润东汽车

CHINA GREENLAND RUNDONG AUTO GROUP LIMITED
中國綠地潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：1365

2016

INTERIM REPORT
中期報告

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Yang Peng
(Chairman, executive Director and President)
Mr. Liu Dongli *(vice Chairman, executive Director)*
Mr. Zhao Zhongjie
(executive Director, executive President)
Mr. Liu Jian *(executive Director, Vice President)*
Mr. Yan Sujian *(non-executive Director, Vice Chairman)*
Mr. Peng Zhenhuai *(independent non-executive Director)*
Mr. Mei Jianping *(independent non-executive Director)*
Mr. Lee Conway Kong Wai
(independent non-executive Director)
Mr. Xiao Zhengsan *(independent non-executive Director)*

AUDIT COMMITTEE

Mr. Lee Conway Kong Wai *(Chairman)*
Mr. Peng Zhenhuai
Mr. Yan Sujian

REMUNERATION COMMITTEE

Mr. Mei Jianping *(Chairman)*
Mr. Yang Peng
Mr. Xiao Zhengsan
Mr. Peng Zhenhuai

NOMINATION COMMITTEE

Mr. Yang Peng *(Chairman)*
Mr. Peng Zhenhuai
Mr. Xiao Zhengsan
Mr. Mei Jianping

JOINT COMPANY SECRETARIES

Mr. Zhou Jian
Ms. Ho Siu Pik

AUTHORIZED REPRESENTATIVES

Mr. Liu Jian
Ms. Ho Siu Pik

REGISTERED OFFICE

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Grand Cayman, KY1-1104
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road East
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PRINCIPAL SHARE REGISTRAR

Maples Fund Service (Cayman) Limited
PO Box 1093, Boundary Hall
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KY1-1102, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
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Wanchai, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central, Hong Kong

STOCK CODE

1365

WEBSITE

www.rundong.com.cn

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") and the management of China Greenland Rundong Auto Group Limited (the "**Company**" or "**our Company**" and together with its subsidiaries, "**Rundong**", "**we**", "**us**", "**our**", the "**Group**" or "**our Group**"), I am pleased to present the interim report for the six months ended June 30, 2016 (the "**Reporting Period**" or "**Period Under Review**").

During the Period Under Review, the Group achieved resilient business growth compared with the same period last year due to the recovery of the automobile sales market. As at June 30, 2016, the operating revenue was RMB7,871.5 million, representing an increase of approximately 7.2% compared to the same period in 2015; the gross profit was RMB751.8 million, representing an increase of 13.6% compared to the same period last year; net profit was RMB116.6 million, representing an increase of 6.7% compared to the same period last year; net profit attributable to owners of the parent was RMB110.2 million, representing an increase of 3.2% compared to the same period last year; earnings per share was RMB0.12.

During the Period Under Review, revenue from new automobile sales of the Group was RMB6,842.3 million, representing a 6.7% year-on-year increase. With the continuous rise in car ownership in China, as well as constant growth in customer base and business contribution of the Group, after-sales services delivered remarkable results. During the Period Under Review, revenue from our after-sales service business amounted to RMB1,029.2 million, representing a 10.7% year-on-year increase, accounting for 13.1% of the Group's total revenue.

Since the second half of 2014, data on both China's macro-economy and overall development of its automobile industry indicated slowdown in growth. With sensitive business acumen, the Group's management noticed that, whilst there was a decelerating growth, the automobile industry integration is reaching to its peak. At the same time, the Group's management is confident to be well prepared for risk management and further development at the moment when asset prices of the relevant industries are at lower level. In view of such, the Group introduced Greenland Financial Overseas Investment Group Co., Ltd ("**Greenland Financial**"), a wholly-owned subsidiary of Greenland Holdings Corporation Limited (hereinafter referred to as "**Greenland Holdings**") as our new controlling shareholder in August 2015. The initial intention of the introduction of Greenland Holdings is to facilitate an in-depth and multi-dimensional cooperation between both parties and create a win-win situation. After cooperation, the Group found the development strategy between both parties has been slightly different, thus in June 2016, the Group's former major shareholder Rundong Fortune Investment Limited ("**Rundong Fortune**") as the offeror, decided to acquire all interests in the Group from Greenland Holdings, as well as certain shares of the Group held by China Auto Retail Holding Ltd II (formerly known as KKR China Auto Retail Holding Ltd II). After the completion of the acquisition, Rundong Fortune becomes the controlling shareholder of the Company, and further strengthens its position as a controlling shareholder of the Company.

The Group has always considered that as largest automobile market in the world, China's automobile sales and service areas remain the gold industry in the long run, especially the after-sales market, which has a more broad space for development. Despite the domestic automobile sales has entered the slight growth stage, there is still room for improvement in car ownership industry in China compared with other developed countries in the world. Meanwhile, the increase in new automobile ownership of over 20 million units and the rise of vehicle age will drive the explosive growth of automotive after-market. The development of industry business structure is getting matured, the contribution of vehicle sales to the profit shows a downtrend, the profitability extends gradually to after-sales service market, and the business markets of automobile financing and of second-hand car both contain tremendous potentials. Based on the aforesaid considerations, the management of the Group will continue to focus on automobile sales and service industry, develop the automobile macro-consumption business in a steady manner, accelerate the development of automobile financing and second-hand car business, and make active efforts to explore new development models, so as to enable the Group to grow into a world-class integrated automobile consumer service provider with core competitiveness.

CHAIRMAN'S STATEMENT

DEVELOP THE AUTOMOBILE SALES BUSINESS STEADILY

In light of the future development of the automobile sales and service sector, we consider that it remains to be an industry with tremendous potential and great opportunity. We will take the opportunity to carry out mergers and acquisitions and cooperation related to automobiles macro-consumption, consolidate traditional automobile sales and after-sales businesses, optimize brand structure and speed up network layout to realize rapid expansion.

CAPTURE THE INDUSTRIAL DEVELOPMENT OPPORTUNITY TO EXPEDITE DEVELOPING AUTOMOBILE INDUSTRY CHAIN BUSINESS STEADFASTLY

At present, the automobile financing service industry remains at an early stage of development in China, and the second-hand car market will develop rapidly. The Group will enlarge the value space along the automobile industry chain, expedite developing the financing lease business, automobile financing business and second-hand car business, enhance the financing penetration rate, and increase the insurance commission income.

ACTIVELY EXPLORE NEW DEVELOPMENT MODELS

At present, the automobile dealership business model innovates continuously, the industry chain extension and horizontal alliance develop rapidly, and the shared travel business has boomed in recent years. In the future, the Group will take advantage of the existing offline entity service network and the cumulative high-grade customers, endeavor to integrate with automobile shared economy, explore various cooperation models, and seek development opportunities.

Yang Peng
Chairman

August 31, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2016, with the complicated economic situation in China and abroad as well as the increasing downward pressure, the Chinese economy operated steadily as a whole, and the supply side reform has shown early results. Affected by factors such as preliminary proactive fiscal policy, relatively loose monetary conditions and recovery of real estate market, etc., the gross domestic product (GDP) reached RMB34.1 trillion in the first half of 2016, representing a year-on-year increase of 6.7%.

The automobile market began to show a stable growth trend in the first half of 2016. According to figures released by the China Association of Automobile Manufacturers, from January to June 2016, the total volumes of automobile production and sales in the PRC were 12.892 million units and 12.830 million units respectively, representing a year-on-year growth of 6.5% and 8.1%, with an increase in growth rate by 3.8 percentage points and 6.7 percentage points comparing to the same period of last year. Among which, the total volumes of production and sales of passenger vehicles were 11.099 million units and 11.042 million units, representing a year-on-year growth of 7.3% and 9.2% respectively. Furthermore, the sales of new energy vehicles have changed from being promoted by single-core policy to being driven by dual-core policy and individual demand. During the Review Period, the total volumes of production and sales of new energy vehicles were 0.177 million units and 0.170 million units respectively, increasing by 125.0% and 126.9% comparing to the same period of last year.

In the first half of 2016, the automobile sales maintained stable growth, and the gross profit from automobile sales improved as compared to last year, mainly because the entire supply chain became more rational, the dealers transformed their former positive network expansion strategy to the intensified internal refine strategy, and the automobile manufacturers took measures such as production reduction, adjustment of business policy, etc. All these measures have improved the automobile sales market performance and the price discounts condition in the first half of 2016.

In addition, the luxury car market also recovered significantly, with the sales growth rate outperforming that of the industry. According to the sales data statistics published by various luxury brands, domestic sales of the top ten luxury car brands* increased by 13.6% on a year-on-year basis, higher than the overall sales growth rate of automobile industry. The recovery of luxury cars was mainly attributable to the release of consumption upgrade inhibited due to economic downward pressure and stock market turbulence in 2015, as well as the sink in luxury car sales channels and the launch of more entry-level and small-sized models that satisfy the needs of young generation consumers.

Along with the increase of automobile sales, the automobile ownership in China continued to grow rapidly. According to the statistics of the Traffic Management Bureau under the Ministry of Public Security of China, as of June 2016, the passenger vehicle ownership in China was approximately 184 million units. The enormous automobile ownership and the rise of average vehicle age will definitely drive the growth of automotive after-sales services and related businesses.

In 2016, the State Council launched policies for removing regional restrictions on migration of second-hand car and for promoting industry circulation of second-hand car. The gradual implementation of such policies will boost the circulation of second-hand car market and promote the standardized development and benign competition of the industry.

At present, the automobile financing business remains at an early stage of development in China. The penetration rate of domestic automobile financing is 20% only, while the rate abroad is 70-80%. With the increase in supply of diversified financial products and the strengthening of Chinese consciousness in family financial planning, the young generation has been gradually becoming the main driven force in consumption area, and the automobile financing will usher in a golden age of prosperous development.

* The top ten luxury car brands include Audi, BMW (including MINI), Mercedes-Benz, Jaguar Land Rover, Lexus, Volvo, Cadillac, Porsche, Infiniti and Lincoln.

BUSINESS REVIEW

As a leading luxury car dealership group in Eastern China, we still focus our attention on traditional dealership business: automobile sales and after-sales service, and we also develop innovative business on the basis of traditional business. During the Review Period, the Group endeavored to develop the recovering passenger vehicle market in China, transformed the former profitability model, set up the management philosophy with new automobile sales as the carrier and with after-sales and value-added business as the main business, thus the operating results recorded growth as compared to the corresponding period of last year.

- **Growth Recovery in Sales of New Automobiles**

  The Group's revenue from new automobile sales resumed its growth during the Reporting Period. Revenue from sales of new automobiles amounted to RMB6,842.3 million, representing a year-on-year increase of 6.7%, among which, revenue from sales of luxury and ultra-luxury automobiles reached RMB4,872.8 million, representing a 3.0% year-on-year increase and accounting for 71.2% of the revenue from sales of new automobiles. Gross profit margin from sales of new automobiles was 4.5%, which was 0.5 percentage points higher than that of the same period of the previous year.

  The growth in revenue from sales of new automobiles was, on one hand, benefited from the stable growth in automobile sales and the recovery of luxury car market during the Reporting Period. On the other hand, the Group continued to improve the turnover rate of new automobiles by optimizing wholesale and retail structure ,formulating the classified management method for vehicle models, continuing to promote sharing of regional resources and intensify the value-added businesses and services such as financial services, assembling, automobile accessories package, etc., and by virtue of enhancing customer invitation and test drive experience, which have controlled the inventory efficiently and guaranteed the stable growth in gross profit margin of new automobiles.

- **Rapid Growth in Revenue from After-sales Services, with Increasing Proportion in Total Revenues**

  According to the current market and industry development status and the future forecast, the Group has set up the management philosophy with new automobile sales as the carrier and with after-sales and value-added business as the main business during the Reporting Period. In terms of resource sharing in relation to after-sales business, the Group strengthened resource sharing and cooperation in business like insurance brokerage, articles procurement and supply etc. by utilizing the advantage of relatively intensive regional network. In terms of customer service, the Group strengthened the research of customer services for the whole life cycle, continued to develop service products and items suitable for its customers, continued to improve service quality, and enhance the customer satisfaction. The Group fully utilized the CRM system to analyze and sieve customer data, conducted market guidance based on customer data and targets, enhanced the success rate of customer appointment, improved the utilization rate of working position, and meanwhile transformed picky customers and recovered lost customers to enhance customer retention. The Group also endeavored to improve the turnover rate of inventory and reduce the cost of parts and accessories by means of allocation of regional parts, which not only provides its customers with services at reasonable price, but also maintains the stability of its gross profit margin.

  After-sales service revenue increased by 10.7% year-on-year to RMB1,029.2 million for the Reporting Period, and accounted for 13.1% of the total revenue of the Group, which was 0.4 percentage points higher than that of the same period of the previous year. The gross profit of our after-sales service for the Reporting Period increased by 10.4% year-on-year to RMB446.6 million. The gross profit margin of the after-sales service was 43.4%, remained almost flat with that of the same period of the previous year.

- **Active Expansion of Value-added Business to Transform the Profitability Model**

  During the Reporting Period, the Group made active efforts to expand value-added business and enhance the proportion of value-added business in the profit. The Group endeavored to enhance the integrated gross profit margin of new automobiles by virtue of improving the specific development performance of value-added business, increasing the number of value-added business personnel, strengthening the value-added business training, enriching the value-added products, optimizing the management system, and increasing the revenue from value-added business.

  In terms of automobile financing service, the Group evaluated the financing cooperation channels in various areas to ensure the implementation of multi-channel financial products in various areas, and continued to concern the financing penetration rate during the Reporting Period. In terms of agency business, the Group's penetration rate of automobile financing agency business increased from 22% in the same period of 2015 to 32% during the Reporting Period. In terms of revenue, we achieved RMB51.8 million from the financing agency service, representing an increase of 42.7% as compared to the revenue of RMB36.3 million in the same period of 2015.

  During the Reporting Period, the Group attached great importance to the insurance agency business, formulated different strategies for new insurance and insurance renewal business, endeavored to enhance the insurance penetration rate, and explored the profit growth point. During the Reporting Period, revenue from insurance agency service of the Group amounted to RMB31.0 million, representing an increase of 11.5% from RMB27.8 million in the same period of 2015.

- **Active Layout of Second-hand Car Business**

  In the past 5 years, the second-hand car market developed rapidly in China, with the compound annual growth rate at 16%, and it was expected to maintain a rapid growth momentum in the future. During the Reporting Period, the Group set up the second-hand car business team in the head office, established the ERP second-hand car business system, introduced the second-hand car auction platform, and actively developed the dealership certification business of second-hand car. Through technological cooperation and introduction of advanced experience, our second-hand car agency business developed rapidly during the Reporting Period.

- **Steady Advancement of Parallel Import Business**

  During the Reporting Period, the Group strengthened its research on the customers and market trend forecast to ensure the imported vehicles meet the market's and customers' requirements, thus guaranteed the gross profit margin of new automobiles. During the Reporting Period, the Group cooperated with Chongqing Xiyong Integrated Free Trade Zone to open the first "Chongqing-Xinjiang-Europe" Parallel Vehicle Import Railway, achieving the great move of transporting vehicle from Europe to Mainland China by land. The opening of the railway symbolized a successful breakthrough of the Group in strategic deployment at the domestic imported vehicle market, and also laid a solid foundation for the Group to enter the Southwest market in the future.

- **Continuous Optimization of the Network Layout**

As a luxury car dealership group in Eastern China, our business focuses on prosperous coastal areas in Eastern China, including Jiangsu province, Shandong province, Shanghai and Zhejiang province, covering the largest luxury and ultra-luxury automobile markets in China. Besides, the Group tried to enhance the operating efficiency and service capability by establishing the high density dealership network.

Considering that the new automobile sales entered into the slight growth stage, the Group slowed down the opening of new stores accordingly. Meanwhile, the Group conducted internal integration and upgrade, optimized and upgraded the existing online stores to make its layout more reasonable and improve the customer's consumption experience. During the Reporting Period, the Company newly opened a Maserati 3s store, consolidated Jinan Maserati Exhibition Hall and Repair Center, and upgraded it into a 3S store. Meanwhile, the Company also upgraded and transformed some BMW stores, and added the electric vehicle and second-hand car business.

As at June 30, 2016, the Group's brand portfolio includes eight luxury brands, namely BMW, MINI, Jaguar, Land Rover, Audi, Lexus, Cadillac and Chrysler; two ultra-luxury brands, namely Maserati and Ferrari; 15 mid-to high-end brands, namely Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan, FAW-Volkswagen and BJEV.

As at June 30, 2016, the Group operated 70 stores, of which 46 were located in Jiangsu province, 13 in Shandong province, 8 in Shanghai, 2 in Zhejiang province and 1 in Anhui province.

As at June 30, 2016, the distribution of the Group's network of dealership stores was as follows:

	Brand	Number of stores
Luxury and ultra-luxury brands	Maserati and Ferrari	4
	BMW and MINI	24
	Jaguar & Land Rover	7
	Audi	4
	Cadillac	2
	Lexus	1
	Chrysler	1
Mid-to high-end brands	Buick, Hyundai, Ford, Chevrolet, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan and BJEV	27
Total		70

- **Outlook and Strategy**

The Group is of the view that despite the domestic automobile sales has entered the slight growth stage, there is still room for improvement in car ownership industry in China compared with other developed countries in the world. Meanwhile, the increase in new automobile ownership of over 20 million units and the rise of vehicle age will drive the explosive growth of automotive after-market. The development of industry business structure is getting matured, the contribution of vehicle sales to the profit shows a downtrend, the profitability extends gradually to after-sales service market, and the business markets of automobile financing and of second-hand car both contain tremendous potentials. Based on the aforesaid considerations, the Group will continue to focus on automobile sales and service industry, develop the automobile macro-consumption business in a steady manner, accelerate the development of automobile financing and second-hand car business, and make active efforts to explore new development models.

Develop the Automobile Sales Business Steadily

In light of the future development of the automobile sales and service sector, we consider that it remains to be an industry with tremendous potential and great opportunity. We will take the opportunity to carry out mergers and acquisitions and cooperation related to automobiles macro-consumption, consolidate traditional automobile sales and after-sales businesses, optimize brand structure and speed up network layout to realize rapid expansion.

Capture the Industrial Development Opportunity to Expedite Developing Automobile Industry Chain Business Steadfastly

At present, the automobile financing service industry remains at an early stage of development in China, and the second-hand car market will develop rapidly. The Group will enlarge the value space along the automobile industry chain, expedite developing the financing lease business, automobile financing business and second-hand car business, enhance the financing penetration rate, and increase the insurance commission income.

Actively Explore New Development Models

At present, the automobile dealership business model innovates continuously, the industry chain extension and horizontal alliance develop rapidly, and the shared travel business has boomed in recent years. In the future, the Group will take advantage of the existing offline entity service network and the cumulative high-grade customers, endeavor to integrate with automobile shared economy, explore various cooperation models, and seek development opportunities.

FINANCIAL REVIEW

Revenue

For the Period Under Review, we recorded revenue of RMB7,871.5 million, representing an increase of 7.2% compared to the same period in 2015, which was primarily attributable to the sales revenue from new automobiles increased by RMB431.6 million, or 6.7%, as compared with the same period of 2015.

The table below sets out the Group's revenue for the Reporting Period and the corresponding period in 2015.

Revenue Source	**Unaudited For the six months ended June 30, 2016 Revenue (RMB'000)**	**Contribution (%)**	Unaudited For six months ended June 30, 2015 Revenue (RMB'000)	Contribution (%)	1H2016 VS. 1H2015 Change (%)
New automobile sales	**6,842,337**	**86.9**	6,410,704	87.3	6.7
After-sales service	**1,029,208**	**13.1**	929,877	12.7	10.7
Total	**7,871,545**	**100**	7,340,581	100	7.2

Revenue from the sales of automobiles increased by RMB431.6 million, or 6.7%, in the Period Under Review compared to the same period in 2015, mainly attributable to the steady growth of automobile sales and the recovery of luxury car market. Revenue generated from automobile sales accounted for 86.9% of our revenue for the Period Under Review. Revenue generated from the sale of luxury and ultra-luxury brands and our mid-to high-end market brands accounted for 71.2% and 28.8% of our revenue from automobile sales respectively.

Revenue from our after-sales business increased by 10.7% from RMB929.9 million for the six months ended June 30, 2015 to RMB1,029.2 million for the same period in 2016. The contribution rate of after-sales business for the revenue also increased from 12.7% in the same period in 2015 to 13.1% in 2016.

Cost of sales and services

Our cost of sales and services increased by 6.6% from RMB6,678.9 million for the same period in 2015 to RMB7,119.7 million for the six months ended June 30, 2016. This increase is almost in line with the increase in our sales revenue throughout the Period Under Review.

The cost of sales and services of our automobile sales business amounted to RMB6,537.1 million for the Period Under Review, representing an increase of RMB383.4 million, or 5.9%, from the corresponding period in 2015. The sales cost of our after-sales business amounted to RMB582.6 million for the six months ended June 30, 2016, representing an increase of RMB57.4 million, or 10.9%, from the corresponding period in 2015.

Gross profit and gross profit margin

Gross profit for the six months ended June 30, 2016 was RMB751.8 million, representing an increase of RMB90.1 million, or 13.6%, from the same period in 2015. Gross profit from automobile sales increased by 18.8% from RMB257.0 million for the six months ended June 30, 2015 to RMB305.2 million for the same period in 2016. Gross profit from after-sales business increased by 10.4% from RMB404.7 million for the six months ended June 30, 2015 to RMB446.6 million for the same period in 2016. Automobile sales and after-sales business accounted for 40.6% and 59.4%, respectively, of our total gross profit for the Period Under Review.

Gross profit margin for the six months ended June 30, 2016 was 9.6%, higher than 9.0%, which is the gross profit margin for the six months ended June 30, 2015. The gross profit margin of automobile sales was 4.5% compared to 4.0% for the same period in 2015. Gross profit margin of after-sales business was 43.4% compared to 43.5% for the same period in 2015. Gross profit from automobile sales increased primarily attributable to the fact that the Group changed its profitability model, expanded value-added business actively, concentrated on boutique business marketing, and improved the integrated gross profit margin of new automobiles. Gross profit margin of after-sales services remained almost flat.

Other income and net gains

Other income and net gains increased by 16.0% from RMB117.5 million for the six months ended June 30, 2015 to RMB136.3 million for the corresponding period in 2016, among which, commission income and advertisement support received from automobile manufacturers increased by 20.4% from RMB100.4 million for the six months ended June 30, 2015 to RMB120.9 million for the corresponding period in 2016. The increase in commission income was attributable to the Company's efforts in developing automobile financing consultation, insurance agency and second-hand car service commission businesses during the Reporting Period.

Selling and distribution expenses

Selling and distribution expense of the Group amounted to approximately RMB218.5 million for the six months ended June 30, 2016, representing an increase of 4.1% from RMB209.8 million for the same period of 2015. The increase in expenses was mainly due to the increase in depreciation and amortisation, staff wages and daily operating expenses caused by acquired stores in 2015.

Administrative expenses

Administrative expenses of the Group amounted to RMB226.5 million for the six months ended June 30, 2016, representing an increase of 9.3% from RMB207.3 million for the same period of 2015, mainly due to the increase in depreciation and amortisation, staff wages and daily operating expenses caused by acquired stores in 2015.

Financing cost

Financing cost of the Group amounted to RMB216.1 million for the six months ended June 30, 2016, representing an increase of 17.3% from RMB184.3 million for the six months ended June 30, 2015, mainly attributable to the amortization of the arrangement fees for syndicated loans as at the end of 2015.

Profit from operations

Profit from operations of the Group amounted to RMB186.7 million for the six months ended June 30, 2016, representing an increase of 6.4% from RMB175.4 million for the same period of 2015. Operating profit margin was almost the same as compared to the same period of 2015.

Income tax expenses

Income tax expenses of the Group amounted to RMB70.1 million for the six months ended June 30, 2016 and the effective tax rate was 37.6%.

Profit for the Reporting Period

For the six months ended June 30, 2016, the Group's profit during the Reporting Period amounted to RMB116.6 million, representing an increase of 6.7% from RMB109.2 million for the same period of 2015. Net profit margin during the Reporting Period was 1.5%, which remained the same as compared to the same period of 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at June 30, 2016, our cash and cash equivalents amounted to RMB1,432.8 million, representing a decrease of 5.3% from RMB1,513.2 million as at December 31, 2015.

Our primary uses of cash were to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating costs. We financed our liquidity requirements through a combination of short-term bank loans, other borrowings and cash flows generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans, other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time.

For the six months ended June 30, 2016, we had a net cash outflow from operating activities of RMB456.1 million (June 30, 2015: RMB720.5 million). We had a net cash outflow from investing activities of RMB307.3 million (June 30, 2015: RMB181.6 million). We had a net cash inflow of RMB682.7 generated from financing activities (June 30, 2015: RMB664.2 million).

Net current liabilities

As at June 30, 2016, we had net current liabilities of RMB1,820.8 million, representing an increase of RMB1,170.4 million from RMB650.4 million as at December 31, 2015. The increase in current liabilities was mainly attributable to the reclassification of debt structure. Due to the fact that there is a change of shareholder control under the Facility Agreement, the Group reclassified the non-current portion of the loan facilities to current liabilities.

Capital expenditure

Our capital expenditures are primarily comprised of expenditures on property, plant, equipment and intangible assets. For the six months ended June 30, 2016, our total capital expenditure was RMB194.1 million (for the six months ended June 30, 2015: RMB209.8 million).

Inventory

Our inventory primarily consisted of new automobiles and spare parts and automobile accessories. Each of our dealership stores has dedicated staff to manage their orders for new automobiles and after-sales products.

Our inventory increased by 10.9% from RMB1,810.5 million as at December 31, 2015 to RMB2,008.5 million as at June 30, 2016, primarily due to the increase in new automobile procurement required for the market demand.

In the Period Under Review, our average inventory turnover days decreased to 49.0 days from 49.9 days in the same period in 2015, primarily due to the improvement in inventory management and inventory clean-up.

Trade and bills receivables

Trade and bills receivables decreased from RMB251.8 million for the year ended December 31, 2015 to RMB208.8 million for the six months ended June 30, 2016, primarily due to the Company’s efforts in strengthening the control over receivables and speeding up payment collection.

Bank loans and other borrowings

As at June 30, 2016, the Group's available but unused banking facilities were approximately RMB3,187.8 million (December 31, 2015: RMB4,240.0 million).

Our bank loans and other borrowings as at June 30, 2016 were RMB6,094.2 million, representing an increase of RMB884.3 million from RMB5,209.9 million as at December 31, 2015. The additional loans were mainly used to meet the demand of working capital.

Interest rate risk and foreign exchange risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our debts. Part of our borrowings were variable-rate borrowings that are linked to the benchmark rates of the People's Bank of China or London Interbank Offered Rate. Increase in interest rate could result in an increase in our cost of borrowing. In such case, not only our finance costs, but also our profit and financial position would be adversely affected. For the six months ended June 30, 2016, the Group did not use any derivative financial instruments to hedge our exposure to interest rate risk.

The foreign exchange risk of the Company are mostly derived from the overseas financing of the Group. Some of our overseas financing are denominated in US dollar. Increase in interest rate of US dollar could result in an increase in our cost of borrowing. In such case, not only our finance costs, but also our profit and financial position would be adversely affected. For the six months ended June 30, 2016, the Group did not use any derivative financial instruments to hedge our exposure to foreign exchange risk.

Gearing ratio

Our gearing ratio (defined as the aggregate of interest-bearing bank loans and other borrowings divided by shareholders' equity as at the end of each Reporting Period and then multiplied by 100%) for the six months ended June 30, 2016 was 182.7% (December 31, 2015: 162.0%).

Human resources

As at June 30, 2016, the Group had approximately 4,835 employees (June 30, 2015: 5,093). Total staff costs in the Period Under Review, excluding directors' remuneration were approximately RMB155.1 million (for the six months ended June 30, 2015: RMB191.9 million).

The Group values the recruiting and training of excellent person. We implement remuneration policy, bonus and long term incentive schemes with reference to the performance of the Group and individual employees. The Group also provides benefits, such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

Contingent liabilities

As at June 30, 2016, we did not have any material contingent liabilities or guarantees.

Pledge of the Group's assets

The Group pledged its assets as securities for bank loans, other borrowings and banking facilities which were used to finance daily business operation. As at June 30, 2016, the pledged group assets amounted to approximately RMB1,462.0 million.

CHANGES SINCE DECEMBER 31, 2015

Save as disclosed in this interim report, there were no other significant changes in the Group's financial position or the information disclosed under Management Discussion and Analysis in the Company's annual report for the year ended December 31, 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise 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 (the "**Model Code**") were as follows:

INTEREST IN SHARES OR UNDERLYING SHARES OF OUR COMPANY

Name of Director/ Chief Executive	Nature of Interest	Number of Shares or underlying shares(1)	Approximate percentage of shareholding interest
Yang Peng(2)	Interest of controlled corporation, Beneficial owner	1,246,115,943 (L)	131.66%
		325,949,347 (S)	34.44%
Liu Dongli(3), (4)	Beneficiary of a trust, Beneficial owner	6,599,368 (L)	0.70%
Zhao Zhongjie(4), (5)	Beneficiary of a trust, Beneficial owner	6,837,538 (L)	0.72%
Liu Jian(4), (6)	Beneficiary of a trust, Beneficial owner	4,271,414 (L)	0.45%
Yan Sujian(4), (7)	Beneficiary of a trust, Beneficial owner	4,275,638 (L)	0.45%

Notes:

(1) 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.

(2) Mr. Yang Peng as the protector of the Rue Feng family trust is deemed to be interested in the shares held as he has the power to appoint and remove, and to amend the rights of, the trustee to the Rue Feng family trust, currently being HSBC International Trustee Limited. Mr. Yang Peng also (a) beneficially interested in 25,829,196 management subscription shares pursuant to the Management Subscription; and (b) interested in 652,401,147 convertible preference shares, as he is deemed to be interested in the same number of convertible preference shares which Rundong Fortune is interested in under the SFO.

Mr. Yang Peng as the protector of the Rue Feng family trust controls Rundong Fortune. Rundong Fortune has pledged certain Shares in favour of Cheer Hope Holdings Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holdings) Limited, which is wholly controlled by CCB Financial Holdings Limited, which is wholly controlled by CCB International Group Holdings Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.31% controlled by Central Huijin Investment Ltd.

(3) Mr. Liu Dongli is beneficially interested in (a) 5,416,460 management subscription shares and (b) 1,182,908 ordinary shares as a beneficiary of the trust.

(4) The ordinary shares were held by Runda (PTC) Limited, a private trust company incorporated under the laws of the British Virgin Islands and one of the shareholders of the Company. Runda (PTC) Limited is a trustee of China Auto Retail Holding Group Ltd Option Trust, a discretionary trust under which Liu Dongli, Zhao Zhongjie, Liu Jian and Yan Sujian are eligible beneficiaries.

(5) Mr. Zhao Zhongjie is beneficially interested in (a) 5,416,460 management subscription shares and (b) 1,421,078 ordinary shares as a beneficiary of the trust.

(6) Mr. Liu Jian is beneficially interested in (a) 3,398,920 management subscription shares and (b) 872,494 ordinary shares as a beneficiary of the trust.

(7) Mr. Yan Sujian is beneficially interested in (a) 3,092,730 management subscription shares and (b) 1,182,908 ordinary shares as a beneficiary of the trust.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at June 30, 2016, none of the Directors and the chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER THE SFO

As at June 30, 2016, the interests or short positions of substantial shareholders (other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out below) who had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interest	Number of Shares [1]	Approximate percentage of shareholding interest
Rundong Fortune Investment Limited[2]	Beneficial owner	1,220,286,747 (L) 325,949,347 (S)	128.93% 34.44%
HSBC International Trustee Limited[2]	Trustee	1,220,286,747 (L) 325,949,347 (S)	128.93% 34.44%
Cheerful Autumn Holdings Limited[2]	Interest in controlled corporation	1,220,286,747 (L) 325,949,347 (S)	128.93% 34.44%
Rue Feng Holdings Limited[2]	Interest in controlled corporation	1,220,286,747 (L) 325,949,347 (S)	128.93% 34.44%
China Auto Retail Holding Ltd II[3]	Beneficial owner	112,000,000 (L)	11.83%
KKR China Auto Retail Holding Ltd I[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR China Growth Fund L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR Associates China Growth L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR China Growth Limited[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR Fund Holdings L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR Fund Holdings GP Limited[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR Group Holdings L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR Group Limited[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR & Co. L.P.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
KKR Management LLC[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
Kravis Henry Roberts[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
Roberts George R.[3]	Interest in controlled corporation	112,000,000 (L)	11.83%
Central Huijin Investment Ltd.[4]	Person having a security interest in shares	325,949,347 (L)	34.44%
China Construction Bank Corporation[4]	Person having a security interest in shares	325,949,347 (L)	34.44%

Notes:

(1) 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.

(2) Rundong Fortune Investment Limited is the wholly-owned subsidiary of Cheerful Autumn Holdings Limited, which is wholly-owned by Rue Feng Holdings Limited, which in turn is legally owned by the trustee to the Rue Feng family trust (being HSBC International Trustee as at the date of this interim report) for the benefit of the beneficiaries of the Rue Feng family trust. Mr. Yang Peng, being the protector of the Rue Feng family trust, has the power to appoint and remove, and to amend the rights of, the trustee to the Rue Feng family trust.

(3) Based on the knowledge of the Company, each of KKR China Auto Retail Holding Ltd. I (as the sole shareholder of China Auto Retail Holding Ltd II), KKR China Growth Fund L.P. (as the controlling shareholder of KKR China Auto Retail Holding Ltd. I), KKR Associate China Growth L.P. (as the general partner of KKR China Growth Fund L.P.), KKR China Growth Limited (as the general partner of KKR Associates China Growth L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR China Growth Limited), KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.), KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited), KKR Group Limited (as the general partner of KKR Group Holdings L.P.), KKR & Co. L.P. (as the sole shareholder of KKR Group Limited), KKR Management LLC (as the general partner of KKR & Co. L.P.) and Mr. Henry Roberts Kravis and Mr. George R. Roberts (as designated members of KKR Management LLC) is deemed to be interested in the shares. Mr. Henry Roberts Kravis and Mr. George R. Roberts disclaim beneficial ownership of the shares.

(4) Based on the knowledge of the Company, pursuant to a deed of charge, Rundong Fortune has pledged certain shares in favour of Cheer Hope Holding Limited, which is wholly controlled by CCBI Investments Limited, which is wholly controlled by CCB International (Holdings) Limited, which is wholly controlled by CCB Financial Holdings Limited, which is wholly controlled by CCB International Group Holding Limited, which is wholly controlled by China Construction Bank Corporation, which is in turn 57.31% controlled by Central Huijin Investment Ltd.

Saved as disclosed above, as at June 30, 2016, the Company was not aware of any person (who are not Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be registered pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended June 30, 2016, save as disclosed in the "Management Discussion and Analysis" of this interim report, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules (the "**Listing Rules**") of Hong Kong Stock Exchange. Throughout the six months ended June 30, 2016, the Company has fully complied with the code provisions set out in the CG Code, except for the deviation from code provision A.2.1. This code provision provides that the roles of chairman and chief executive officer shall be separate and shall not be performed by the same individual. The Company has appointed Mr. Yang Peng as both the Chairman and the president (an equivalent position to a chief executive officer) of the Company. The Board believes that vesting the roles of the Chairman and president in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Director and independent non-executive Directors. The Board shall review the structure and composition of the Board from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

On June 26, 2016, Rundong Fortune, a controlling shareholder of the Company, entered into sale and purchase agreements with Greenland Financial and KKR Auto, pursuant to which Rundong Fortune acquired shares from each of Greenland Financial and KKR Auto. Upon the completion of the acquisitions of Shares, Rundong Fortune acquired a total of 567,885,600 Ordinary Shares and 652,401,147 CPS, representing approximately 60.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares). Pursuant to Rule 26.1 of the Takeovers Code, Rundong Fortune is required to make an unconditional mandatory general offer in cash for all the issued shares other than those already owned by Rundong Fortune and the parties acting in concert with it. As a result of the Offer, Rundong Fortune and the parties acting in concert with it acquired a total of 35,285,009 Ordinary Shares and are interested in 645,009,609 Ordinary Shares and 652,401,147 CPS, representing approximately 68.1% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares).

As at the date of this interim report, 201,333,991 Ordinary Shares, representing approximately 21.3% of the Ordinary Shares, are held by the public Shareholders. Rundong Fortune has undertaken to the Stock Exchange that it will take appropriate steps to ensure that sufficient public float as required under the applicable Listing Rules and it intends to sell-down a total of 35,285,009 Ordinary Shares to independent third parties.

As disclosed in the Company's announcement dated July 3, 2016 (the "**Joint Announcement**") and the Company's composite document dated July 27, 2016 (the "**Composite Document**"), Rundong Fortune has no intention to privatize the Company and intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after closing of the Offer. Its intention is for the Company to continue with the existing principle business of the Group following the close of the Offer.

Further details are set out in the Joint Announcement, Composite Document and the announcement dated August 17, 2016. Capitalized terms used but not defined herein shall have the same meanings as those defined in the Composite Document.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend to the shareholders of the Company for the six months ended June 30, 2016 (for the six months ended June 30, 2015: nil).

AUDIT COMMITTEE REVIEW

Pursuant to the requirement of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**"), comprising two independent non-executive Directors, being Mr. Lee Conway Kong Wai (Chairman) and Mr. Peng Zhenhuai, and one non-executive Director, being Mr. Yan Sujian.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial statements of the Group for the Period Under Review.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Changes in Directors' information since the disclosure made in the 2015 annual report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. Zhao Fu retired from the position as a non-executive Director of the Company after the conclusion of the Annual General Meeting ("AGM") dated May 27, 2016 of the Company, and Mr. Wu Jin was elected as a non-executive Director of the Company at the AGM, with effect from May 27, 2016.

   Mr. Zhao Fu has confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company or Hong Kong Stock Exchange in relation to his retirement and that he has no claims against the Group whether by way of compensation, severance payments, expenses, damages or otherwise.

   Particulars of Mr. Wu Jin are set out below:

   Mr. Wu Jin, is currently a vice president of Kohlberg Kravis Roberts & Co. and its affiliated companies and plays a significant role in a number of investments. Mr. Wu Jin worked at CDH Investments from April 2010 to April 2014 and was extensively involved in a number of successful private equity transactions, such as Chengdu Kanghong Pharmaceutical Group Co., Ltd (Shenzhen Stock Code: 002773); Angel Hospital (安琪兒醫院) and Shanghai New Eyes Medical Co., Ltd (NEEQ Stock Code: 430140). Mr. Wu Jin obtained a Master of Science in Finance from London Business School, University of London in July 2007.

2. On August 17, 2016, (i) Mr. Li Wei resigned from the position as a non-executive Director and a member of the Nomination Committee; (ii) Mr. Wu Zhengkui resigned from the position as a non-executive Director and a member of the Remuneration Committee; and (iii) Mr. Wu Jin resigned from the position as a non-executive Director.

SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

In recognition of the contributions of certain Directors, senior management and employees of our Group to the growth and development of business and the listing of the Group, our Group has implemented a share option scheme on September 27, 2011 (the "**Pre-IPO Share Option Scheme**"). For more information, please refer to the section headed "History and Reorganization — Establishment of the Employee Pre-IPO Trust" of the prospectus of the Company.

The details of the change in the Pre-IPO Share Option Scheme for the six months ended June 30, 2016 are as follows:

					Number of share options					
Type of participant	Date of grant	Exercise period	Vesting period	Exercise price per Share	Outstanding as at January 1, 2016	Vested during the Reporting Period	Lapsed/ forfeited during the Reporting Period	Exercised during the Reporting Period	Expired during the Reporting Period	Outstanding as at June 30, 2016
Employees	November 15, 2011	Note 1	Note 2	US$0.3573	5,203,800	401,760	54,269	–	–	6,963,414

Note 1: Each grantee to whom a share option has been granted shall be entitled to exercise his/her share option in such manner as set out below:

Exercise date	Maximum cumulative percentage of the vested share options exercised
The date after the first anniversary of the Listing Date but before the second anniversary of the Listing Date	30%
The date after the second anniversary of the Listing Date but before the third anniversary of the Listing Date	60%
The date after the third anniversary of the Listing Date but before the fourth anniversary of the Listing Date	80%
The date after the fourth anniversary of the Listing Date	100%

The listing date of the Company is August 12, 2014.

Note 2: The Pre-IPO Share Options shall be vested in accordance with the following schedule (the "**Vesting Date**"):

i. if a grantee is employed on or before December 31, 2011, the Vesting Date shall be March 31 of every year commencing 2012;

ii. if a grantee is employed from January 1, 2012 to December 31, 2012, the Vesting Date shall be March 31 of every year commencing 2013; and

iii. if a grantee is employed from January 1, 2013 to December 31, 2013, the Vesting Date shall be March 31 of every year commencing 2014.

After the expiry of the duration of the Pre-IPO Share Option Scheme, no further Pre-IPO Share Options shall be offered but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in force. The Pre-IPO Share Options (to the extent not already exercised) granted prior to such expiry shall continue to be valid and exercisable until November 15, 2021.

During the period from the listing date to the date of this interim report, none of the Pre-IPO Share Option Scheme was granted or exercised.

Share Option Scheme

On July 23, 2014, the shareholders of the Company approved and adopted a share option scheme (the "**Share Option Scheme**") conditionally upon the approval by the Stock Exchange of the listing of, and permission to deal in, any shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme. The Company received such approval from the Stock Exchange on August 11, 2014. During the six months ended June 30, 2015, no option has been granted or agreed to be granted by the Company under the Share Option Scheme. The Share Option Scheme has been terminated since August 14, 2015.

Management Subscription

To provide incentives to the Directors and the senior management of the Group who are regarded as valuable human resource of the Group to continuously drive the growth of the Group's businesses, On May 16, 2015, the Company entered into a Management Subscription Agreement with each of the Management Subscribers and the Connected Management Subscribers, pursuant to which the Company conditionally agreed to allot and issue and the Management Subscribers and Connected Management Subscribers conditionally agreed to subscribe for, a total of 80,537,237 Management Subscription Shares at the price of HK$2.89 each pursuant to the terms and conditions of the Management Subscription Agreements. The 80,537,237 Management Subscription Shares represent (a) 8.5% of the issued ordinary shares of the Company as at the end of this Reporting Period; and (b) 4.8% of the issued ordinary shares of the Company as enlarged by the Subscription Ordinary Shares, the Conversion Shares and the Management Subscription Shares. Please refer to the circular of the Company dated July 13, 2015 for more information.

The completion of the Management Subscriptions with respect to each of the Management Subscribers and Connected Management Subscribers will take place in four installments (the "**Installment Completion**") on the basis of anniversaries of the date of completion of the Subscription Agreement (being August 14, 2015):

Time of Installment Completion	Percentage of the aggregate number of Management Subscription Shares agreed to be issued to the relevant subscriber (%)
First anniversary of the date of completion of the Subscription Agreement	30
Second anniversary of the date of completion of the Subscription Agreement	30
Third anniversary of the date of completion of the Subscription Agreement	20
Fourth anniversary of the date of completion of the Subscription Agreement	20

In addition to the Management Subscription Conditions, each Installment Completion with respect to each of the Management Subscribers and Connected Management Subscribers is also conditional upon the fulfillment of the following conditions:

(a) the revenue and net profit of the Group for the financial year immediately preceding each Installment Completion are not less than the revenue and net profit of the Group for the financial year ended December 31, 2014, respectively;

(b) the relevant Management Subscriber or Connected Management Subscriber having achieved the performance target for the relevant financial year of the Company set by the Board specifically with respect to such subscriber (the "**Relevant Performance Target**"), subject to the following adjustments:

   i. if the relevant Management Subscriber or Connected Management Subscriber achieves 70% of his Relevant Performance Target before the relevant Installment Completion, the number of Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be 70%;

   ii. if the relevant Management Subscriber or Connected Management Subscriber achieves between 70% to 100% of his Relevant Performance Target before the relevant Installment Completion, the number of Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be adjusted proportionally (up to 100%); and

   iii. if the relevant Management Subscriber or Connected Management Subscriber achieves below 70% of his Relevant Performance Target, the Management Subscription Shares that he is entitled to subscribe for at such Installment Completion shall be cancelled;

(c) the relevant Management Subscriber or Connected Management Subscriber having remained as an employee of the Group; and

(d) compliance with the Public Float Requirement by the Company and the voting rights of Rundong Fortune in the Company not falling from above 30% to below 30% at the relevant Installment Completion; otherwise the relevant Installment Completion will need to be postponed until these two conditions can be met.

Each Management Subscription Agreement shall be terminated, among other grounds, (a) upon mutual termination by the parties to the agreement; or (b) if the Management Subscription Conditions have not been satisfied within 12 months from the date of the relevant Management Subscription Agreement.

As the subscription conditions were not fulfilled in 2015, the management failed to subscribe 30% of shares in the first year. Please see the table below for details:

	Total subscription number (shares)	Subscription number unfulfilled in the first year (shares)	Remaining subscription number (shares)
Yang Peng	36,898,851	11,069,655	25,829,196
Liu Dongli	7,737,800	2,321,340	5,416,460
Zhao Zhongjie	7,737,800	2,321,340	5,416,460
Liu Jian	4,855,600	1,456,680	3,398,920
Yan Sujian	4,418,186	1,325,456	3,092,730
Zhu Lidong*	3,477,800	1,043,340	–
Jiang Xiaofei	3,077,800	923,340	2,154,460
Zhao Ruoxu	4,077,800	1,223,340	2,854,460
Zhou Jian	4,777,800	1,433,340	3,344,460
Lee Nan-Ping*	3,477,800	3,477,800	–
Total	80,537,237	26,595,631	51,507,146

* Zhu Lidong and Lee Nan-Ping resigned.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

EY 安永

To the board of directors of
China Greenland Rundong Auto Group Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 23 to 46, which comprise the condensed consolidated statement of financial position of China Greenland Rundong Auto Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not presented, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
31 August 2016

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	4(a)	**7,871,545**	7,340,581
Cost of sales	5(b)	**(7,119,720)**	(6,678,889)
Gross profit		**751,825**	661,692
Other income and gains, net	4(b)	**136,257**	117,474
Selling and distribution costs		**(218,482)**	(209,814)
Administrative expenses		**(226,521)**	(207,313)
Other expenses		**(40,266)**	(2,393)
Finance costs	6	**(216,117)**	(184,250)
Profit before tax	5	**186,696**	175,396
Income tax expense	7	**(70,140)**	(66,154)
Profit for the period		**116,556**	109,242
Profit for the period attributable to:			
Owners of the parent		**110,158**	106,693
Non-controlling interests		**6,398**	2,549
		116,556	109,242
Earnings per share attributable to ordinary equity holders of the parent:			
Basic (RMB)	8	**0.12**	0.10
Diluted (RMB)	8	**0.07**	0.10

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	2016 *RMB'000* (Unaudited)	2015 *RMB'000* (Unaudited)
Profit for the period	**116,556**	109,242
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**313**	351
Total comprehensive income for the period, net of tax	**116,869**	109,593
Total comprehensive income for the period attributable to:		
Owners of the parent	**110,471**	107,044
Non-controlling interests	**6,398**	2,549
	116,869	109,593

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**3,280,442**	3,249,299
Land use rights	10	**472,415**	480,802
Intangible assets		**469,643**	484,763
Deferred tax assets		**11,688**	10,657
Goodwill		**700,724**	700,724
Available-for-sale investments	11	**106,000**	102,000
Prepayments	12	**553,673**	389,413
Finance lease receivables		**935**	2,426
Total non-current assets		**5,595,520**	5,420,084
CURRENT ASSETS			
Inventories	13	**2,008,532**	1,810,452
Trade receivables	14	**208,831**	251,775
Finance lease receivables		**2,388**	2,750
Prepayments, deposits and other receivables		**2,580,682**	2,317,658
Cash in transit		**44,238**	47,606
Pledged bank deposits		**1,906,449**	1,329,248
Cash and cash equivalents		**1,432,811**	1,513,212
Total current assets		**8,183,931**	7,272,701
TOTAL ASSETS		**13,779,451**	12,692,785
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**294,913**	1,403,609
Deferred tax liabilities		**144,972**	149,384
Total non-current liabilities		**439,885**	1,552,993
CURRENT LIABILITIES			
Trade and bills payables	16	**2,687,627**	2,775,017
Other payables and accruals	17	**1,312,449**	1,092,543
Interest-bearing bank and other borrowings	15	**5,799,261**	3,806,306
Income tax payable		**205,425**	249,196
Total current liabilities		**10,004,762**	7,923,062
NET CURRENT LIABILITIES		**(1,820,831)**	(650,361)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,774,689**	4,769,723

As at 30 June 2016

	Notes	**As at 30 June 2016 RMB'000 (Unaudited)**	As at 31 December 2015 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**5**	5
Reserves		**3,234,209**	3,122,533
		3,234,214	3,122,538
Non-controlling interests		**100,590**	94,192
Total equity		**3,334,804**	3,216,730
TOTAL EQUITY AND LIABILITIES		**13,779,451**	12,692,785

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the parent									
	Share capital *RMB'000* *(note 18)*	Share premium *RMB'000*	Merger reserve *RMB'000*	Share option reserve *RMB'000* *(note 23)*	Statutory reserve *RMB'000*	Retained earnings *RMB'000*	Exchange fluctuation reserve *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015	3	760,124	522,797	3,918	129,361	236,155	(1,351)	1,651,007	88,596	1,739,603
Profit for the period	–	–	–	–	–	106,693	–	106,693	2,549	109,242
Other comprehensive income	–	–	–	–	–	–	351	351	–	351
Total comprehensive income for the period	–	–	–	–	–	106,693	351	107,044	2,549	109,593
Transfer from retained earnings	–	–	–	–	19,494	(19,494)	–	–	–	–
Issue of share capital	–	–	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	–	–	–	1,166	–	–	–	1,166	–	1,166
At 30 June 2015	3	760,124	522,797	5,084	148,855	323,354	(1,000)	1,759,217	91,145	1,850,362
At 1 January 2016	**5**	**2,026,648**	**522,797**	**6,434**	**164,516**	**404,303**	**(2,165)**	**3,122,538**	**94,192**	**3,216,730**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**110,158**	**–**	**110,158**	**6,398**	**116,556**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**313**	**313**	**–**	**313**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**110,158**	**313**	**110,471**	**6,398**	**116,869**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**21,509**	**(21,509)**	**–**	**–**	**–**	**–**
Equity-settled share option arrangements	**–**	**–**	**–**	**1,205**	**–**	**–**	**–**	**1,205**	**–**	**1,205**
At 30 June 2016	**5**	**2,026,648***	**522,797***	**7,639***	**186,025***	**492,952***	**(1,852)***	**3,234,214**	**100,590**	**3,334,804**

* *These reserve accounts comprise the consolidated reserves of RMB3,234,209,000 (unaudited) in the consolidated statement of financial position as at 30 June 2016.*

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Operating activities			
Profit before tax		**186,696**	175,396
Adjustments for:			
Depreciation	5(c)	**124,100**	99,900
Amortisation of land use rights	5(c)	**8,387**	5,566
Amortisation of intangible assets	5(c)	**16,639**	10,631
Finance costs	6	**216,117**	184,250
Interest income	4(b)	**(5,505)**	(10,082)
Loss/(gain) on disposal of items of property, plant and equipment	5(c)	**5,954**	(543)
Equity-settled share option expense	23	**1,205**	1,166
(Increase)/decrease in inventories		**(198,080)**	297,999
Decrease in trade receivables		**42,944**	33,267
Increase in prepayments, deposits and other receivables		**(261,171)**	(11,593)
(Increase)/decrease in pledged bank deposits		**(591,723)**	410,406
Decrease in cash in transit		**3,368**	22,741
(Decrease)/increase in trade and bills payables		**(87,390)**	(1,353,915)
Increase/(decrease) in other payables and accruals		**201,693**	(549,294)
		(336,766)	(684,105)
Income taxes paid		**(119,354)**	(36,359)
Net cash flows used in operating activities		**(456,120)**	(720,464)
Investing activities			
Purchase of items of property, plant and equipment		**(192,569)**	(79,795)
Proceeds from disposal of items of property, plant and equipment		**49,585**	32,615
Refunds of prepayments of land use rights		**740**	–
Purchase of intangible assets		**(1,519)**	–
Interest received		**5,505**	10,082
Acquisition of subsidiaries		**–**	(94,474)
Purchases of available-for-sale investments		**(4,000)**	(50,000)
Prepayments for potential acquisitions		**(165,000)**	–
Net cash flows used in investing activities		**(307,258)**	(181,572)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Financing activities			
Proceeds from interest-bearing bank and other borrowings		**5,813,024**	4,055,622
Repayment of interest-bearing bank and other borrowings		**(4,932,213)**	(3,789,289)
Interest paid		**(212,669)**	(186,048)
Dividends paid		**–**	(102,581)
Advance from a shareholder, net	*21(a)*	**–**	77,219
Decrease in pledged bank deposits		**14,522**	609,275
Net cash flows generated from financing activities		**682,664**	664,198
Net decrease in cash and cash equivalents		**(80,714)**	(237,838)
Net foreign exchange differences		**313**	351
Cash and cash equivalents at beginning of period		**1,513,212**	1,072,158
Cash and cash equivalents at end of period		**1,432,811**	834,671
Analysis of balances of cash and cash equivalents at end of period			
Cash and bank balances		**1,432,811**	834,671
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**1,432,811**	834,671

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated on 15 January 2014 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 August 2014.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the sale and service of motor vehicles in Mainland China.

On 21 August 2015, the Company changed its registered name from China Rundong Auto Group Limited (中國潤東汽車集團有限公司) to China Greenland Rundong Auto Group Limited (中國綠地潤東汽車集團有限公司).

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statements of financial position of the Group as at 30 June 2016 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

As at 30 June 2016, the Group had net current liabilities of approximately RMB1,820,831,000. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the interim condensed consolidated financial statements are prepared on a going concern basis.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015, except for the adoption of amendments effective as of 1 January 2016 below:

The Group has adopted the following revised HKFRSs for the first time in these interim condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods and of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of in Joint Operations
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

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

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 was generated from the sale and service of motor vehicles in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented.

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 period, no segment information about major customers is presented.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from the sale of motor vehicles	**6,842,337**	6,410,704
Others	**1,029,208**	929,877
	7,871,545	7,340,581

(b) Other income and gains, net

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Commission income	**84,008**	71,141
Advertisement support received from motor vehicle manufacturers	**36,886**	29,229
Bank interest income	**5,505**	10,082
Rental income	**1,431**	2,206
Government grants	**4,864**	1,267
Others	**3,563**	3,549
	136,257	117,474

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		For the six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(a)	Employee benefit expense (excluding directors' and chief executive's remuneration):		
	Wages and salaries	**102,452**	146,005
	Equity-settled share option expense	**1,205**	1,166
	Other welfare	**51,472**	44,727
		155,129	191,898
(b)	Cost of sales and services:		
	Cost of sales of motor vehicles	**6,537,121**	6,153,709
	Others	**582,599**	525,180
		7,119,720	6,678,889
(c)	Other items:		
	Depreciation of items of property, plant and equipment	**124,100**	99,900
	Amortisation of land use rights	**8,387**	5,566
	Amortisation of intangible assets	**16,639**	10,631
	Advertisement and business promotion expenses	**31,693**	31,109
	Lease expenses	**30,456**	26,137
	Bank charges	**6,492**	6,243
	Loss/(gain) on disposal of items of property, plant and equipment	**5,954**	(543)

6. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**194,224**	172,146
Interest expense on other borrowings	**21,893**	13,902
Less: interest capitalised	**–**	(1,798)
	216,117	184,250

7. TAX

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current Mainland China corporate income tax	**75,583**	63,493
Deferred tax	**(5,443)**	2,661
Total tax charge for the period	**70,140**	66,154

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has 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 or its operations.

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 profits tax at the rate of 16.5% (six months ended 30 June 2015: 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 income tax rate was 25% (six months ended 30 June 2015: 25%) during the period.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average of 946,476,000 ordinary shares in issue during the six months ended 30 June 2016 (1,074,474,000 ordinary shares during the six months ended 30 June 2015), as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculations of the basic and diluted earnings per share amounts are based on:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**110,158**	106,693
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**946,476,000**	1,074,474,000
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares ("CPS")	**664,268,747**	–
Share options	**730,342**	2,354,064
	1,611,475,089	1,076,828,064
Earnings per share		
Basic (RMB)	**0.12**	0.10
Diluted (RMB)	**0.07**	0.10

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired assets at a consideration of RMB210,781,000 (unaudited) (for the six months ended 30 June 2015: RMB701,019,000 (unaudited)).

Assets with a net book value of RMB55,539,000 (unaudited) were disposed of by the Group during the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB40,222,000 (unaudited)), resulting in a net loss on disposal of RMB5,954,000 (unaudited) (for the six months ended 30 June 2015: a net gain on disposal of RMB543,000 (unaudited)).

Certain of the Group's buildings with an aggregate net book value of RMB27,570,000 and RMB20,528,000 (unaudited), as at 31 December 2015 and 30 June 2016, respectively, do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) no fines for the use of land will be imposed on the Group, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relatively low.

10. LAND USE RIGHTS

During the six months ended 30 June 2016, no land use rights are acquired (for the six months ended 30 June 2015: RMB138,129,000 (unaudited)). No land use rights are disposed of during both the six months ended 30 June 2015 and 2016.

Included in the Group's land use rights are rights to three parcels of land, with an aggregate net book value of RMB11,744,000 and RMB11,593,000 (unaudited) as at 31 December 2015 and 30 June 2016, respectively, which the Group had not obtained the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build and operate dealership stores on such land, (2) no fines for the use of land will be imposed on the Group, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land before public bidding is relatively low.

Included in the Group's land use rights are rights to five parcels of land, with an aggregate net book value of RMB34,703,000 and RMB29,510,000 (unaudited) as at 31 December 2015 and 30 June 2016, respectively, which the Group did not use for their designated usage. Under the relevant PRC laws and regulations, any change to the usage of land by the land use right holder must be approved by the relevant government authorities. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group is the legal land use right holder of the relevant lands with full payment made, (2) the relevant bureaus are aware of the Group's present use of the land as dealership stores, and (3) there will be no fines or additional land grant fees to be imposed by the relevant bureaus and the Group will not be required to return the land to the government. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land is relatively low.

11. AVAILABLE-FOR-SALE INVESTMENTS

The following table sets forth the available-for-sale investments for the period/year:

		30 June 2016	31 December 2015
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Unlisted equity investments, at cost			
Jiangsu Bank Company Limited	*(i)*	**53,000**	53,000
Xuzhou Huaihai Nongcun Commercial Bank Company Limited	*(i)*	**40,000**	40,000
Tongshanxian Nongcun Credit Cooperation Association	*(i)*	**9,000**	9,000
GaoJing Network Technology Shanghai Limited	*(i)*	**4,000**	–
Available-for-sale investments		**106,000**	102,000

11. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

(i) The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. As at 30 June 2016 and 31 December 2015, certain unlisted equity investments with carrying amounts of RMB106,000,000 and RMB102,000,000, respectively, were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

12. PREPAYMENTS

	30 June 2016 ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Prepayments for potential acquisitions	**544,801**	379,801
Prepayments for land use rights	**8,872**	9,612
	553,673	389,413

13. INVENTORIES

	30 June 2016 ***RMB'000*** **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Motor vehicles	**1,802,912**	1,647,930
Spare parts and accessories	**205,620**	162,522
	2,008,532	1,810,452

14. TRADE RECEIVABLES

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Trade receivables	**208,831**	251,775
Impairment	**–**	–
	208,831	251,775

The Group's trading terms with its customers are mainly on cash, except for some transactions which are traded on credit. The credit period is generally three months. 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 the end of each reporting period (based on the invoice date) is as follows:

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Within three months	**191,198**	235,108
More than three months but less than one year	**15,906**	14,696
More than one year	**1,727**	1,971
	208,831	251,775

14. TRADE RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Neither past due nor impaired	**191,198**	235,108
Less than three months past due	**15,906**	14,696
Three months to one year past due	**1,727**	1,971
	208,831	251,775

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

		30 June 2016 (Unaudited)		31 December 2015 (Audited)	
		Effective interest rate (%)	***RMB'000***	Effective interest rate (%)	*RMB'000*
Current					
Bank loans		**4.00–8.70**	**3,753,603**	4.35–10.20	3,453,152
Syndicated loan facilities	*(i)*	**3.89–3.99**	**1,657,800**		–
Other borrowings		**5.52–10.50**	**416,229**	6.44–10.55	353,154
			5,827,632		3,806,306
Transaction cost			**(28,371)**		–
			5,799,261		3,806,306
Non-current					
Syndicated loan facilities	*(i)*		**–**	3.55–3.98	974,040
Bank loans		**7.35–8.32**	**294,913**	7.44–8.97	461,388
			294,913		1,435,428
Transaction cost			**–**		(31,819)
			294,913		1,403,609
			6,094,174		5,209,915

15. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

(i) The Group entered into a facility agreement with a syndicate of banks on 27 November 2015 (the "Facility Agreement") for a loan facility of US$100 million, which is subject to the accession by any additional banks to the Facility Agreement increased by US$150 million (the "Facility"). The Group utilised US$150 million as at 31 December 2015 and utilised the total amount of US$250 million as at 30 June 2016. The Facility period is for a term of 36 months effective from the first utilisation date of 2 December 2015 and its interest rate is floating applicable to LIBOR.

Pursuant to the Facility Agreement, there are some applicable financial covenants whereby the violation of which may be defined as default of the Facility Agreement. As stipulated in the Facility Agreement, a repayment might be triggered upon the occurrence of a change of control event, which means any event or circumstance where:

(a) any person owns beneficially, directly or indirectly, more shares in the Company than the aggregate number of shares owned beneficially, directly or indirectly, by Greenland Financial Overseas Investment Group Co., Ltd. ("Greenland Financial"); or

(b) Greenland Holdings and Mr. Yang Peng collectively do not have or cease to have control over the Company.

(c) the Company's financials are not consolidated in all audited and consolidated financial statements of the Greenland Holdings for each financial year; or

(d) the Company does not remain as a subsidiary of the Greenland Holdings.

As detailed under the Company's announcement dated 3 July 2016, on 26 June 2016, the board of the Company was notified by Rundong Fortune on the following matters:

(i) Rundong Fortune and Greenland Financial entered into the Greenland Sale and Purchase Agreement, pursuant to which Rundong Fortune agreed to acquire and Greenland Financial agreed to sell the Greenland Sale Shares, comprising 283,942,800 Ordinary Shares and 284,327,947 CPS, for a total consideration of HK$2,004,444,227, equivalent to approximately HK$3.5273 per Ordinary Share and per CPS. Immediately prior to the completion of this transaction, the Greenland Sale Shares, being all the Shares held by Greenland Financial, represent approximately: (a) 30.0% of the voting rights of the Company (assuming no CPS have been converted into Ordinary Shares); and (b) 35.3% of the voting rights of the Company (assuming full conversion of CPS). The completion of this transaction took place on 27 June 2016 pursuant to the Greenland Sale and Purchase Agreement.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

(ii) Rundong Fortune, KKR Auto and Mr. Yang Peng entered into the KKR Auto Sale and Purchase Agreement, pursuant to which Rundong Fortune agreed to acquire and KKR Auto agreed to sell the KKR Auto Sale Shares, comprising 168,000,000 CPS, for a total consideration of HK$592,586,400, equivalent to HK$3.5273 per CPS. As per the Company's announcement dated 27 July 2016, the completion of this transaction took place on 15 July 2016 pursuant to the KKR Auto Sale and Purchase Agreement.

Upon completion of the Greenland Sale and Purchase Agreement, the Company notified the syndicate of banks that Greenland Holdings ceased to be the controlling shareholder of the Company, which constitutes a change of control event under the Facility Agreement.

As at the report date, the Company is in the process of negotiation with the syndicate of banks in relation to those applicable terms and conditions of the Facility Agreement. The Group reclassified the non-current portion of the loan facilities to current liabilities on demand as at 30 June 2016. There was a commitment fee of US$8,750,000 as transaction cost in relation to the loan facilities and is amortized over the expected period of repayment of the facility, of which RMB28,371,000 is yet to be amortized as at 30 June 2016. Subject to the outcome of the negotiation between the Company and the syndicate of banks, such transaction cost might be amortized over a revised period of repayment of the facility.

16. TRADE AND BILLS PAYABLES

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Trade payables	**105,836**	74,550
Bills payable	**2,581,791**	2,700,467
Trade and bills payables	**2,687,627**	2,775,017

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
Within 3 months	**2,438,301**	2,164,085
3 to 6 months	**229,326**	586,932
6 to 12 months	**20,000**	24,000
	2,687,627	2,775,017

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

17. OTHER PAYABLES AND ACCRUALS

The balance of other payables and accruals as at 30 June 2016 included an unsettled consideration of RMB53,154,000 for the Group's business acquisition (note 22) and advances from customers of RMB511,940,000 represented the cash advances from the customers as the prepayments for purchasing new cars.

18. SHARE CAPITAL

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Issued and fully paid:		
946,476,000 (2015:946,476,000) ordinary shares of US$0.0000005 each	**3**	3
664,268,747 (2015: 664,268,747) convertible preference shares of US$0.0000005 each	**2**	2
	5	5

19. CONTINGENT LIABILITIES

As at 30 June 2016, neither the Group nor the Company had any significant contingent liabilities.

20. COMMITMENTS

a. Capital commitments

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 30 June 2016 and 31 December 2015 not provided for in the interim condensed consolidated financial statements were as follows:

	30 June 2016 *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
Contracted, but not provided for land use rights and buildings	**76,740**	251,878

20. COMMITMENTS *(Continued)*

b. Operating lease arrangements

The Group leases certain of its office properties and land under operating lease arrangements. Leases for properties and land are negotiated for terms ranging from 1 to 17 years.

At 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Properties	**Land**	Properties	Land
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**31,369**	**13,785**	32,140	14,801
After one year but within five years	**124,971**	**45,117**	125,277	45,747
After five years	**125,304**	**57,472**	134,448	72,263
	281,644	**116,374**	291,865	132,811

21. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

Mr. Yang Peng is a shareholder of the Group and is also considered to be a related party of the Group.

(a) The Group had the following transactions with a related party for the six months ended 30 June 2015 and 2016:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Advance from a shareholder Mr. Yang Peng	–	77,219

(b) Outstanding balances with a related party:

At 30 June 2016 and 31 December 2015, the Group had no outstanding balances with related parties.

21. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Compensation of key management personnel:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	2,239	1,831
Pension scheme contributions	107	119
Total compensation paid to key management personnel	2,346	1,950

22. BUSINESS COMBINATIONS

In April 2015, the Group acquired 100% equity interests in eight dealership stores in Jiangsu Province and Shandong Province from independent third parties, at a cash consideration of RMB605,000,000. The consideration of RMB605,000,000 was not fully settled with the remaining balance of RMB53,154,000 outstanding as at 30 June 2016.

The fair values of the identifiable assets and liabilities of the eight dealership stores as at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	548,030
Land use right	138,129
Intangible assets	297,774
Inventories	205,298
Trade receivables	53,843
Prepayments, deposits and other receivables	365,673
Pledged bank deposits	720,075
Cash in transit	9,214
Cash and cash equivalents	38,887
Trade and bills payables	(353,604)
Other payables and accruals	(571,371)
Interest-bearing bank and other borrowings	(1,239,199)
Deferred tax liabilities	(101,327)
Total identifiable net assets	111,422
Goodwill on acquisition	493,578
Satisfied by cash	605,000

The acquired business contributed RMB929,593,000 (unaudited) to the Group's revenue and RMB12,440,000 (unaudited) to the consolidated profit for the six months ended 30 June 2016.

23. SHARE OPTION SCHEME

Before the incorporation of the Company, China Rundong Auto Holding Ltd. (the "Former Listing Vehicle") operates a share option scheme (the "Pre-IPO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In order to operate the Pre-IPO Scheme, the Former Listing Vehicle established a trust (the "Employee Pre-IPO Trust") under a trust deed in September 2011. Eligible participants of the Pre-IPO Scheme will be nominated as beneficiaries of the Employee Pre-IPO Trust. Eligible participants include the Company's directors, including independent non-executive directors, and other employees of the Group and its subsidiaries. The Pre-IPO Scheme became effective on 15 November 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date with a fixed exercise price of US$0.3573 per share.

The Former Listing Vehicle offered the share options to subscribe for a total of 40,000,000 shares upon their exercise, representing 5% of the then issued share capital of the Former Listing Vehicle, to Runda (PTC) Limited ("Runda"), acting as the trustee to the Employee Pre-IPO Trust. Runda holds the share options for the benefit of the eligible participants when they are granted with the share options. Share options were offered to each eligible participant in various batches from 2 January 2012 to 31 December 2013.

Each of the eligible participants has entered into a share option agreement (the "Pre-IPO Share Option Agreement") with the Former Listing Vehicle and Runda under which the Former Listing Vehicle nominated eligible participants as beneficiaries of the Employee Pre-IPO Trust. The offer of a grant of options may be accepted within seven days from the date of offer. The exercise period of the share options granted is dependent on the Company's qualified IPO listing and commences after a vesting period of one to five years and ends on the expiry date of the Pre-IPO Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 24 March 2014, 14 eligible participants (the "Relevant Grantees") entered into supplemental agreements (each, the "Supplemental Agreement") to their respective Pre-IPO Share Option Agreements with the Former Listing Vehicle and Runda to modify the original vesting conditions and periods and be entitled to fully vest their share options on the date of modification. The share options would be exercisable upon the completion of the IPO. Pursuant to the Supplemental Agreement, the Former Listing Vehicle agreed to (a) procure Runda to exercise the share options to which each of these Relevant Grantees was entitled to; and (b) upon such exercise, issue 30,700,000 shares in the Former Listing Vehicle to Runda as unpaid shares for the Relevant Grantees as beneficiaries of those shares. The incremental fair value of share options during the three months ended 31 March 2014 was estimated as at the date of modification, using a binomial model, taking into account the terms and conditions upon which the options were modified. The incremental fair value was measured as the difference between the fair value of the original award and that of the modified award and was recognised as a share option expense during the six months ended 30 June 2014.

Upon the Company's public listing, the Former Listing Vehicle, the Company, Runda and eligible participants entered into share option agreements to carry forward its former share options in the Former Listing Vehicle, other than those early exercised, to the Company without any change in terms and conditions.

23. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Pre-IPO Scheme during the period:

	For six months end 30 June 2016		For six months ended 30 June 2015	
	Exercise price *US$ per share*	**Number of options *'000* (Unaudited)**	Exercise price *US$ per share*	Number of options *'000* (Unaudited)
At 1 January	**0.3573**	**5,204**	0.3573	6,012
Granted during the period	**0.3573**	**401**	0.3573	415
Forfeited during the period	**0.3573**	**(54)**	0.3573	(103)
At 30 June	**0.3573**	**5,551**	0.3573	6,324

The weighted average fair values of the share options granted during the period ended 30 June 2016 was US$0.2031 (RMB1.3189) (unaudited) (30 June 2015: US$0.2192 (RMB1.3401) (unaudited)) per option, of which the Group recognised an equity-settled share option expense of RMB1,205,000 (unaudited) (for six months ended 30 June 2015: RMB1,166,000 (unaudited)) during the six months ended 30 June 2016.

The fair value of the share options granted during the six months ended 30 June 2016 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	For six months ended 30 June 2016	For six months ended 30 June 2015
Dividend yield (%)	**–**	–
Expected volatility (%)	**50.1**	37.9
Risk-free interest rate (%)	**2.94**	2.77
Expected life of options (year)	**10**	10
Weighted average share price (US$ per share)	**0.4103**	0.4514

The expected life of the options is based on the Pre-IPO Scheme which became effective on 15 November 2011 and will remain in force for 10 years until 15 November 2021. The expected volatility reflects the assumption that the historical volatility of other similar listed companies is indicative of future trends of the Company, which may also not necessarily be the actual outcome. The weighted average share price reflects the assumption that the historical weighted average share price of other similar listed companies is indicative of future trend of the Company.

No other feature of the options granted was incorporated into the measurement of fair value.

24. EVENTS AFTER THE REPORTING PERIOD

In the opinion of the Directors of the Company, other than the announced share transactions mentioned in note 15, there is no material subsequent event undertaken by the Group or by the Company after 30 June 2016.

润东汽车

CHINA GREENLAND RUNDONG AUTO GROUP LIMITED

中國綠地潤東汽車集團有限公司