CHINA RUNDONG AUTO GROUP LIMITED
中國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

INTERIM REPORT
中期報告
2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Yang Peng *(Chairman, executive Director and Chief Executive Officer)*
Mr. Liu Dongli *(vice Chairman of the Board, executive Director)*
Mr. Shen Mingming *(executive Director and President of the Group)*
Mr. Zhao Zhongjie *(executive Director and executive President of the Group)*
Mr. Liu Jian *(executive Director, Vice President of the Group)*
Mr. Mei Jianping *(independent non-executive Director)*
Mr. Lee Conway Kong Wai *(independent non-executive Director)*
Mr. Xiao Zhengsan *(independent non-executive Director)*
Mr. Li Xin *(independent non-executive Director)*

AUDIT COMMITTEE

Mr. Lee Conway Kong Wai *(Chairman)*
Mr. Xiao Zhengsan
Mr. Li Xin

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Ho Siu Pik

AUTHORIZED REPRESENTATIVES

Mr. Liu Jian
Ms. Ho Siu Pik

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE IN THE PRC

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No. 567, West Tianshan Road, Changning District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, 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 Rundong Auto Group Limited (the "**Company**"), I am pleased to present the report of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**", "**us**", "**our**") for the first half of 2017.

In the first half of 2017, the Group recorded an operating revenue of RMB9,292.9 million, representing an increase of 18.1% compared to the same period last year. Profit attributable to owners of the parent reached RMB125.2 million, representing an increase of 13.7% compared to the same period last year. Earnings per share was RMB0.13.

In the first half of 2017, although the market of passenger vehicle in China slowed down due to the backsliding on preferential purchase tax policy, the luxury car market presented a relatively sound growth with a growth rate of 18.7%, much higher than that of the overall passenger vehicle market. The increase in luxury car sales volume was due to the growing demand triggered by consumption upgrade, the successive launch of entry-level luxury cars and the upgrade of luxury-car portfolio. In the future, we expect that the penetration rate of luxury cars will be further improved along with the upgrading of consumption, the gradual popularization of automobile financing, the increasing localization rate of luxury cars and the optimization of product structure.

In April, 2017, "Measures for the Administration of Automobile Sales" was issued, which would grant automobile dealers more autonomy in their management and help to improve the relationship between auto dealers and OEMS as a whole. In the long run, the introduction of the Measures would lift the status of automobile dealers along the industry chain. Regarding its short-term influence, the Measures will lead to increasing competition for new car sales and the continuing transfer of industry profit model towards the after-sales market, thus accelerating the integration of the automobile distribution industry.

In 2017, the Group, on the basis of medium-term strategic objectives, put forward the guideline of "Carrying out business transformation and innovation; Accelerating management progress and reform". In terms of the business, the Group responded to the development and changes of the automobile market, taking strategic businesses as the starting point to continuously promote business transformation. While maintaining the stable growth of the business relating to new car sales, the Group made great efforts to develop the after-sales service business so as to change the profit structure, with high attention being paid to auto financing and second-hand car business platform. In terms of management, the Group adopted advanced strategies to improve its operation efficiency and strengthen risk management.

In the first half of 2017, the Group presented excellent performance thanks to the dedication of all employees as well as to the trust and support of our partners and shareholders. On behalf of the Group, I'd like to express my sincere gratitude to shareholders, customers and business partners for their consistent support and to all employees for their hard work. We will continue to strive to provide comprehensive premium services for customers, to offer a favorable development platform for all employees, and to bring greater value to shareholders.

Yang Peng
Chairman

August 29, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2017, affected by backsliding on preferential purchase tax policy, China's automobile sales market has been under great pressure. According to the semi-annual production and sales figures released by China Association of Automobile Manufactures, the production and sales of passenger vehicles reached 11.4827 million units and 11.2530 million units respectively, representing a year-on-year increase of 3.16% and 1.61% respectively, with a decrease in growth rate of 4.16 percentage points and 7.62 percentage points respectively comparing to the same period last year. Therefore, moderate growth became the main trend of the first half of 2017. In the end market, automobile dealers felt they were under heavier market pressure. According to "China automobile dealers' vehicle inventory alert index" released by China Automobile Dealers Association, the inventory alert index remained above the warning line for the whole period of the first half of 2017. Due to the increased inventory pressure, end sales competition was heating up and price war was triggered. In addition, Korean brands, affected by the THAAD event, witnessed a particularly low performance and a significant drop in sales results.

In the first half of 2017, luxury car market witnessed a sound performance driven by consumption upgrade and entry-level luxury cars. Top ten luxury car brands[Note] witnessed a growth rate of up to 18.7% in the first half, much higher than that of the overall market sales of passenger vehicles. On the other hand, luxury car market witnessed a fierce internal competition and a new change in its pattern. In the first six months of this year, Benz and Smart achieved a year-on-year increase in sales volume of more than 38.2%, and won the semi-annual best-seller title in China luxury car market for the first time, while BMW ranked second. Audi, the only brand with negative growth rate among top ten luxury car brands, dropped to the third place on the list with a year-on-year decrease of 12.2%. All other second-tier luxury car brands achieved a relatively rapid growth, among which, Jaguar and Land Rover achieved a year-on-year increase of 26.0% in accumulative sales volume and set a record high in history.

According to the figures released by Traffic Management Bureau under the Ministry of Public Security, as of the end of June 2017, the automobile ownership in China has reached 205 million units. Such a large quantity will contribute to the rapid development of the after-sales market business, including automobile maintenance, car insurance etc..

In the first half of 2017, automobile financing market was increasingly heating up, and in general, witnessed the following trends: (1) penetration rate of personal loan mortgage business further increased with the change of the customer's consumption concept; and (2) products of all kinds of financial leasing companies, especially of internet financial companies, sprung up, targeting young consumer groups, and causing a storm in automobile consumption market and the industry.

Affected by numerous factors like the "canceling restrictions on the migration of second-hand cars" policy, capital input, the continuous rise of automobile ownership, car replacement cycle etc., second-hand car trading volume increased significantly in the first half of 2017. According to the statistics of China Automobile Dealers Association, China's second-hand car trading volume reached 5.837 million units in the first half of 2017, representing a year-on-year increase of 21.5%. After a period of silence, there was a new wave of capital input for second-hand car E-business in the first half of 2017.

In April 2017, the Ministry of Commerce officially released Measures for the Administration of Automobile Sales (hereinafter referred to as "**Measures**"), with an aim to standardize the market, promote consumption, and protect consumers' rights and interests, and the Measures standardized many concrete behaviors of the automobile dealers, after-sale service providers and automobile providers. Overall, the Measures is conducive to improving the disadvantaged position of automobile dealers when facing the automobile manufacturers. In the long run, the Measures will boost the formation of more business modes, gradually change the existing industry pattern, and provide more opportunities for internet automobile dealers and financial companies in automobile dealership field.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended June 30, 2017, the Group recorded an operating income of RMB9,292.9 million, representing a year-on-year increase of 18.1%; a gross profit of RMB680.4 million, representing a year-on-year decrease of 9.5%; and the profit attributable to owners of the parent of RMB125.2 million, representing a year-on-year increase of 13.7%.

New Car Sales

In the first half of 2017, the Group recorded a revenue of RMB8,191.8 million from new car sales, representing a year-on-year increase of 19.7%, among which, luxury and ultra-luxury car sales revenue reached RMB6,334.6 million, representing a year-on-year increase of 29.8%, and accounting for 77.3% of the new car sales revenue.

In the first half of 2017, as the Group's main agency brands were in different product cycles and subject to different competition patterns, the Group recorded different gross sales profit margins regarding different agency brands. The Group, upon overall consideration of the product cycles of all brands, market conditions and single model's inventory depth, actively adjusted the inventory management strategies, and, via developing and executing multi-tier price strategies, optimized the inventory structures. In the first half of 2017, considering its main agency brand — BMW series — stepped into an upgrading period, the Group sped up to sell out the inventories of BMW old models so as to achieve its goal of lowering the inventory depth and optimizing resource allocation. Affected by the sales strategy adjustment in the first half of 2017, the Group's new car business recorded an overall gross profit margin of 2.8%, representing a year-on-year decrease. In the future, benefiting from the Group's main agency brands' new products launch and heavy-weight products upgrades, the Group's main agency brands' new products will step into strong product cycles which will benefit the gross sales profit margin of new cars as the Group expects.

After-sales Services

In the first half of 2017, affected by factors like the falling price of auto spare parts and the commercial auto insurance rate reform, after-sales service has been under pressure. Under such circumstances, the Group developed and promoted new after-sales service products to attract customers and to guarantee a stable increase of customer base and units of automobiles served. In addition, the Group carried out after-sales auto decoration business as its annual strategic business. By introducing external professional providers, the Group established standard automobile decoration workshops of different levels with customized services in stores to meet the customer's personalized needs, enhance customer viscosity and increase revenues from after-sales auto decorations business.

In the first half of 2017, the after-sales service achieved a revenue of RMB1,101.1 million, representing a year-on-year increase of 7.0%, and accounting for 11.8% of the Group's total revenue; a gross profit of RMB450.3 million, representing a year-on-year slight increase; and a gross profit margin of after-sales services was 40.9%.

Value-added Business

In the first half of 2017, automobile financing business developed into one of the Group's annual strategic businesses. The Group enhanced the cooperative model of "headquarter-to-headquarter" with strategic brands manufacturers and expanded financial channels. Meanwhile, the Group integrated financial resources of the Group and the regions, and implemented innovation on financial products to meet diversified customer needs. In the first half of 2017, the Group's revenue from financing agency service reached RMB85.1 million, representing a year-on-year increase of 64.3%; and the penetration rate of the business increased to 42% from 32% during the same period of last year.

In the first half of 2017, the Group enhanced its cooperation with the insurance companies as always, and actively tried new insurance products and new modes to enhance differentiated competitiveness. In addition, the Group, while continuing to increase the penetration rate of insurance against scratch, paintwork insurance, keys insurance and many other products, introduced new insurance products to lock in customers to ensure a continuous and stable growth of insurance agency revenue. In the first half of 2017, the Group achieved a revenue of RMB54.2 million from insurance agency business, representing a year-on-year increase of 75.0%.

In the first half of 2017, revenues from second-hand car agency services realized substantial growth. Since the forming of a second-hand car team in 2016, the Group has established a second-hand car business system featuring standardized business process, strict process control, cooperation with second-hand car E-business companies, self-established second-hand car auction platform etc. With the professional system, the Group's second-hand car replacement rate was largely improved. In the first half of 2017, revenue from the Group's second-hand car agency service reached RMB11.0 million, representing a year-on-year increase of 750%.

Brand and Network Layout

In the first half of 2017, the Group constantly optimized its brand structure by establishing more luxury car brand stores, and optimizing the medium-and high-end stores based on prudent evaluation. In the first half of the year, the Company established new Alfa Romeo brand stores within 4 Maserati stores, sold 1 Dongfeng Honda 4S store and closed down 1 Dongfeng Nissan exhibition hall.

As at June 30, 2017, the Group's brand portfolio includes 9 luxury brands, namely BMW, MINI, Jaguar, Land Rover, Audi, Alfa Romeo, Lexus, Cadillac and Chrysler; 2 ultra-luxury brands, namely Maserati and Ferrari and 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, 2017, the Group operated 68 stores, of which 44 were located in Jiangsu province, 14 in Shandong province, 7 in Shanghai, 2 in Zhejiang province and 1 in Anhui province. As at June 30, 2017, 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	1
	Maserati and Alfa Romeo	4
	BMW and MINI	23
	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	25
Total		68

Outlook and Strategy

On July 1, 2017, Measures for the Administration of Automobile Sales came into effect, which would break the monopoly of brand licensing sales, and build up a diversified automobile circulation system. With the increasingly fierce competition, automobile dealers industry will witness a continuous integration and automobile dealers will continue to develop their core competitiveness in the automobile after-sales market business. The Group will respond to the development and changes of the automobile market and adopt the following business adjustments and measures to realize a good development prospect:

Continuous optimization of our dealer network and brand portfolio

We plan to constantly expand our dealer network in areas with high-growth potential via the opening of new stores and prudential mergers and acquisition. Furthermore, we will enrich and optimize our brand portfolio and dealer network via enhancing the cooperation with luxury and ultra-luxury brand manufacturers, and further improve our market position in China as a whole via constantly consolidating our leading market position in East China area.

Speeding up transformation to after-sales market business and optimizing business structure and profitability

Based on good understanding of the automobile market discipline, we aim to speed up our business transformation and optimize profit structure. We set the goal of integrated profitability improvement and constant business transformation with more emphasis on our strategic business priorities, namely after-sales services, automobile financing business, second-hand car business and automobile decoration business.

Improving management level and strengthening service transformation and upgrade

The Group will, for the purpose of service productization, product standardization, and management standardization, constantly advance the construction of management and control system. Also, the Group will, based on the principle of simplification and high efficiency, further optimize the Company's organization structure. Besides, the Group will be performance-oriented, further optimize remuneration, assessment and incentive mechanisms, improve per capita effectiveness, and enhance professional and collaborative management capacity. Moreover, we will continue to enhance the efficiency of finance, fund, audit and authorization management systems and risk control capacity, in a move to lay a solid foundation for the Group's mid-and long-term sound and sustainable development.

Meanwhile, with the objective of providing our customers with professional and efficient services, the Group will constantly improve customer consumption experience and build new consumption ecosystems.

FINANCIAL REVIEW

Revenue

In the first half of 2017, we recorded a revenue of RMB9,292.9 million, representing an increase of 18.1% compared to the same period in 2016, mainly due to the growth in sales and after-sales revenue from luxury automobiles and ultra-luxury automobiles that we mainly operated.

The table below sets out the Group's revenue for the first half of 2017 and the first half of 2016.

Revenue Source	**Unaudited For the six months ended June 30, 2017**		Unaudited For six months ended June 30, 2016		1H2017 VS. 1H2016
	Revenue *(RMB'000)*	**Contribution *(%)***	Revenue *(RMB'000)*	Contribution *(%)*	Change *(%)*
New automobile sales	**8,191,813**	**88.2**	6,842,337	86.9	19.7
After-sales service	**1,101,092**	**11.8**	1,029,208	13.1	7.0
Total	**9,292,905**	**100**	7,871,545	100	18.1

Revenue from the sales of automobiles increased by RMB1,349.5 million, or 19.7%, in the first half of 2017 compared to the same period in 2016, mainly attributable to the growth of luxury and ultra-luxury automobile sales of the Company. Revenue generated from automobile sales accounted for 88.2% of our revenue for the first half of 2017. Revenue generated from the sale of luxury and ultra-luxury brands and our mid-to high-end market brands accounted for 77.3% and 22.7% of our revenue from automobile sales respectively.

Revenue from our after-sales business increased by 7.0% from RMB1,029.2 million for the six months ended June 30, 2016 to RMB1,101.1 million for the same period in 2017.

Cost of sales and services

Our cost of sales and services increased by 21.0% from RMB7,119.7 million for the same period in 2016 to RMB8,612.5 million for the six months ended June 30, 2017.

The cost of sales and services of our automobile sales business amounted to RMB7,961.7 million for the first half of 2017, representing an increase of RMB1,424.6 million, or 21.8%, from the corresponding period in 2016. The sales cost of our after-sales business amounted to RMB650.8 million for the six months ended June 30, 2017, representing an increase of RMB68.2 million, or 11.7%, from the corresponding period in 2016.

Gross profit and gross profit margin

Gross profit for the six months ended June 30, 2017 was RMB680.4 million, representing a decrease of RMB71.4 million, or 9.5%, from the same period in 2016. Gross profit from automobile sales decreased by 24.6% from RMB305.2 million for the six months ended June 30, 2016 to RMB230.1 million for the same period in 2017. Gross profit from after-sales business increased by 0.8% from RMB446.6 million for the six months ended June 30, 2016 to RMB450.3 million for the same period in 2017. Automobile sales and after-sales business accounted for 33.8% and 66.2%, respectively, of our total gross profit for the first half of 2017.

Gross profit margin for the six months ended June 30, 2017 was 7.3%, lower than 9.6%, which was the gross profit margin for the six months ended June 30, 2016. In which, the gross profit margin of automobile sales was 2.8%. Gross profit margin of after-sales business was 40.9%. In the first half of 2017, the product cycles of the Group's main agency brands and the measures it took for inventory optimization resulted in a decrease in gross profit margin from sales of new cars. Meanwhile, factories lowering the price of accessory and the commercial automobile insurance premium rate reform also caused the gross profit margin of after-sales services to drop.

Other income and net gains

Other income and net gains increased by 41.3% from RMB136.3 million for the six months ended June 30, 2016 to RMB192.5 million for the corresponding period in 2017, among which, commission income increased by 45.8% from RMB120.9 million for the six months ended June 30, 2016 to RMB176.2 million for the corresponding period in 2017. 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 first half of 2017.

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB221.3 million for the six months ended June 30, 2017, representing an increase of 1.3% from RMB218.5 million for the same period of 2016. The increase in expenses was mainly due to the increase in sales.

Administrative expenses

Administrative expenses of the Group amounted to RMB238.8 million for the six months ended June 30, 2017, representing an increase of 5.4% from RMB226.5 million for the same period of 2016, mainly due to a growth in staff salaries and daily operation expenditures as to new brands.

Financing cost

Financing cost of the Group amounted to RMB204.7 million for the six months ended June 30, 2017, representing a decrease of 5.3% from RMB216.1 million for the six months ended June 30, 2016, mainly due to fund structure adjustment and increased utilization efficiency of funds.

Profit from operations

Profit from operations of the Group amounted to RMB201.3 million for the six months ended June 30, 2017, representing an increase of 7.8% from RMB186.7 million for the same period of 2016. Operating profit margin was 2.2%.

Income tax expenses

Income tax expenses of the Group amounted to RMB76.1 million for the six months ended June 30, 2017 and the effective tax rate was 37.8%.

Profit

For the six months ended June 30, 2017, the Group's profit amounted to RMB125.2 million, representing an increase of 7.4% from RMB116.6 million for the same period of 2016, net profit margin was 1.3%.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at June 30, 2017, our cash and cash equivalents amounted to RMB733.2 million, representing a decrease of 40.8% from RMB1,239.0 million as at December 31, 2016. This was mainly attributable to the Company's adjustment to the fund structure and its paying off the long-term liabilities.

Our primary uses of cash were to purchase 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, 2017, we had a net cash outflow from operating activities of RMB177.7 million (June 30, 2016: RMB456.1 million). We had a net outflow from investing activities of RMB488.2 million (June 30, 2016: RMB307.3 million). We had a net cash inflow of RMB159.1 million generated from financing activities (June 30, 2016: net inflow of RMB682.7 million).

Net current liabilities

As at June 30, 2017, we had net current liabilities of RMB1,416.0 million, representing an increase of RMB283.3 million from RMB1,132.7 million as at December 31, 2016. The increase in the current liabilities was mainly due to an adjustment of fund structure and paying off the long-term liabilities.

Capital expenditure

Our capital expenditures are primarily comprised expenditures on property, plant, equipment and intangible assets. For the six months ended June 30, 2017, our total capital expenditure was RMB102.6 million (for the six months ended June 30, 2016: RMB194.1 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 4.6% from RMB2,175.2 million as at December 31, 2016 to RMB2,274.3 million as at June 30, 2017, primarily due to the increase in new automobile procurement required for the market demand.

In the first half of 2017, our average inventory turnover days decreased to 46.5 days from 49.0 days in the same period in 2016, primarily due to the improvement in inventory management and inventory clean-up.

Trade and bills receivables

Trade and bills receivables decreased from RMB337.6 million for the year ended December 31, 2016 to RMB254.5 million for the six months ended June 30, 2017, 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, 2017, the Group's available but unused banking facilities were RMB2,158.0 million (December 31, 2016: RMB5,296.5 million).

Our bank loans and other borrowings as at June 30, 2017 were RMB5,181.3 million, representing a decrease of RMB152.7 million from RMB5,334.0 million as at December 31, 2016. The decrease was mainly due to the decreased capital expenditures and increased utilization coefficient of funds.

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. 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. We did not currently use any derivative financial instruments to hedge our exposure to interest rate risk.

The Group's businesses are principally operated in Mainland China and most of its transactions are conducted in RMB. We believe our operations currently are not subject to any significant direct foreign exchange risk. We do not currently 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, 2017 was 147.5% (December 31, 2016: 156.1%).

Human resources

As of June 30, 2017, the Group had 5,045 employees (June 30, 2016: 4,835). Total staff costs in the first half of 2017, excluding Directors' remuneration were RMB168.3 million (for the six months ended June 30, 2016: RMB155.1 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 of June 30, 2017, the Group provided guarantee in the amount of RMB312.4 million in relation to bank loans of Huawei Automobile and its subsidiaries.

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, 2017, the pledged group assets amounted to RMB2,310.3 million.

Events after the Reporting Period

The acquisitions that Group acquired Huawei Automobile and its subsidiaries are still in progress and the completion of the acquisitions are subject to approvals from the relevant authorities.

CHANGES SINCE DECEMBER 31, 2016

Save as disclosed in this report, there were no other significant changes in the Group's financial position or the information disclosed under Management Discussion and Analysis in the annual report as of December 31, 2016.

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

As at June 30, 2017, 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
Yang Peng[2][4]	Interest of controlled corporation, Beneficial owner	1,347,046,288 (L) 372,971,307 (S)	142.32% 39.41%
Liu Dongli[3][4]	Beneficiary of a trust, Beneficial owner	4,278,028 (L)	0.45%
Zhao Zhongjie[4][5]	Beneficiary of a trust, Beneficial owner	4,516,198 (L)	0.48%
Liu Jian[4][6]	Beneficiary of a trust, Beneficial owner	2,814,734 (L)	0.30%
Yan Sujian[4][7]	Beneficiary of a trust, Beneficial owner	2,950,182 (L)	0.31%

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 14,759,541 management subscription shares pursuant to the Management Subscription; and (b) interested in 664,268,747 convertible preference shares, as he is deemed to be interested in the same number of convertible preference shares which Rundong Fortune Investment Limited is interested in under the SFO.

Mr. Yang Peng as the protector of the Rue Feng family trust controls Rundong Fortune Investment Limited. Rundong Fortune Investment Limited 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) 3,095,120 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 Mr. Liu Dongli, Mr. Zhao Zhongjie, Mr. Liu Jian and Mr. Yan Sujian are eligible beneficiaries.

(5) Mr. Zhao Zhongjie is beneficially interested in (a) 3,095,120 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) 1,942,240 management subscription shares and (b) 872,494 ordinary shares as a beneficiary of the trust.

(7) Mr. Yan Sujian is beneficially interested in (a) 1,767,274 management subscription shares and (b) 1,182,908 ordinary shares as a beneficiary of the trust. Mr. Yan Sujian retired as a non-executive Director on June 8, 2017.

Save as disclosed above, as at June 30, 2017, 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, 2017, 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	1,332,286,747 (L) 372,971,307 (S)	140.76% 39.41%
Cheerful Autumn Holdings Limited[2]	Interest in controlled corporation	1,332,286,747 (L) 372,971,307 (S)	140.76% 39.41%
Rue Feng Holdings Limited[2]	Interest in controlled corporation	1,332,286,747 (L) 372,971,307 (S)	140.76% 39.41%
HSBC International Trustee Limited[2]	Trustee	1,332,286,747 (L) 372,971,307 (S)	140.76% 39.41%
Central Huijin Investment Ltd.[3]	Person having a security interest	325,949,347 (L)	34.44%
China Construction Bank Corporation[3]	Person having a security interest	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 Limited 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) Pursuant to a deed of charge, Rundong Fortune Investment Limited 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.

Save as disclosed above, as at June 30, 2017, 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, 2017 and on or before the date of this report, 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 the Stock Exchange. Throughout the six months ended June 30, 2017, 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:

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 chief executive officer of the Company. The Board believes that vesting the roles of the Chairman and the chief executive officer 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 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 for the six months ended June 30, 2017.

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.

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 three independent non-executive Directors, being Mr. Lee Conway Kong Wai (Chairman), Mr. Xiao Zhengsan and Mr. Li Xin.

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 six months ended June 30, 2017.

CHANGE IN DIRECTORS' INFORMATION

Changes in Directors' information since the disclosure made in the 2016 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. Retirement of Directors

After the conclusion of the annual general meeting held by the Company on June 8, 2017,

(1) Mr. Yan Sujian retired from the position as a non-executive Director of the Company and ceased as a member of the Audit Committee of the Company;

(2) Mr. Peng Zhenhuai retired from the position as an independent non-executive Director of the Company and ceased as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company;

2. Appointment of Directors

After the conclusion of the annual general meeting held by the Company on June 8, 2017,

(1) Mr. Shen Mingming was elected as an executive Director of the Company;

(2) Mr. Li Xin was elected as an independent non-executive Director of the Company, and he was appointed as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company;

(3) Mr. Xiao Zhengsan was appointed as a member of the Audit Committee of the Company;

3. Change of Director's biography

Mr. Lee Conway Kong Wai was appointed as an independent non-executive director of Guotai Junan Securities Co., Ltd. (Hong Kong stock code: 2611, Shanghai stock code: 601211) on October 24, 2016 and became effective on April 11, 2017.

INTERIM DIVIDEND

The Board resolved not to declare any payment of an interim dividend to the shareholders of the Company for the six months ended June 30, 2017 (for the six months ended June 30, 2016: nil).

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, 2017 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, 2017	Granted in the first half of 2017	Lapsed/ forfeited in the first half of 2017	Exercised in the first half of 2017	Expired in the first half of 2017	Outstanding as at June 30, 2017
Employees	November 15, 2011	Note 1	Note 2	US$0.3573	5,199,767	64,537	133,019	–	–	6,121,722

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.

Management Subscription

To provide incentives to the Directors and the senior management of the Group who are regarded as valuable human resources 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 (i.e. a number of senior management members of the Group) and the Connected Management Subscribers (i.e. directors), 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 June 30, 2017; and (b) 4.8% of the issued ordinary shares 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 and the terms used herein shall have the meanings as defined in such circular.

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**") in the following manner:

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 (the "**Installment Completion 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 Investment Limited 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 and 2016, the management failed to subscribe 30% of shares in the first year and 30% of shares in the second year. Please see the table below for details:

Subscribers	Total subscription number (shares)	Unfulfilled subscription number in the first year (shares)	Unfulfilled subscription number in the second year (shares)	Remaining subscription number (shares)
Yang Peng	36,898,851	11,069,655	11,069,655	14,759,541
Liu Dongli	7,737,800	2,321,340	2,321,340	3,095,120
Zhao Zhongjie	7,737,800	2,321,340	2,321,340	3,095,120
Liu Jian	4,855,600	1,456,680	1,456,680	1,942,240
Yan Sujian	4,418,186	1,325,456	1,325,456	1,767,274
Zhu Lidong*	3,477,800	1,043,340	2,434,460	0
Jiang Xiaofei	3,077,800	923,340	923,340	1,231,120
Zhao Ruoxu	4,077,800	1,223,340	1,223,340	1,631,120
Zhou Jian	4,777,800	1,433,340	1,433,340	1,911,120
Lee Nan-Ping*	3,477,800	3,477,800	0	0
Total	80,537,237	26,595,631	24,508,951	29,432,655

* Lee Nan-Ping and Zhu Lidong resigned.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
REVENUE	*4(a)*	**9,292,905**	7,871,545
Cost of sales	*5(b)*	**(8,612,503)**	(7,119,720)
Gross profit		**680,402**	751,825
Other income and gains, net	*4(b)*	**192,495**	136,257
Selling and distribution costs		**(221,263)**	(218,482)
Administrative expenses		**(238,845)**	(226,521)
Other expenses		**(6,702)**	(40,266)
Finance costs	*6*	**(204,743)**	(216,117)
Profit before tax	*5*	**201,344**	186,696
Income tax expense	*7*	**(76,142)**	(70,140)
Profit for the period		**125,202**	116,556
Profit for the period attributable to:			
Owners of the parent		**125,202**	110,158
Non-controlling interests		**–**	6,398
		125,202	116,556
Earnings per share attributable to ordinary equity holders of the parent:			
Basic (RMB)	*8*	**0.13**	0.12
Diluted (RMB)	*8*	**0.08**	0.07

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	2017 ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited)
Profit for the period	**125,202**	116,556
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(3,400)**	–
Income tax effect	**850**	–
	(2,550)	–
Exchange differences on translation of foreign operations	**997**	313
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(1,553)**	313
Other comprehensive income for the period, net of tax	**(1,553)**	313
Total comprehensive income for the period, net of tax	**123,649**	116,869
Total comprehensive income for the period attributable to:		
Owners of the parent	**123,649**	110,471
Non-controlling interests	**–**	6,398
	123,649	116,869

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**3,146,285**	3,209,989
Land use rights	10	**450,878**	467,157
Other intangible assets		**435,309**	451,579
Deferred tax assets		**7,974**	7,794
Goodwill		**700,724**	700,724
Available-for-sale investments	11	**149,900**	149,300
Prepayments	12	**609,209**	609,209
Finance lease receivables		**1,831**	1,179
Total non-current assets		**5,502,110**	5,596,931
CURRENT ASSETS			
Inventories	13	**2,274,270**	2,175,151
Trade receivables	14	**254,452**	337,570
Finance lease receivables		**5,527**	3,148
Prepayments, deposits and other receivables		**2,996,315**	2,616,354
Cash in transit		**36,196**	31,550
Pledged bank deposits		**1,809,794**	2,207,144
Cash and cash equivalents		**733,206**	1,238,962
Total current assets		**8,109,760**	8,609,879
TOTAL ASSETS		**13,611,870**	14,206,810
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**–**	896,775
Long-term payables	22	**427,200**	–
Deferred tax liabilities		**146,126**	151,386
Total non-current liabilities		**573,326**	1,048,161
CURRENT LIABILITIES			
Trade and bills payables	16	**2,577,764**	3,036,578
Other payables and accruals		**1,378,301**	1,817,941
Amounts due to a related party	21	**173,107**	168,822
Interest-bearing bank and other borrowings	15	**5,181,334**	4,437,234
Income tax payable		**215,255**	281,981
Total current liabilities		**9,525,761**	9,742,556
NET CURRENT LIABILITIES		**(1,416,001)**	(1,132,677)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,086,109**	4,464,254
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**5**	5
Reserves		**3,512,778**	3,388,911
		3,512,783	3,388,916
Non-controlling interests		**–**	27,177
Total equity		**3,512,783**	3,416,093
TOTAL EQUITY AND LIABILITIES		**13,611,870**	14,206,810

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Share option reserve RMB'000 (note 23)	Statutory reserve RMB'000	Other reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000 (note 11)	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	5	2,026,648	522,797	6,434	164,516	–	–	(2,165)	404,303	3,122,538	94,192	3,216,730
Profit for the period	–	–	–	–	–	–	–	–	110,158	110,158	6,398	116,556
Other comprehensive income for the period:												
Exchange differences related to foreign operations	–	–	–	–	–	–	–	313	–	313	–	313
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	313	110,158	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	–	–	(1,852)	492,952	3,234,214	100,590	3,334,804
At 1 January 2017	**5**	**2,026,648**	**522,797**	**8,571**	**214,681**	**(30,603)**	**32,475**	**(13,311)**	**627,653**	**3,388,916**	**27,177**	**3,416,093**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**125,202**	**125,202**	**–**	**125,202**
Other comprehensive income/(loss) for the period:												
Changes in fair value of available–for-sale investments, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(2,550)**	**–**	**–**	**(2,550)**	**–**	**(2,550)**
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**997**	**–**	**997**	**–**	**997**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(2,550)**	**997**	**125,202**	**123,649**	**–**	**123,649**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,177)**	**(27,177)**
Transfer from retained earnings	**–**	**–**	**–**	**–**	**14,133**	**–**	**–**	**–**	**(14,133)**	**–**	**–**	**–**
Equity-settled share option arrangements	**–**	**–**	**–**	**218**	**–**	**–**	**–**	**–**	**–**	**218**	**–**	**218**
At 30 June 2017	**5**	**2,026,648***	**522,797***	**8,789***	**228,814***	**(30,603)***	**29,925***	**(12,314)***	**738,722***	**3,512,783**	**–**	**3,512,783**

* These reserve accounts comprise the consolidated reserves of RMB3,512,778,000 (unaudited) in the consolidated statement of financial position as at 30 June 2017.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Operating activities			
Profit before tax		**201,344**	186,696
Adjustments for:			
Depreciation	5(c)	**118,116**	124,100
Amortisation of land use rights	5(c)	**6,463**	8,387
Amortisation of intangible assets	5(c)	**16,228**	16,639
Finance costs	6	**204,743**	216,117
Interest income	4(b)	**(8,766)**	(5,505)
Loss on disposal of items of property, plant and equipment	5(c)	**3,280**	5,954
Equity-settled share option expense	23	**218**	1,205
Net loss on disposal of a subsidiary	5(c)	**1,545**	–
Increase in inventories		**(115,539)**	(198,080)
Decrease in trade receivables		**80,722**	42,944
Increase in prepayments, deposits and other receivables		**(31,305)**	(261,171)
Decrease/(increase) in pledged bank deposits		**284,157**	(591,723)
(Increase)/decrease in cash in transit		**(4,837)**	3,368
Decrease in trade and bills payables		**(403,654)**	(87,390)
(Decrease)/increase in other payables and accruals		**(388,924)**	201,693
		(36,209)	(336,766)
Income taxes paid		**(141,472)**	(119,354)
Net cash flows used in operating activities		**(177,681)**	(456,120)
Investing activities			
Purchase of items of property, plant and equipment		**(138,874)**	(192,569)
Proceeds from disposal of items of property, plant and equipment		**30,887**	49,585
Proceeds from disposal of a subsidiary		**7,297**	–
Refunds of prepayments of land use rights		**–**	740
Purchase of intangible assets		**(26)**	(1,519)
Interest received		**8,766**	5,505
Purchases of available-for-sale investments		**(4,000)**	(4,000)
Prepayments for potential acquisitions		**–**	(165,000)
Increase in prepayments, deposits and other receivables		**(392,200)**	–
Net cash flows used in investing activities		**(488,150)**	(307,258)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	**2017** **RMB'000** **(Unaudited)**	2016 RMB'000 (Unaudited)
Financing activities			
Proceeds from interest-bearing bank and other borrowings		**6,349,450**	5,813,024
Repayment of interest-bearing bank and other borrowings		**(6,494,125)**	(4,932,213)
Interest paid		**(204,743)**	(212,669)
Increase in amounts due to a related party		**4,285**	–
Increase in long-term payable		**427,200**	–
Decrease in pledged bank deposits		**77,011**	14,522
Net cash flows generated from financing activities		**159,078**	682,664
Net decrease in cash and cash equivalents		**(506,753)**	(80,714)
Net foreign exchange differences		**997**	313
Cash and cash equivalents at beginning of period		**1,238,962**	1,513,212
Cash and cash equivalents at end of period		**733,206**	1,432,811
Analysis of balances of cash and cash equivalents at end of period			
Cash and bank balances		**733,206**	1,432,811
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**733,206**	1,432,811

1. GENERAL INFORMATION

China Rundong Auto Group Limited (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.

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2017.

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 2017 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 2016.

As of 30 June 2017, the Group had net current liabilities of approximately RMB1,416,001,000. 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.

2.2 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 2016, except for the adoption of amendments effective as of 1 January 2017 below:

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

Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative
Amendments to HKAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 12 Disclosure of Interests in Other Entitles: Clarification of the scope of disclosure requirements in HKFRS 12

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from the sale of motor vehicles	**8,191,813**	6,842,337
Others	**1,101,092**	1,029,208
	9,292,905	7,871,545

(b) Other income and gains, net

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Commission income	**176,220**	120,894
Bank interest income	**8,766**	5,505
Rental income	**1,488**	1,431
Government grants	**1,440**	4,864
Others	**4,581**	3,563
	192,495	136,257

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
(a)	**Employee benefit expense (excluding directors' and chief executive's remuneration):**		
	Wages and salaries	**103,677**	102,452
	Equity-settled share option expense	**218**	1,205
	Other welfare	**64,467**	51,472
		168,362	155,129
(b)	**Cost of sales and services:**		
	Cost of sales of motor vehicles	**7,961,739**	6,537,121
	Others	**650,764**	582,599
		8,612,503	7,119,720
(c)	**Other items:**		
	Depreciation of items of property, plant and equipment	**118,116**	124,100
	Amortisation of land use rights	**6,463**	8,387
	Amortisation of intangible assets	**16,228**	16,639
	Advertisement and business promotion expenses	**26,861**	31,693
	Reversal of write-down of inventories to net realisable value	**(5,942)**	–
	Net loss on disposal of a subsidiary	**(1,545)**	–
	Lease expenses	**25,033**	30,456
	Bank charges	**6,940**	6,492
	Loss on disposal of items of property, plant and equipment	**3,280**	5,954

6. FINANCE COSTS

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**139,437**	194,224
Interest expense on other borrowings	**65,323**	21,893
Less: interest capitalised	**17**	–
	204,743	216,117

7. TAX

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current Mainland China corporate income tax	**80,732**	75,583
Deferred tax	**(4,590)**	(5,443)
Total tax charge for the period	**76,142**	70,140

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 2016: 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 2016: 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 946,476,000 of ordinary shares in issue during the six months ended 30 June 2017 (946,476,000 ordinary shares during the six months ended 30 June 2016), 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 are based on:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**125,202**	110,158
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**946,476,000**	946,476,000
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares	**664,268,747**	664,268,747
Share options	**1,640,628**	730,342
	1,612,385,375	1,611,475,089
Earnings per share		
Basic (RMB)	**0.13**	0.12
Diluted (RMB)	**0.08**	0.07

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired assets at a consideration of RMB102,549,000 (unaudited) (for the six months ended 30 June 2016: RMB210,781,000 (unaudited)).

Assets with a net book value of RMB48,137,000 (unaudited) were disposed of by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB55,539,000 (unaudited)).

Certain of the Group's buildings with aggregate net book values of RMB383,775,000 (unaudited) and RMB429,712,500, respectively, as at 30 June 2017 and 31 December 2016 were pledged as security for the Group's interest-bearing bank and other borrowings.

9. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Acquisitions and disposals *(Continued)*

Certain of the Group's buildings with an aggregate net book value of RMB14,416,000 (unaudited) and RMB14,528,000, as at 30 June 2017 and 31 December 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

No land use rights are acquired during both the six months ended 30 June 2016 and 2017.

Assets with a net book value of RMB9,816,000 (unaudited) were disposed of by the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: no land use rights were disposed (unaudited)).

Certain of the Group's land use rights with aggregate net book values of RMB116,773,000 (unaudited) and RMB135,300,000, respectively, as at 30 June 2017 and 31 December 2016 were pledged as security for the Group's interest-bearing bank and other borrowings.

Included in the Group's land use rights are rights to three parcels of land, with an aggregate net book value of RMB11,014,000 (unaudited) and RMB11,960,000 as at 30 June 2017 and 31 December 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 RMB30,660,000 (unaudited) and RMB31,392,000 as at 30 June 2017 and 31 December 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 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Unlisted equity investments, at cost			
Xuzhou Huaihai Nongcun Commercial Bank Company Limited	*(i)*	**40,000**	40,000
Tongshanxian Nongcun Credit Cooperation Association	*(i)*	**9,000**	9,000
Gaojing Internet Technology Company	*(ii)*	**8,000**	4,000
		57,000	53,000
Listed equity investments, at fair value			
Jiangsu Bank Company Limited	*(iii)*		
— At cost		**53,000**	53,000
— Accumulated fair value gains		**39,900**	43,300
		92,900	96,300
Available-for-sale investments		**149,900**	149,300

(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 2017 and 31 December 2016, certain unlisted equity investments with carrying amounts of RMB57,000,000 and RMB53,000,000, 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.

(ii) In 2016, the Group entered into an equity interest transfer agreement to acquire 10% equity interests of Gaojing Internet Technology Company (高景網絡技術(上海)有限公司) or "Gao Jing") at a consideration of RMB8,000,000. The Group does not have significant influence over Gao Jing and has classified its investment amount as available-for-sale as at 31 December 2016 and 30 June 2017. Full considerations were paid off as at 30 June 2017 in accordance with the equity interest transfer agreement.

(iii) As at 30 June 2017, the equity shares in Jiangsu Bank were stated at fair value impairment because Jiangsu Bank (600919) was listed in Shanghai Stock Exchange on 2 August 2016. The net loss in respect of the Group's available-for-sale investments of Jiangsu Bank recognised in other comprehensive income amounted to RMB3,400,000 (RMB2,550,000, net of tax) during the six months ended 30 June 2017.

12. PREPAYMENTS

		30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Prepayments for potential acquisitions	(i)	**600,000**	600,000
Prepayments for land use rights		**9,209**	9,209
		609,209	609,209

(i) Included in the prepayment was an amount of RMB300 million made in relation to the proposed acquisition for Yangzhou Huawei Automobile Investment Management Co., Ltd. ("Huawei Automobile"), which principally engaged in automobile sales and services business, and the details of the proposed acquisition has been disclosed in the Group's public announcement dated 20 October 2016.

13. INVENTORIES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Motor vehicles	**2,074,463**	1,990,391
Spare parts and accessories	**209,706**	200,601
	2,284,169	2,190,992
Less: Provision for inventories	**9,899**	15,841
	2,274,270	2,175,151

14. TRADE RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Trade receivables	**254,452**	337,570
Impairment	**–**	–
	254,452	337,570

14. TRADE RECEIVABLES *(Continued)*

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 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Within three months	**223,951**	312,627
More than three months but less than one year	**30,335**	24,775
More than one year	**166**	168
	254,452	337,570

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

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Neither past due nor impaired	**223,951**	312,627
Less than three months past due	**30,335**	24,775
Three months to one year past due	**166**	168
	254,452	337,570

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 2017 (Unaudited)		31 December 2016 (Audited)	
		Effective interest rate (%)	***RMB'000***	Effective interest rate (%)	*RMB'000*
Current					
Bank loans		**4.35–8.70**	**3,526,096**	4.00–8.70	3,772,704
Other borrowings	*(i)*	**3.68–11.00**	**1,655,238**	5.52–10.50	664,530
			5,181,334		4,437,234
Non-current					
Bank loans		**–**	**–**	7.35–8.32	166,775
Other borrowings	*(i)*	**–**	**–**	8.90	730,000
			–		896,775
			5,181,334		5,334,009

(i) The Group entered into a facility agreement with Shanghai Fengyu Investment Ltd. (上海奉宇投資管理有限公司), an independent third party, on 8 July 2016 for a loan facility of RMB730 million. The facility is unsecured and the facility period is for a term of 18 months till January, 2018 and its interest rate is fixed at 8.9% per annum. The Group reclassified the balance of such other borrowings from long-term to short-term liabilities because its maturity date will fall within one year.

16. TRADE AND BILLS PAYABLES

	30 June 2017 ***RMB'000*** **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Trade payables	**160,038**	163,455
Bills payable	**2,417,726**	2,873,123
	2,577,764	3,036,578

16. TRADE AND BILLS PAYABLES *(Continued)*

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

	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Within 3 months	**2,200,467**	2,407,881
3 to 6 months	**343,375**	600,624
6 to 12 months	**27,265**	26,175
Over 12 months	**6,657**	1,898
	2,577,764	3,036,578

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

17. DIVIDEND

The Directors resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

18. SHARE CAPITAL

	30 June 2017 *RMB'000* (Unaudited)	31 December 2016 *RMB'000* (Audited)
Issued and fully paid:		
946,476,000 (2016: 946,476,000) ordinary shares of US$0.0000005 each	**3**	3
664,268,747 (2016: 664,268,747) convertible preference shares of US$0.0000005 each	**2**	2
	5	5

19. CONTINGENT LIABILITIES

(i) The Group had provided guarantees in respect of banking facilities associated with certain companies of Huawei Automobile (Note 12) with an aggregate amount of approximately RMB312 million. The Directors confirmed that these guarantees will be released within the next six months period by 31 December 2017.

(ii) In the opinion of the Directors of the Company, other than the property defectives mentioned in notes 9 and 10, as at 30 June 2017, 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 2017 and 31 December 2016 not provided for in the interim condensed consolidated financial statements were as follows:

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
Contracted, but not provided for land use rights and buildings	**203,439**	173,439

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 20 years.

At 30 June 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Properties *RMB'000*	**Land** *RMB'000*	Properties *RMB'000*	Land *RMB'000*
Within one year	**36,363**	**15,790**	37,739	16,024
After one year but within five years	**139,829**	**55,886**	147,634	57,162
After five years	**143,387**	**95,295**	161,329	100,858
	319,579	**166,971**	346,702	174,044

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 2016 and 2017:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Advancement from a shareholder, Mr. Yang Peng	**4,285**	–

(b) Outstanding balances with a related party

Due to a shareholder

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mr. Yang Peng	**173,107**	168,822

The amount due to the related party was unsecured, interest free, with no fixed terms of repayment and non-trade in nature.

(c) Compensation of key management personnel

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**2,976**	2,239
Pension scheme contributions	**129**	107
Total compensation paid to key management personnel	**3,105**	2,346

22. LONG-TERM PAYABLES

The long term payables represented the capital funding from the independent third parties pursuant to the prevailing terms as stipulated in the agreement of the limited liability partnership fund between the Group and the two parties, and the terms are subject to further modification to be agreed by the Group and the two parties by end of the year.

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.

23. SHARE OPTION SCHEME *(Continued)*

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.

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

	For six months end 30 June 2017		For six months ended 30 June 2016	
	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**	**5,200**	0.3573	5,204
Granted during the period	**0.3573**	**65**	0.3573	401
Forfeited during the period	**0.3573**	**(133)**	0.3573	(54)
At 30 June	**0.3573**	**5,132**	0.3573	5,551

The weighted average fair values of the share options granted during the period ended 30 June 2017 was US$0.1684 (RMB1.1682) (unaudited) (30 June 2016: US$0.2031 (RMB1.3189) (unaudited) per option) per option, of which the Group recognised an equity-settled share option expense of RMB218,000 (unaudited) (for six months ended 30 June 2016: RMB1,205,000 (unaudited)) during the six months ended 30 June 2017.

The fair value of the share options granted during the six months ended 30 June 2017 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 2017	For six months ended 30 June 2016
Dividend yield (%)	–	–
Expected volatility (%)	49.0-50.0	50.1
Risk-free interest rate (%)	1.91-2.22	2.94
Expected life of options (year)	10	10
Weighted average share price (US$ per share)	0.4190	0.4103

23. SHARE OPTION SCHEME *(Continued)*

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

As disclosed in Note 12 in the financial statements in relation with the proposed acquisitions, the Directors of the Company are of the opinion that these acquisitions are still in progress and the completion of the acquisitions are subject to the approvals from the relevant authorities.

润东汽车

CHINA RUNDONG AUTO GROUP LIMITED

中國潤東汽車集團有限公司