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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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

FINANCIAL HIGHLIGHTS

- Revenue increased to RMB2,598.3 million, representing an increase of 22.0%.
- Overall gross profit increased to RMB253.1 million while the overall gross profit margin remained stable at 9.7%.
- Profit after taxation attributable to shareholders of the Company increased to RMB62.5 million, representing an increase of 22.2%.

RESULTS

The board of directors (the "Board") of China MeiDong Auto Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	3 & 4	2,598,288	2,129,973
Cost of sales	6	(2,345,229)	(1,920,545)
Gross profit		253,059	209,428
Other income	5	23,331	10,039
Distribution costs		(92,651)	(63,910)
Administrative expenses		(78,481)	(54,117)
Profit from operations		105,258	101,440
Interest expenses		(28,375)	(32,941)
Compensation to bondholders		–	(9,099)
Finance costs	6(a)	(28,375)	(42,040)
Share of profits of an associate		1,835	1,639
Share of profits of a joint venture		9,951	8,845
Profit before taxation	6	88,669	69,884
Income tax	7	(24,360)	(15,869)
Profit and total comprehensive income for the period		64,309	54,015
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		62,533	51,171
Non-controlling interests		1,776	2,844
Profit and total comprehensive income for the period		64,309	54,015
Earnings per share	8		
Basic and diluted (RMB cents)		5.75	5.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited

		At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	9	583,102	550,985
Lease prepayments		101,953	103,428
Intangible assets		13,587	11,155
Interest in an associate		16,506	14,671
Interest in a joint venture		56,338	46,387
Other non-current assets		20,041	22,829
Deferred tax assets		14,179	14,171
		<u>805,706</u>	<u>763,626</u>
Current assets			
Inventories	10	552,787	466,318
Trade and other receivables	11	373,922	373,773
Bank deposits	12	340,436	521,084
Cash and cash equivalents	13	287,002	253,915
		<u>1,554,147</u>	<u>1,615,090</u>
Current liabilities			
Loans and borrowings	14	584,636	641,606
Trade and other payables	15	837,443	782,285
Corporate bonds	16	37,380	–
Income tax payables		12,796	16,923
		<u>1,472,255</u>	<u>1,440,814</u>
Net current assets		<u>81,892</u>	<u>174,276</u>
Total assets less current liabilities		<u>887,598</u>	<u>937,902</u>
Non-current liabilities			
Loans and borrowings	14	26,991	60,500
Corporate bonds	16	47,022	77,810
Deferred tax liabilities		4,723	4,451
Other non-current liabilities		3,643	1,488
		<u>82,379</u>	<u>144,249</u>
NET ASSETS		<u>805,219</u>	<u>793,653</u>
EQUITY			
Share capital	17	85,529	85,869
Reserves		689,017	678,887
Total equity attributable to equity shareholders of the Company		<u>774,546</u>	<u>764,756</u>
Non-controlling interests		<u>30,673</u>	<u>28,897</u>
TOTAL EQUITY		<u>805,219</u>	<u>793,653</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

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 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 25 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*
- Amendments to HKAS 27, *Separate financial statements: Equity method in separate financial statements*

None of these developments 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

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

(i) Information about geographical area

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

(ii) Information about major customers

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

4 REVENUE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of passenger vehicles	2,292,096	1,892,876
After-sales services	306,192	237,097
	2,598,288	2,129,973

5 OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Commission income	16,481	8,116
Bank interest income	2,207	2,763
Net gain/(loss) on disposal of property, plant and equipment	2,170	(1,511)
Others	2,473	671
	23,331	10,039

6 PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
(a) Finance costs:			
Interest on:			
– loans and borrowings		14,023	22,280
– corporate bonds		10,239	4,167
		<hr/>	<hr/>
Total borrowing cost		24,262	26,447
Other finance costs	(i)	4,113	6,494
		<hr/>	<hr/>
Total interest expenses		28,375	32,941
Compensation to bondholders		–	9,099
		<hr/>	<hr/>
		28,375	42,040
		<hr/> <hr/>	<hr/> <hr/>
(b) Staff costs:			
Salaries, wages and other benefits		95,927	69,503
Equity settled share-based payment expenses	(ii)	405	889
Contributions to defined contribution retirement plans	(iii)	3,806	3,046
		<hr/>	<hr/>
		100,138	73,438
		<hr/> <hr/>	<hr/> <hr/>
(c) Other items:			
Cost of inventories		2,320,369	1,899,835
Depreciation		26,404	17,704
Amortisation of lease prepayments		1,474	1,421
Amortisation of intangible assets		409	377
Operating lease charges		12,578	8,392
Net foreign exchange loss/(gain)		252	(6)
		<hr/>	<hr/>
		2,320,369	1,899,835
		<hr/> <hr/>	<hr/> <hr/>

(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 RMB405,000 for the six months ended 30 June 2016 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (six months ended 30 June 2015: RMB889,000) (see note 17(c)).

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

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

7 INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	24,096	21,464
Deferred tax:		
Reversal/(origination) of temporary differences	264	(5,595)
	24,360	15,869

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.

8 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2016 is based on the profit attributable to equity shareholders of the Company of RMB62,533,000 (six months ended 30 June 2015: RMB51,171,000) and the weighted average of 1,088,383,000 ordinary shares in issue (six months ended 30 June 2015: 1,010,497,000 shares) during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2016	2015
Issued ordinary shares at 1 January	1,092,170,000	1,000,000,000
Effect of new shares issued	–	10,497,000
Effect of shares repurchased (see note 17(b))	(3,787,000)	–
Weighted average number of ordinary shares at 30 June	1,088,383,000	1,010,497,000

The impact of share options and warrants to earnings per share was anti-dilutive for the six months ended 30 June 2016 and the six months ended 30 June 2015 and therefore there were no dilutive potential ordinary shares during the interim period. As a result, the diluted earnings per share is equivalent to the basic earnings per share.

9 PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Net book value, at 1 January	550,985	437,039
Acquisition through business combination	–	12,024
Additions	67,989	173,939
Disposals	(18,030)	(45,947)
Depreciation charge for the period/year	(26,404)	(38,293)
Written back on disposals	8,562	12,223
	<hr/>	<hr/>
At 30 June/31 December	583,102	550,985
	<hr/> <hr/>	<hr/> <hr/>

10 INVENTORIES

Inventories in the consolidated statement of financial position comprised:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Motor vehicles	502,851	428,341
Others	49,936	37,977
	<hr/>	<hr/>
	552,787	466,318
	<hr/> <hr/>	<hr/> <hr/>

No inventory provision was made as at 30 June 2016 and 31 December 2015, and the inventories as at 30 June 2016 and 31 December 2015 were stated at cost.

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	40,913	28,142
1 to 2 months	3,911	1,632
2 to 3 months	1,169	182
Over 3 months	2,160	1,423
	<hr/>	<hr/>
Trade debtors	48,153	31,379
Prepayments	69,502	82,943
Other receivables and deposits	252,873	258,390
	<hr/>	<hr/>
Amounts due from third parties	370,528	372,712
Amounts due from a related party	3,394	1,061
	<hr/>	<hr/>
Trade and other receivables	373,922	373,773
	<hr/> <hr/>	<hr/> <hr/>

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

12 BANK DEPOSITS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings	97,750	206,768
Restricted bank deposits pledged in respect of bills payable	228,186	314,316
Unrestricted bank deposits	14,500	–
	340,436	521,084

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 2016 RMB'000	At 31 December 2015 RMB'000
Cash at banks and in hand	287,002	253,915

14 LOANS AND BORROWINGS

(a) At 30 June 2016, loans and borrowings were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year or on demand	584,636	641,606
After 1 year but within 2 years	26,991	40,500
After 2 years but within 5 years	–	20,000
	26,991	60,500
	611,627	702,106

(b) At 30 June 2016, loans and borrowings were secured as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Unsecured bank loans	9,297	33,087
Unsecured borrowings from other financial institutions	31,825	27,631
	41,122	60,718
Secured bank loans	336,075	399,123
Secured borrowings from other financial institutions	217,338	183,619
Secured borrowings from a third party	17,092	58,646
	570,505	641,388
	611,627	702,106

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 2016 RMB'000	At 31 December 2015 RMB'000
Within 3 months	524,731	477,384
Over 3 months but within 6 months	53,066	56,209
Total trade payables and bills payable	577,797	533,593
Receipts in advance	195,773	178,211
Other payables and accruals	59,868	68,914
Amounts due to third parties	833,438	780,718
Amounts due to related parties	4,005	1,567
Trade and other payables	837,443	782,285

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

16 CORPORATE BONDS

On 9 March 2015, the Company issued bonds in the aggregate principal amount of HK\$101,400,000 and warrants (see note 17(d)) to certain third parties. The fair value of the bonds amounting to RMB67,126,000 was estimated at the issuance date using the Discounted Cashflow Method.

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

As at 30 June 2016, the balance of corporate bonds represented initial fair value of RMB67,126,000 (31 December 2015: RMB67,126,000) and the amortised interests of RMB19,681,000 (31 December 2015: RMB13,063,000), deducted by the corresponding interests of RMB2,405,000 (31 December 2015: RMB2,379,000) at the nominal interest rate of 9% on the principal amount of the corporate bonds, which was recorded in trade and other payables.

As at 30 June 2016, the balance of corporate bonds of RMB37,380,000 was classified as current liabilities as the bond holders were entitled to redeem part of the bonds after 9 March 2017, being the second anniversary of the issuance date (31 December 2015: nil).

The bonds were guaranteed by Mr. Ye Fan and Mr. Ye Tao and secured by 355,838,151 ordinary shares of the Company held by its immediate parent company, Apex Sail Limited.

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year:

Approved during the interim period:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB4.6 cents per ordinary share (six months ended 30 June 2015: RMB3 cents per ordinary share)	50,054	30,000

During the six months ended 30 June 2016, the Company approved the final dividend in respect of the year ended 31 December 2015 of RMB50,054,000, and paid in June 2016.

During the six months ended 30 June 2015, the Company approved the final dividend in respect of the year ended 31 December 2014 of RMB30,000,000, and paid in July 2015.

(b) Repurchase of own shares

During the interim period, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased (thousand)	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$ ('000)
January 2016	<u>2,798</u>	<u>0.91</u>	<u>0.81</u>	<u>2,455</u>

As of 30 June 2016, the Company cancelled the above repurchased shares and 1,242,000 number of ordinary shares repurchased on 31 December 2015 and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB340,000 was transferred from the share premium to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB2,754,000 was charged to the share premium account as well.

(c) Equity settled share-based transactions

Pursuant to a resolution of the board of directors of the Company passed on 20 January 2014, 11,400,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK\$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua, the executive directors of the Company, respectively.

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

No options were exercised during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

The Group recorded equity settled share-based payment expenses of RMB405,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB889,000) (see note 6(b)(ii)).

(d) Warrants

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

No warrants were exercised during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

18 CONTINGENT LIABILITIES

As at 30 June 2016, one subsidiary of the Group has issued financial guarantees to a financial institution in respect of financial facilities granted to related parties of the Group amounting to RMB158,000,000 (31 December 2015: RMB158,000,000) and the financial facility utilised by the related parties amounted to RMB68,315,000 as at 30 June 2016 (31 December 2015: RMB87,612,000).

As at 30 June 2016, the directors do not consider it probable that a claim will be made under the above guarantee.

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Contracted for	27,015	26,440
Authorised but not contracted for	44,128	48,117
	71,143	74,557

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, the Group's total revenue was RMB2,598,288,000, representing an increase of 22.0% compared with RMB2,129,973,000 during the corresponding period of last year. This included new vehicles sales of RMB2,292,096,000, which grew approximately 21.1% compared to the same period of last year; and after sales revenue of RMB306,192,000, which grew about 29.1% compared to the same period in 2015.

Gross Profit

For the six months ended 30 June 2016, the Group reported a gross profit of RMB253,059,000, a 20.8% increase compared with RMB209,428,000 during the corresponding period in 2015. This included profit of new car sales reaching RMB95,262,000, an approximately 3.7% increase compared to the same period in 2015; after sales gross profit of RMB157,797,000, an approximately 34.2% increase compared to the same period of last year.

Distribution Costs and Administrative Expenses

Distribution costs for the six months ended 30 June 2016 amounted to RMB92,651,000, which grew approximately 45.0% compared to the same period of last year. Administrative expenses for the six months ended 30 June 2016 amounted to RMB78,481,000, which grew approximately 45.0% compared to the same period of last year. The increase in distribution costs and administrative expenses was mainly due to increasing number of new stores which led to the growth of salary and compensation, depreciation expense, marketing and advertising expenses and rental fees.

Finance Costs

For the six months ended 30 June 2016, finance costs amounted to RMB28,375,000, a decrease of approximately 32.5% compared to RMB42,040,000 during the same period of last year, which was mainly due to the decline of interest rate and improvement of inventory turnover days. During the six months ended 30 June 2016, inventory turnover days is 39.1 days, a decrease of 13.5 days from 52.6 days compared to the same period in 2015. In addition, there was no compensation to bondholders for the six months ended 30 June 2016, while the Group recorded compensation to bondholders of RMB9,099,000 during the same period of last year.

Associated Company and Joint Venture Company

For the six months ended 30 June 2016, share of results attributable to an associate and a joint venture were RMB11,786,000, an approximately 12.4% increase from share of results of RMB10,484,000 attributable to an associate and a joint venture in the same period of the previous year.

Taxation

For the six months ended 30 June 2016, the Group's total taxes amounted to RMB24,360,000, an approximately 53.5% increase compared to RMB15,869,000 during the corresponding period in the prior year. The increase of income tax expenses was mainly attributed to the increased profit before tax in the first half of 2016 compared to the same period in the previous year.

Absorption Rate

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

The absorption rate is calculated as follows:

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

An absorption rate of 100%, or close to 100%, indicates that the dealership's operating costs can essentially be supported by after sales services alone. For the six months ended 30 June 2016, our absorption rate for the Group was at 92.2%, representing a safe position for the overall operation of the Group, in which the after-sales services gross profit can basically cover all the distribution cost and administrative expenses of the Group.

Financial Resources and Position

As at 30 June 2016, the Group's borrowings amounted to RMB696,029,000, representing a decline of approximately 10.8% from RMB779,916,000 as at 31 December 2015, including RMB584,636,000 of short-term loans and borrowings, RMB26,991,000 of long-term loans and borrowings, and the corporate bonds payable of RMB84,402,000 as at 30 June 2016.

As at 30 June 2016, cash and cash equivalents and bank deposits amounted to RMB627,438,000, and mostly dominated in Renminbi and Hong Kong Dollars. As the Group's businesses are conducted in the PRC, therefore the Group does not anticipate to be exposed to any material foreign exchange risks.

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

Contingent Liabilities

As at 30 June 2016, one subsidiary of the Group has issued financial guarantees to a financial institution in respect of financial facilities granted to related parties of the Group amounting to RMB158,000,000 (31 December 2015: RMB158,000,000) and the financial facility utilised by the related parties amounted to RMB68,315,000 as at 30 June 2016 (31 December 2015: RMB87,612,000).

As at 30 June 2016, the directors do not consider it probable that a claim will be made under the above guarantee.

BUSINESS REVIEW

In the first half of 2016, the growth of China's economy and growth of automobile manufacturing and distribution slowed down, and increased number of dealer stores and online stores of various brands, representing a more fierce competition. Under the challenging automobile market condition, the Group consistently implemented our strategy of developing one store one city focusing on medium and small cities, and relied on the systematic management by our mature operation and management teams, contributing to the increase of our gross profit from new passenger vehicle sales and after sales services.

New Passenger Vehicle Sales

For the six months ended 30 June 2016, the Group has sold 11,218 new vehicles in total, an approximately 24.5% increase compared to 9,012 vehicles during the same period of last year. Among the sales volume increase for the first half of 2016, 46.9% was attributed to the sales increase at established stores while 53.1% from that of new stores. The new stores mainly focus on Toyota, BMW, Lexus and Porsche. According to the data from the China Automobile Dealers Association, the sales volume of BMW, Lexus, Toyota and Porsche ranked the first, third, fourth and fifth place respectively among imported vehicles in China in the first half of this year. These brands represent the foundation for the growth of our company.

For the six months ended 30 June 2016, revenue of the Group's new passenger vehicle sales amounted to RMB2,292,096,000, an approximately 21.1% increase compared RMB1,892,876,000 during the same period in the prior year. For the six months ended 30 June 2016, gross profit of new car sales was RMB95,262,000, an approximately 3.7% increase compared to RMB91,870,000 during the same period of last year.

The growth of our profit depended on the Group's persistent efforts on strengthening marketing efficiency, improving inventory turnover, promoting value added car financing services along with the sale of new vehicles, and enhancing the sales growth for financial insurance products. Indexes of the Group's marketing efficiency, inventory turnover and mortgage penetration took a leading role in the industry.

After-sales Services

For the six months ended 30 June 2016, our after-sales services platform has served 121,053 units, an approximately 15.8% increase compared to 104,554 units during the corresponding period in the prior year. Revenue of after-sales services for the six months ended 30 June 2016 amounted to RMB306,192,000, an approximately 29.1% increase compared to RMB237,097,000 during the corresponding period in the prior year. Gross profit of after-sales services for the six months ended 30 June 2016 amounted to RMB157,797,000, an approximately 34.2% increase compared to RMB117,558,000 during the corresponding period in the prior year.

In early 2016, reform of commercial motor vehicle insurance was implemented, which led to an approximately 20% decrease of claims reports. Despite of the backdrop market, we achieved a substantial growth in number of vehicles, revenue and profit by the after-sales business, owing to the (i) rapid increase of new stores, proper management during the preparation period and newly established period for stores, resulted in rapid growth of after-sales services in new stores; (ii) fast response and strong implementation of solutions for auto insurers that covers insurance renewal, painting services, insurance & accident car management; (iii) realization of significant growth of revenue and gross profit on automobile accessories through systematic management for accessories.

Looking forward, the Group will strengthen its management of customer experience to increase the frequency of customer visits and expand the scale of after-sales services.

New Store Openings

During the period, 2 stores were opened taking the number of operating 4S dealership stores to 29, including 27 subsidiary stores, a joint venture store that is operated by us and an associate store. Currently, we are working on opening another 4 BMW stores this year, which are expected to start operation by the end of this year.

New Projects

Currently we have certain projects under construction or planning to be constructed.

Number	Brand	Province	City	The anticipated completion dates
1	BMW	Guangdong	Yangjiang	October, 2016
2	BMW	Guangdong	Zengcheng	November, 2016
3	BMW	Beijing	Beijing	December, 2016
4	BMW	Hu'nan	Liuyang	December, 2016
5	BMW	Hu'nan	Yongzhou	March, 2017
6	BMW	Gansu	Lanzhou	September, 2017
7	Lexus	Guangdong	Qingyuan	January, 2017
8	Lexus	Hu'nan	Zhuzhou	July, 2017

ISSUE OF BONDS AND WARRANTS

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

PLACING OF SHARES

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

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company (the "Controlling Shareholders") has provided to the Company a written confirmation in respect of his/its compliance with the non-compete undertakings dated 13 November 2013 (the "Non-Compete Undertakings") for the six months ended 30 June 2016. 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 2016, the Group had a total of 2,442 employees.

In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance. The Group advocates simple, direct and data-oriented corporate culture, whereby it is generally recognized internally in the Group and even in the industry, which becomes one of key elements of attracting talents to join.

The Group continues to improve its training courses, enhance personnel training and cultivation. In the first half of 2016, the Group starts to record video training materials in an effort to let all employees and management to receive respective training courses.

The management team of the Group values satisfaction of employees, strives for creating a better working environment and career paths for employees in order to let the employees change their financial status during the working period with the Group and continue to enhance their skills and management capacities, thus enjoying the gains brought by the job.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

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

The Group has no status update on the property title defect for the six months ended 30 June 2016.

Matters in relation to the status update on the property ownership certificate issued to the landlords of Foshan Dongbao have been stated in the announcement dated 10 August 2016. For details, please refer to the announcement, and will not be repeated thereafter.

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

PROSPECTS OF THE SECOND HALF OF 2016

In the second half of 2016, MeiDong Auto will continue the growing trend in the first half of 2016, enrich the product's structure constantly, improve the business' process continuously, further strengthen the management of customer's satisfaction, strive for better results on sales of new car and after-sales repair services.

In the second half of 2016, it is expected that 4 newly opened stores are BMW brand. It is expected that by the end of 2016, there will be 11 BMW brand stores owned by MeiDong Auto and BMW brand will become one of the most operated brands by MeiDong. In addition, MeiDong Auto has received the dealership certification of 2 Lexus brands and 2 BMW brands recently and expected to come into operation in the forthcoming year. By the end of 2016, it is expected that 33 stores are in operation and 4 stores are in establishment process, amounting to 37 stores including a joint venture store and an associate store.

MeiDong Auto will continue to put an eye on the dynamic situation of car dealers in the market, and plan to undertake new investment activities under suitable moments and circumstances.

MeiDong Auto awares the complexity of current domestic economic status, a robust investment approach will still be adopted, and the client's perspective of satisfaction shall be addressed as always. We will continue to unearth our efficient, flexible, specified, strongly planned operational management edges. With the joint effort of our outstanding management team, the target of the results can be realized.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company repurchased an aggregate of 2,798,000 Shares on the market during the period from 11 January 2016 to 20 January 2016. During the six months ended 30 June 2016, 4,040,000 Shares have been cancelled on 3 March 2016, including 1,242,000 Shares that have been repurchased but not cancelled on 31 December 2015.

Particulars of the Shares repurchased on the Stock Exchange during the six months ended 30 June 2016 are as follow:

2016	Number of Shares repurchased by the Company	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$
11 January	464,000	0.87	0.81	392,941
15 January	666,000	0.89	0.83	577,748
18 January	900,000	0.89	0.84	789,854
19 January	518,000	0.91	0.86	466,948
20 January	250,000	0.91	0.89	227,543
TOTAL	2,798,000			2,455,034

The Directors believe that the above repurchases would lead to an enhancement of the earnings per share of the Company, which is in the best interests of the Company and the Shareholders.

Save as disclosed above, 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 2016 and until the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2016.

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 25 August 2016 to review the unaudited interim financial report for six months ended 30 June 2016. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2016 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

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the period. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board
YE Tao
Chief Executive Officer

Hong Kong, 25 August 2016

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr YE Fan (*Chairman*)

Mr YE Tao (*Chief Executive Officer*)

Ms LIU Xuehua

Independent Non-executive Directors:

Mr PAN Lu

Mr WANG, Michael Chou

Mr JIP Ki Chi