Certain of the Group's bank loans amounted to RMB180,000,000 were guaranteed by the Controlling Shareholder, and secured by certain of the land use rights of 河南和諧置業有限公司 ("Henan Hexie Property Co., Ltd."), which is controlled by the Controlling Shareholder, as at June 30, 2013 (December 31, 2012: RMB285,000,000);
  - (vii) Certain of the Group's bank loans amounted to RMB100,000,000 were guaranteed by the Controlling Shareholder, Hexie Industrial Group and Henan Hexie Property Co., Ltd. as at June 30, 2013 (December 31, 2012: RMB100,000,000);
  - (viii) Certain of the Group's bank loans amounted to RMB100,000,000 were guaranteed by Henan Hexie Property Co., Ltd. as at June 30, 2013 (December 31, 2012: Nil);

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 13. BANK LOANS AND OTHER BORROWINGS (continued)

- (b) Certain of the Group's bank loans and other borrowing are guaranteed by: (continued)
  - (ix) Certain of the Group's bank loans amounted to RMB60,000,000 were guaranteed by the Controlling Shareholder, Mr. Liu Fenglei, Hexie Industrial Group, Henan Jinshahu Golf Club Co., Ltd. and Henan Hexie Property Co., Ltd. as at June 30, 2013 (December 31, 2012: RMB60,000,000);
  - (x) Certain of the Group's bank loans amounted to RMB26,000,000 were guaranteed by Ms. Liu Dan, Mr. Li Junqiang and Mr. Lan Haibo, all of whom are employees of the Group, as at June 30, 2013 (December 31, 2012: Nil);
  - (xi) Certain of the Group's bank loans amounted to RMB40,000,000 were guaranteed by Hexie Industrial Group as at June 30, 2013 (December 31, 2012: RMB40,000,000); and
  - (xii) Certain of the Group's bank loans amounted to RMB25,000,000 were guaranteed by the Controlling Shareholder, Hexie Industrial Group and Henan Jinshahu Golf Club Co., Ltd. as at June 30, 2013 (December 31, 2012: Nil).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 14. TRADE AND BILLS PAYABLES

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Trade payables	<b>21,538</b>	11,383
Bills payable	<b>1,256,335</b>	806,746
Trade and bills payables	<b>1,277,873</b>	818,129

An aged analysis of the trade and bills payables as at each reporting date (based on the invoice date) is as follows:

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Within 3 months	<b>1,095,874</b>	777,735
3 to 6 months	<b>177,633</b>	37,193
6 to 12 months	<b>1,054</b>	2,836
Over 12 months	<b>3,312</b>	365
Total	<b>1,277,873</b>	818,129

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 14. TRADE AND BILLS PAYABLES (continued)

The trade and bills payables are non-interest-bearing.

- (a) Certain of the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB274,640,000 as at June 30, 2013 (December 31, 2012: RMB165,826,000).
- (b) Certain of the Group's bills payable amounted to RMB620,819,000 were guaranteed by the Controlling Shareholder as at June 30, 2013 (December 31, 2012: RMB505,745,000).
- (c) Certain of the Group's bills payable amounted to RMB355,289,000 were guaranteed by the Controlling Shareholder and Hexie Industrial Group as at June 30, 2013 (December 31, 2012: RMB139,202,000).
- (d) Certain of the Group's bills payable which amounted to RMB40,000,000 were guaranteed by the Controlling Shareholder and Tongle Pharmaceutical as at June 30, 2013 (December 31, 2012: RMB40,000,000).
- (e) Certain of the Group's bills payable which amounted to RMB32,235,000 were guaranteed by Hexie Industrial Group as at December 31, 2012.

## 15. SHARE CAPITAL

Shares June 30, 2013

### Authorised:

**No. of shares at HK\$0.01 each**

Ordinary shares 2,000,000,000

### Issued and fully paid:

	<b>No. of shares at HK\$0.01 each</b>	<b>Equivalent to RMB'000</b>
Ordinary shares	1,075,126,000	8,482
Restricted shares	19,110,898	151
	1,094,236,898	8,633

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 15. SHARE CAPITAL (continued)

	Number of issued and fully paid shares	Nominal value of shares HK\$'000	Share premium HK\$'000	Equivalent nominal value of shares RMB'000	Equivalent share premium RMB'000
As at January 1, 2012	1	-	-	-	-
Capitalisation issue of ordinary share on June 13, 2013 (note (a))	799,999,999	8,000	(8,000)	6,311	(6,311)
Capitalisation issue of restricted share on June 2013 (note (b))	19,110,898	191	(191)	151	(151)
Issue of new shares on June 13, 2013 (note (c))	275,126,000	2,751	1,670,015	2,171	1,317,566
Share issue expenses	-	-	(121,736)	-	(96,045)
<b>As at June 30, 2013</b>	<b>1,094,236,898</b>	<b>10,942</b>	<b>1,540,088</b>	<b>8,633</b>	<b>1,215,059</b>

- (a) Pursuant to the resolution of the board of directors of the Company on May 27, 2012, 799,999,999 ordinary shares of HK\$0.01 each were allotted and issued and to be converted as fully paid at par, by way of capitalisation of the sum of HK\$8,000,000 (equivalent to approximately RMB6,311,000) standing to the credit of the share premium account.
- (b) Pursuant to the resolution of the board of directors of the Company on May 28, 2012, 19,110,898 restricted shares of HK\$0.01 each were allotted and issued and to be converted as fully paid at par, by way of capitalisation of the sum of HK\$191,000 (equivalent to approximately RMB151,000) standing to the credit of the share premium account. These restricted shares were issued for the purpose of The Company's Restricted Share Unit Scheme ("RSU Scheme") and managed by a professional trustee. For further details of the RSU Scheme, please refer to note 16 below.
- (c) On June 13, 2013, in connection with the Company's IPO as defined in the Prospectus, 275,126,000 new ordinary shares of the Company of HK\$0.01 each were issued at a price of HK\$6.08 per share with gross proceeds of HK\$1,672,766,000 (equivalent to approximately RMB1,319,737,000).

## 16. RSU SCHEME

The Company's RSU Scheme was approved and adopted by the sole shareholder on May 20, 2013 for the primary purpose of attracting skilled and experienced personnel, to incentivize them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new shares.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 16. RSU SCHEME (continued)

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. A participant in the RSU Scheme (the "RSU Participant") does not have any contingent interest in any shares underlying an RSU award unless and until such shares are actually transferred to the RSU Participant. Further, an RSU Participant may not exercise voting rights in respect of the shares underlying their RSU award and, unless otherwise specified by the board of directors of the Company in its entire discretion in the RSU grant letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying an RSU award.

During this period, RSU awards in respect of an aggregate of 19,110,898 shares, representing approximately 1.75% of the total shares issued at the end of this period, had been granted to several RSU Participants pursuant to the RSU Scheme, of which 5 of the RSU Participants are Directors. Each RSU award granted pursuant to the RSU Scheme has the same terms and conditions. The grant and vesting of the RSU awards granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules. The Group recognised a total expense of RMB2,468,000 for the six months period ended June 30, 2013 in relation to the RSUs granted by the Company.

## 17. CONTINGENT LIABILITIES

As at December 31, 2012 and June 30, 2013, neither the Group nor the Company had any significant contingent liabilities.

## 18. COMMITMENTS

### (a) Capital commitments

The Group had following capital commitments at the end of the reporting period:

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Contracted, but not provided for land use rights and buildings	<b>53,348</b>	164,592

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 18. COMMITMENTS (continued)

### (b) Operating lease commitments

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	June 30, 2013		December 31, 2012	
	Unaudited		Audited	
	Properties	Land	Properties	Land
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	47,435	11,224	23,451	11,277
After 1 year but within 5 years	132,902	47,916	73,019	38,763
After 5 years	43,679	202,379	30,078	163,138
	<b>224,016</b>	<b>261,519</b>	126,548	213,178

The Group is the lessee in respect of a number of properties and land held under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the leases when all the terms are renegotiated.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Feng Changge is the Controlling Shareholder of the Group and is also considered to be a related party of the Group.

Save as disclosed in Note 4, Note 13 and Note 14, other significant related party transaction are set out below:

### (a) Transactions with related parties

During the Relevant period, revenue from sale of motor vehicles to certain related parties as follow:

		<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
Tongle Pharmaceutical	(i)	-	15,480
河南省醫藥超市有限公司 (“Henan Pharmaceutical Supermarket Co., Ltd.”)	(i)	-	4,820
河南銀保投資擔保有限公司 (“Henan Yinbao Investment Guarantee Co., Ltd.”)	(ii)	-	8,204
		-	28,504

(i) Tongle Pharmaceutical and Henan Pharmaceutical Supermarket Co., Ltd. are both controlled by a close family member of the Controlling Shareholder.

(ii) Henan Yinbao Investment Guarantee Co., Ltd. is controlled by a close family member of the Controlling Shareholder.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (b) Balances with related parties

The Group had the following significant balances with its related parties as at June 30, 2013 and December 31, 2012, respectively.

Due from related party:

	<b>June 30, 2013 Unaudited RMB'000</b>	December 31, 2012 Audited RMB'000
Non-trade related:		
The Controlling Shareholder		
– Mr. Feng Changge	–	676,452
An associate		
– 鄭州永達和諧汽車銷售服務有限公司 (Zhengzhou Yongda Hexie Automobiles Sales & Service Co., Ltd.)	<b>2,416</b>	2,996
	<b>2,416</b>	679,448

Except for the amounts due from the Controlling Shareholder which are interest-bearing and had no fixed repayment terms, other balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

### (c) Compensation of key management personnel of the Group:

	<b>For the six months ended June 30, 2013 Unaudited RMB'000</b>	For the six months ended June 30, 2012 Unaudited RMB'000
Short term employee benefits	<b>4,778</b>	1,806
Post-employee benefits	<b>80</b>	81
Total compensation paid to key management personnel	<b>4,858</b>	1,887

# Notes to the Interim Condensed Consolidated Financial Statements

For the six month period ended June 30, 2013

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at each reporting date are as follows:

### Financial assets

	Loans and receivables	
	June 30, 2013 Unaudited RMB'000	December 31, 2012 Audited RMB'000
Trade receivables	58,333	59,112
Financial assets included in prepayments, deposits and other receivables	337,432	261,694
Amounts due from related parties	2,416	679,448
Pledged bank deposits	852,660	665,055
Cash in transit	94,405	17,333
Cash and cash equivalents	2,190,254	342,685
	<b>3,535,500</b>	<b>2,025,327</b>

### Financial liabilities

	Financial liabilities at amortised cost	
	June 30, 2013 Unaudited RMB'000	December 31, 2012 Audited RMB'000
Trade and bills payables	1,277,873	818,129
Financial liabilities included in other payables and accruals	165,658	74,201
Bank loans and other borrowings	2,363,955	2,067,774
	<b>3,807,486</b>	<b>2,960,104</b>

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair value of current portion of the Group's and the Company's financial instruments approximate to their carrying amounts due to the short term maturities. For non-current portion of bank loans and other borrowings, the fair value has been calculated by discounting the expected future cash flow using rates currently available for instruments on similar terms, credit risk and remaining maturities, which is also approximate to their carrying amounts.

The Group and the Company did not have any financial assets and financial liabilities measured at fair value as at June 30, 2013. (December 31, 2012: Nil)