润东汽车

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

2019

INTERIM REPORT
中期報告

CONTENTS

02 Corporate Information

03 Chairman's Statement

04 Management Discussion and Analysis

12 Corporate Governance and Other Information

19 Unaudited Interim Condensed Consolidated Statement of Profit or Loss

20 Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

21 Unaudited Interim Condensed Consolidated Statement of Financial Position

23 Unaudited Interim Condensed Consolidated Statement of Changes in Equity

24 Unaudited Interim Condensed Consolidated Statement of Cash Flows

26 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Yang Peng *(Chairman, executive Director and Chief Executive Officer)*
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

RISK MANAGEMENT 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 *(appointed on 28 March 2019)*
Ms. Mak Tze Fan *(resigned on 28 March 2019)*

AUTHORIZED REPRESENTATIVES

Mr. Yang Peng
Ms. Ho Siu Pik *(appointed on 28 March 2019)*
Ms. Mak Tze Fan *(resigned on 28 March 2019)*

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

9F, Shenzhou Wisdom Plaza
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 of directors (the "**Board**") and the management of China Rundong Auto Group Limited (the "**Company**"), I am pleased to present the interim report of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**", "**us**", "**our**") for the six months ended 30 June 2019.

In the first half of 2019, the production and sales volume of passenger vehicles in China was 9.978 million units and 10.127 million units respectively, overall declined by approximately 15.8% and 14% in comparison with the same period of the previous year, which is because the global economic slowdown and Sino-US trade friction have reduced consumer income expectations and automobile consumption confidence to some extent. In the first half of 2019, various automobile brands also faced huge challenges. In the first half of the year, the growth rate of luxury vehicle brands slowed down, and the sales of low-end and mid-end vehicle brands have experienced negative growth.

In the first half of 2019, the Group reduced the amount of vehicle sales based on the analysis and judgment of the overall trend of the industry. In terms of corporate governance, the Group optimized its organizational structure, adjusted its brand structure, continued to strengthen management, promoted business transformation, vigorously developed automotive after-sales market business, and strengthened risk management and control. Although the Group will still face a complex market environment, we will respond in a positive way and we still have confidence for the future.

On behalf of the Group, I would 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 concentrate on improving our business performance and getting out of the bottom as soon as possible.

Yang Peng
Chairman
30 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Looking back at the first half of 2019, the passenger vehicle market in China continued to show negative growth trend. Especially with continuing economic slowdown in mainland China, Sino-US trade frictions intensified, and the rising household debt ratio, the consumer income expectations and automobile consumption confidence were reduced to some extent. In addition, in the first half of 2019, the National V emission standards were upgraded to the National VI emission standards in automobile industry. Therefore, major dealers have carried out substantial price cuts in order to remove the National V stocks as soon as possible. Under the above influence, according to the report of China Association of Automobile Manufacturers, the sales of passenger vehicles in China in the first half of 2019 were bleak. The production and sales volume of passenger vehicles in the first half of the year was 9.978 million units and 10.127 million units, overall declined by approximately 15.8% and 14% in comparison with the same period of the previous year. Measures such as price promotions have not effectively boosted sales, consumers' wait-and-see attitudes have not improved, and the overall decline in industry production and sales means we are still facing greater pressure. China Association of Automobile Manufacturers expects that the overall production and sales of automobiles will show negative growth this year.

In the first half of 2019, faced with the huge challenge, the entry barriers for luxury vehicle brands were lowered by price-cut. Under the strategy of price-cut in the first half of the year, the sales growth rate of luxury vehicle brands in the first half of the year was only 2%. Particularly, in terms of the growth rate, among the traditional top three brands (BMW, Mercedes-Benz and Audi), except for BMW, Mercedes-Benz and Audi have not reached the average growth rate of luxury car brands. Affected by the negative impact from automobile replacement and the overall market sentiment, the growth rate of Mercedes-Benz in the first half of the year was only 1.3%. Audi experienced a negative growth for the first five months, although it recorded a slight growth in the first half of the year after that the situation was improved in June. Meanwhile, the sales of other luxury brands have fallen sharply. For example, the sales of Jaguar and Land Rover fell 34.9% year-on-year to 51,600 units in the first half of this year.

Looking forward at the Chinese auto market for the second half of 2019, with the increasing vehicle models of National VI emission standards, the promotion of enterprises returning to rationality, consumers' wait-and-see attitudes are expected to improve. We have reasons to be cautiously optimistic about the automobile market in China, and potential demand may pick up.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2019, the applicable National V emission standards of the automotive industry have been upgraded and converted into the new National VI emission standards, which indirectly led to an increase in the inventory pressure of major dealer groups. The Group is experiencing the process of transition, and in particular, the destocking of major dealer groups meant that terminal discounts increased, and the decrease in retail price cuts far exceeded management expectations, resulting in the overall revenue and result performance of the Group for the six months period being affected. In view of the prevailing market conditions, the Group made reassessment over its business strategies and implemented certain internal restructuring in the areas of business operation structure, post-acquisition integration over acquired stores, working capital management and others. Although the Group continued to suffer losses in the first half of 2019, the Group's losses have been significantly narrowed compared to the second half of 2018.

New Car Sales

In the first half of 2019, the overall sales of the automobile consumption market fell by 12.4%. The Group made reassessment and integration on business, slowed down the pace of bulk purchase and committed to maintaining the profit of new car sales. In the first half of 2019, the overall gross profit margin of the Group's new vehicles was -3.6%, representing a decrease of 6.4% compared with the first half of 2018, mainly due to the clearance of the National V stocks of the Group and the price cuts of new vehicles.

In the first half of 2019, the Group recorded a revenue of RMB4,280.8 million from new car sales, representing a year-on-year decrease of 33.9%, among which, luxury and ultra-luxury car sales revenue reached RMB3,300.2 million, representing a year-on-year decrease of 33.3%, and accounting for 77.09% of the new car sales revenue.

After-sales Services

In the first half of 2019, our after-sales services performance was directly affected by the decrease in the number of in-store automobile maintenance and sales of automobile decoration caused by the decrease in new car sales. For the six months ended 30 June 2019, revenue from our after-sales services amounted to RMB674.9 million, representing a year-on-year decrease of 34.3%, accounting for 13.6% of the Group's total revenue, the gross profit margin of after-sales service was 25.3%.

Value-added Business

Car value-added business, especially automobile finance and new auto insurance agency business, also were affected by the decline in sales volume of new vehicles. In the first half of 2019, the revenue derived from our finance agency services amounted to RMB43.3 million, representing a decrease of 27.2% compared with the same period of 2018. The revenue derived from the insurance agency business of the Group amounted to RMB50.7 million in the first half of 2019, representing a decrease of 38.7% as compared with the same period of 2018.

Brand and Network Layout

As at 30 June 2019, the Group's automobile 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 14 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, and FAW-Volkswagen.

As at 30 June 2019, the Group operated 85 stores, of which 62 were located in Jiangsu Province, 14 in Shandong Province, 6 in Shanghai, 1 in Zhejiang Province, 1 in Anhui Province and 1 in Liaoning Province.

As at 30 June 2019, 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
	Land Rover and Jaguar	7
	Audi	10
	Cadillac	1
	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 FAW-Volkswagen	37
Total		85

Outlook and Strategy

In the second quarter of 2019, the GDP maintained at the growth rate of 6.3%. Under the economic environment of GDP's maintaining steady growth and mitigation of Sino-US trade tension, as well as the recovery of the consumers' confidence, it is expected that the automobile sales will slightly pick up during the second half of 2019 driven by favorable factors such as the recovery of macro economy to a certain extent since the end of the third quarter and the peak season of sales volume is the traditional "golden September and silver October" and the sales at the end of the year.

According to the analysis and judgment on the industry's overall trends and development potential, and based on our existing resources and operating conditions, the Group will strive to continuously adjust brand structure, optimize management system, conduct internal restructure with an aim to recover profitability.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, we recorded a revenue of RMB4,955.7 million, representing a decrease of 34.0% compared to the same period in 2018, mainly due to the decrease in our revenue from new automobile sales.

The table below sets out the Group's revenue in the first half of 2019 and the first half of 2018.

Revenue Source	Unaudited For the six months ended 30 June 2019 Revenue (RMB'000)	Contribution (%)	Unaudited For six months ended 30 June 2018 Revenue (RMB'000)	Contribution (%)	1H2019 VS. 1H2018 Change (%)
New automobile sales	**4,280,829**	**86.4**	6,478,768	86.3	-33.9
After-sales service	**674,920**	**13.6**	1,027,767	13.7	-34.3
Total	**4,955,749**	**100**	7,506,535	100	-34.0

Revenue from the sales of automobiles decreased by RMB2,197.9 million, or 33.9% for the six months ended 30 June 2019 compared to the same period in 2018. Revenue generated from automobile sales accounted for 86.4% of our revenue for the six months ended 30 June 2019. Revenue generated from the sales of luxury and ultra-luxury brand and mid-to high-end brand vehicles accounted for 77.1% and 22.9% of our revenue from automobile sales respectively. Revenue from our after-sales services decreased by 34.3% from RMB1,027.8 million for the six months ended 30 June 2018 to RMB674.9 million for the same period in 2019.

Cost of sales and services

Our cost of sales and services decreased by RMB2,068.4 million from RMB7,007.6 million for the six months ended 30 June 2018 to RMB4,939.2 million for the same period in 2019.

The cost of our automobile sales business amounted to RMB4,434.9 million for the six months ended 30 June 2019, representing a decrease of RMB1,863.2 million, or 29.6%, from the corresponding period in 2018. The cost of our after-sales services amounted to RMB504.3 million for the six months ended 30 June 2019, representing a decrease of RMB205.2 million, or 28.9%, from the corresponding period in 2018.

Gross profit and gross profit margin

Gross profit of the Group for the six months ended 30 June 2019 was RMB16.6 million, representing a decrease of RMB482.4 million, or 96.7%, from the same period in 2018. Gross profit from automobile sales decreased by 185.2% from RMB180.7 million for the six months ended 30 June 2018 to RMB -154.0 million for the same period in 2019. Gross profit from after-sales service decreased by 46.4% from RMB318.3 million for the six months ended 30 June 2018 to RMB170.6 million for the same period in 2019.

Gross profit margin of the Group for the six months ended 30 June 2019 was 0.33%, and the gross profit margin for the same period in 2018 was 6.65%.

Other income and gains, net

Other income and gains, net decreased by 71.6% from RMB403.9 million for the six months ended 30 June 2018 to RMB114.8 million for the corresponding period in 2019. The significant decrease was mainly attributable to the substantial asset disposal income from transfer of 3 stores by the Group during the same period last year; among which, commission income decreased by 33.6% from RMB148.0 million for the six months ended 30 June 2018 to RMB98.2 million for the corresponding period in 2019.

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB194.5 million for the six months ended 30 June 2019, representing a decrease of 13.1% compared with the same period of 2018.

Administrative expenses

Administrative expenses of the Group amounted to RMB219.9 million for the six months ended 30 June 2019, representing a decrease of 12.8% from RMB252.2 million for the same period of 2018, mainly due to the optimization of daily operation expenditures by the Group.

Finance costs

Finance cost amounted to RMB184.5 million for the six months ended 30 June 2019, representing a decrease of 34.6% from RMB282.1 million of finance costs for the six months ended 30 June 2018.

Operating profit/loss

Operating loss of the Group amounted to RMB1,215.2 million for the six months ended 30 June 2019, representing a decrease of 1,156.3% from the profit of RMB115.0 million for the same period of 2018.

Income tax expenses

Income tax expenses of the Group amounted to RMB2.8 million for the six months ended 30 June 2019.

Loss for the period

The Group's loss for the six months ended 30 June 2019 amounted to RMB1,218.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2019, our cash and cash equivalents amounted to RMB654.2 million, representing a decrease of 24.4% from RMB866.0 million as at 31 December 2018. This was mainly attributable to the repayment of other payables during the first half of 2019.

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 operating activities and other funds raised from the capital markets from time to time.

For the six months ended 30 June 2019, we had a net cash inflow from operating activities of RMB295.7 million (for the six months ended 30 June 2018: the net cash outflow was RMB124.8 million). We had a net cash inflow from investing activities of RMB1,615.5 million (for the six months ended 30 June 2018: net cash inflow of RMB134.5 million). We had a net cash outflow from financing activities of RMB2,123.3 million (for the six months ended 30 June 2018: net cash outflow of RMB582.4 million).

Net current liabilities

As at 30 June 2019, we had net current liabilities of RMB1,703.9 million, representing a decrease of RMB791.7 million from RMB2,495.6 million as at 31 December 2018. The decrease in the current liabilities was mainly due to the decrease in bill payables resulting from slowdown the pace of bulk purchase.

Capital expenditure

Our capital expenditures are primarily comprised expenditures on property, plant, equipment and intangible assets. For the six months ended 30 June 2019, our total capital expenditure was RMB154.3 million (for the six months ended 30 June 2018: RMB104.4 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 decreased by 35.2% from RMB1,480.8 million as at 31 December 2018 to RMB960.1 million as at 30 June 2019, primarily due to the improvement of inventory management and acceleration of liquidation of inventories.

For the six months ended 30 June 2019, our average inventory turnover days decreased to 44.5 days from 60.6 days in the same period in 2018.

Trade and bills receivables

Trade and bills receivables decreased from RMB311.0 million as at 31 December 2018 to RMB270.6 million as at 30 June 2019, 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 30 June 2019, the Group's available but unused banking facilities were RMB2,403.9 million (31 December 2018: RMB4,461.6 million).

Our bank loans and other borrowings as at 30 June 2019 were RMB4,453.2 million, representing a decrease of RMB1,929.0 million from RMB6,382.2 million as at 31 December 2018. The decrease was due to the increased utilization rate 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%) as at 30 June 2019 was 503.2% (31 December 2018: 303.5%).

Human resources

As at 30 June 2019, the Group had 4,284 employees (30 June 2018: 5,894). Total staff costs for the six months ended 30 June 2019, excluding Directors' remuneration, were RMB162.4 million (for the six months ended 30 June 2018: RMB179.1 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 at 30 June 2019, we had no material contingent liability or guarantee.

Pledge of the Group's assets

The Group pledged its assets as collaterals for bank loans, other borrowings and banking facilities which were used to finance daily business operation. As at 30 June 2019, the pledged assets of the Group amounted to RMB1,269.4 million.

Events after the Reporting Period

Subsequent to the end of the period, certain subsidiaries of the Group, as lessors, entered into lease agreements for certain properties with independent third parties for a period of ten years.

CHANGES SINCE 31 DECEMBER 2018

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 annual report for the year ended 31 December 2018.

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

As at 30 June 2019, 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**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") 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]	Interest of controlled corporation, beneficial owner	1,345,027,288(L)	142.11%

Notes:

(1) The letter "L" denotes the person's long 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 is (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 ordinary shares and convertible preference shares in which Rundong Fortune Investment Limited is interested under the SFO.

Save as disclosed above, as at 30 June 2019, 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 and 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 30 June 2019, 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)	140.76%
Cheerful Autumn Holdings Limited[(2)]	Interest in controlled corporation	1,332,286,747(L)	140.76%
Rue Feng Holdings Limited[(2)]	Interest in controlled corporation	1,332,286,747(L)	140.76%
HSBC International Trustee Limited[(2)]	Trustee	1,332,286,747(L)	140.76%
Central Huijin Investment Ltd.[(3)]	Person having a security interest in shares	352,963,987(L)	37.29%
China Construction Bank Corporation[(3)]	Person having a security interest in shares	352,963,987(L)	37.29%
LanHai International Trading Limited[(4)]	Person having a security interest in shares	848,270,747(L)	89.62%
Lanhai Holding (Group) Company Limited[(4)]	Person having a security interest in shares	848,270,747(L)	89.62%
Mi Chunlei (密春雷)[(4)]	Person having a security interest in shares	848,270,747(L)	89.62%
OCI International Holdings Limited[(5)]	Person having a security interest in shares	75,981,000(L)	8.03%

Notes:

(1) The letter "L" denotes the person's long 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 favor 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 57.11% controlled by Central Huijin Investment Ltd.

(4) Pursuant to a deed of charge, Rundong Fortune Investment Limited has pledged certain shares in favor of LanHai International Trading Limited, which is wholly controlled by Lanhai Holding (Group) Company Limited, which is in turn 99% controlled by Mr. Mi Chunlei (密春雷).

(5) Pursuant to a deed of charge, Rundong Fortune Investment Limited has pledged certain shares in favor of OCI International Holdings Limited.

Save as disclosed above, as at 30 June 2019, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

For the six months ended 30 June 2019, save as disclosed in the "Management Discussion and Analysis" of this interim report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the principles and 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. Throughout the six months ended 30 June 2019, 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 30 June 2019.

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 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 30 June 2019, and is of the opinion that the preparation of such interim financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CHANGE IN DIRECTORS' INFORMATION

Change in Directors' information since the disclosure made in the 2018 annual report of the Company, that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

– Mr. Li Xin, the independent non-executive Director, has been appointed as the chairman of Qingdao Bielai Xinshe Art and Culture Co., Ltd. since June 2019.

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 30 June 2019 (for the six months ended 30 June 2018: 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 27 September 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 30 June 2019 are as follows:

					Number of share options					
Type of participant	Date of grant	Exercise period	Vesting period	Exercise price per Share	Outstanding as at 1 January 2019	Granted during the period	Lapsed/ forfeited during the period	Exercised during the period	Expired during the period	Outstanding as at 30 June 2019
Employees	15 November 2011	Note 1	Note 2	US$0.3573	3,815,317	–	570,700	–	–	3,244,617

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 was 12 August 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 31 December 2011, the Vesting Date shall be March 31 of every year commencing 2012;

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

iii. if a grantee is employed from 1 January 2013 to 31 December 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 15 November 2021.

During the six months ended 30 June 2019 and up to the date of this interim report, no share option under 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 16 May 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), 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 30 June 2019; 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 13 July 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:

(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 31 December 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, 2016, 2017 and 2018, the management failed to subscribe 100% of the shares in total in the previous four years. Please see the table below for details:

	Total subscription number (shares)	Number of shares unfulfilled subscription conditions and cancelled (shares)	Remaining subscription number (shares)
Yang Peng	36,898,851	36,898,851	–
Liu Dongli[note 1]	7,737,800	7,737,800	–
Zhao Zhongjie[note 2]	7,737,800	7,737,800	–
Liu Jian[note 2]	4,855,600	4,855,600	–
Yan Sujian[note 1]	4,418,186	4,418,186	–
Zhu Lidong[note 3]	3,477,800	3,477,800	–
Jiang Xiaofei[note 1]	3,077,800	3,077,800	–
Zhao Ruoxu	4,077,800	4,077,800	–
Zhou Jian[note 1]	4,777,800	4,777,800	–
Lee Nan-Ping[note 4]	3,477,800	3,477,800	–
Total	80,537,237	80,537,237	–

Notes: 1. Mr. Liu Dongli, Mr. Yan Sujian, Mr. Jiang Xiaofei and Mr. Zhou Jian resigned in 2017.
2. Mr. Liu Jian and Mr. Zhao Zhongjie resigned in 2018.
3. Mr. Zhu Lidong resigned in 2016.
4. Mr. Lee Nan-Ping resigned in 2015.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	*4(a)*	**4,955,749**	7,506,535
Cost of sales	*5(b)*	**(4,939,179)**	(7,007,576)
Gross profit		**16,570**	498,959
Other income and gains	*4(b)*	**114,756**	403,866
Selling and distribution costs		**(194,531)**	(223,794)
Administrative expenses		**(219,944)**	(252,229)
Other expenses	*5(c)*	**(747,575)**	(29,697)
Finance costs	*6*	**(184,502)**	(282,056)
(Loss)/Profit before tax	*5*	**(1,215,226)**	115,049
Income tax expense	*7*	**(2,754)**	(83,725)
(Loss)/Profit for the period		**(1,217,980)**	31,324
(Loss)/Profit for the period attributable to:			
Owners of the parent		**(1,216,871)**	32,960
Non-controlling interests		**(1,109)**	(1,636)
		(1,217,980)	31,324
(Loss)/Earnings per share attributable to ordinary equity holders of the parent:	*8*		
Basic			
– For (loss)/profit for the period (RMB)		**(1.29)**	0.03
Diluted			
– For (loss)/profit for the period (RMB)		**(1.29)**	0.02

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(Loss)/Profit for the period	**(1,217,980)**	31,324
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**457**	(1,555)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(201)**	–
Other comprehensive income/(loss) for the period, net of tax	**256**	(1,555)
Total comprehensive (loss)/income for the period, net of tax	**(1,217,724)**	29,769
Total comprehensive (loss)/income for the period attributable to:		
Owners of the parent	**(1,216,615)**	31,405
Non-controlling interests	**(1,109)**	(1,636)
	(1,217,724)	29,769

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**3,293,275**	3,342,558
Land use rights	10	**699,508**	710,009
Right-of-use assets	11	**264,268**	–
Intangible assets		**377,669**	490,162
Deferred tax assets		**1,510**	1,510
Goodwill	12	**628,458**	869,107
Equity investments designated at fair value through other comprehensive income	13	**55,653**	55,719
Finance lease receivables		**–**	13
Total non-current assets		**5,320,341**	5,469,078
CURRENT ASSETS			
Inventories	14	**960,143**	1,480,761
Trade receivables	15	**270,640**	311,029
Finance lease receivables		**2,544**	2,587
Prepayments, other receivables and other assets	16	**2,906,118**	3,907,031
Cash in transit		**26,112**	9,821
Pledged bank deposits		**953,080**	1,386,631
Cash and cash equivalents		**654,236**	865,950
Total current assets		**5,772,873**	7,963,810
TOTAL ASSETS		**11,093,214**	13,432,888
NON-CURRENT LIABILITIES			
Other payables and accruals	17	**1,716,000**	–
Interest-bearing bank and other borrowings	18	**567,556**	679,976
Deferred tax liabilities		**184,677**	190,800
Lease liabilities	19	**263,242**	–
Total non-current liabilities		**2,731,475**	870,776

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*20*	**1,238,470**	2,150,700
Other payables and accruals	*21*	**1,942,631**	1,998,749
Amounts due to a related party	*26*	**165,836**	361,416
Interest-bearing bank and other borrowings	*18*	**3,885,694**	5,702,266
Income tax payable		**223,966**	246,262
Lease Liabilities	*19*	**20,147**	–
Total current liabilities		**7,476,744**	10,459,393
NET CURRENT LIABILITIES		**(1,703,871)**	(2,495,583)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,616,470**	2,973,495
EQUITY			
Equity attributable to owners of the parent			
Share capital	*23*	**5**	5
Reserves		**880,535**	2,097,150
		880,540	2,097,155
Non-controlling interests		**4,455**	5,564
Total equity		**884,995**	2,102,719
TOTAL EQUITY AND LIABILITIES		**11,093,214**	13,432,888

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent											
	Share capital *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000*	Share option reserve *RMB'000* *(note 27)*	Statutory reserve *RMB'000*	Other reserve *RMB'000*	Fair value reserve *RMB'000* *(note 13)*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018	5	2,026,648	522,797	8,861	269,541	(30,603)	(3,931)	(9,338)	833,793	3,617,773	10,053	3,627,826
Profit/(loss) for the period	–	–	–	–	–	–	–	–	32,960	32,960	(1,636)	31,324
Other comprehensive loss for the period:												
Exchange differences related to foreign operations	–	–	–	–	–	–	–	(1,555)	–	(1,555)	–	(1,555)
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	(1,555)	32,960	31,405	(1,636)	29,769
Transfer from retained earnings	–	–	–	–	20,578	–	–	–	(20,578)	–	–	–
Equity-settled share option arrangements	–	–	–	28	–	–	–	–	–	28	–	28
At 30 June 2018	5	2,026,648	522,797	8,889	290,119	(30,603)	(3,931)	(10,893)	846,175	3,649,206	8,417	3,657,623
At 1 January 2019	5	2,026,648	522,797	8,886	284,661	(30,603)	(5,766)	(14,349)	(695,124)	2,097,155	5,564	2,102,719
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,216,871)**	**(1,216,871)**	**(1,109)**	**(1,217,980)**
Other comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**(201)**	**457**	**-**	**256**	**-**	**256**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(201)**	**457**	**(1,216,871)**	**(1,216,615)**	**(1,109)**	**(1,217,724)**
Transfer from retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity-settled share option arrangements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2019	**5**	**2,026,648***	**522,797***	**8,886***	**284,661***	**(30,603)***	**(5,967)***	**(13,892)***	**(1,911,995)***	**880,540**	**4,455**	**884,995**

* These reserve accounts comprise the consolidated reserves of RMB880,535,000 (unaudited) in the consolidated statement of financial position as at 30 June 2019.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Operating activities			
(Loss)/Profit before tax		**(1,215,226)**	115,049
Adjustments for:			
Depreciation and impairment of property, plant and equipment	5(c)/5(d)	**139,162**	150,978
Amortisation of land use rights	5(d)	**10,501**	10,776
Amortisation and impairment of intangible assets	5(c)/5(d)	**112,688**	20,960
Finance costs	6	**184,502**	282,056
Interest income	4(b)	**(6,326)**	(14,273)
Loss on disposal of items of property, plant and equipment	5(c)	**12,822**	4,136
Equity-settled share option expense	27	**–**	28
Net gain on disposal of subsidiaries	4(b)	**–**	(227,881)
Impairment of goodwill	5(c)	**240,649**	–
Depreciation of right-of-use assets	5(d)/11	**37,343**	–
Decrease in inventories		**520,618**	478,212
Decrease in trade receivables		**40,389**	108,978
Decrease in prepayments, other receivables and other assets		**999,755**	300,900
Decrease in pledged bank deposits		**229,568**	366,307
Increase in cash in transit		**(16,291)**	(16,055)
Decrease in trade and bills payables		**(912,231)**	(1,842,038)
(Decrease)/increase in other payables and accruals		**(50,953)**	178,542
		326,970	(83,325)
Income taxes paid		**(31,308)**	(41,481)
Net cash flows generated from/(used in) operating activities		**295,662**	(124,806)
Investing activities			
Purchase of items of property, plant and equipment		**(154,293)**	(104,417)
Proceeds from disposal of items of property, plant and equipment		**46,431**	34,161
Proceeds from disposal of subsidiaries		**–**	200,484
Purchase of intangible assets		**(202)**	(935)
Proceeds from disposal of intangible assets		**7**	–
Advance from a proposed potential acquirer	17	**1,716,000**	–
Interest received		**7,537**	5,244
Net cash flows generated from investing activities		**1,615,480**	134,537

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited)
Financing activities			
Proceeds from interest-bearing bank and other borrowings		**2,102,677**	6,209,264
Repayment of interest-bearing bank and other borrowings		**(4,031,669)**	(6,651,822)
Interest paid	*6*	**(184,502)**	(282,056)
(Decrease)/increase in amounts due to a related party	*26*	**(195,580)**	70,888
Principal portion of lease payments		**(18,222)**	–
Decrease in other payable		**–**	(427,200)
Decrease in pledged bank deposits		**203,983**	498,523
Net cash flows used in financing activities		**(2,123,313)**	(582,403)
Net decrease in cash and cash equivalents		**(212,171)**	(572,672)
Net foreign exchange differences		**457**	(1,555)
Cash and cash equivalents at beginning of period		**865,950**	1,218,141
Cash and cash equivalents at end of period		**654,236**	643,914
Analysis of balances of cash and cash equivalents at end of period			
Cash and cash equivalents as stated in the statement of financial position		**654,236**	609,258
Cash and cash equivalents included in a disposal group classified as held for sale		**–**	34,656
Cash and cash equivalents as stated in the statement of cash flows		**654,236**	643,914

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 30 August 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with HKAS 34 Interim Financial Reporting.

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 2018.

As at 30 June 2019, the Group had net current liabilities of approximately RMB1,703,871,000. The directors of the Company (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 adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

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

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

(a) Adoption of HKFRS 16 *(Continued)*

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and land use right. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in non-current liabilities or current liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

(a) Adoption of HKFRS 16 *(Continued)*

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition *(Continued)*

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	301,611
Increase in total assets	301,611
Liabilities	
Increase in lease liabilities	301,611
Increase in total liabilities	301,611

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	486,905
Weighted average incremental borrowing rate as at 1 January 2019	9.76%
Discounted operating lease commitments as at 1 January 2019	301,611
Lease liabilities as at 1 January 2019	301,611

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

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

(a) Adoption of HKFRS 16 *(Continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

(a) Adoption of HKFRS 16 *(Continued)*

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			
	Properties *RMB'000*	Land use right *RMB'000*	Sub-total *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2019	154,952	146,659	301,611	301,611
Depreciation charge	(24,966)	(12,377)	(37,343)	–
Interest expense	–	–	–	29,428
Payments	–	–	–	(47,650)
As at 30 June 2019	**129,986**	**134,282**	**264,268**	**283,389**

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Disaggregated revenue information		
Type of goods or service		
Revenue from the sale of motor vehicles	**4,280,829**	6,478,768
Revenue from after-sales services	**674,920**	1,027,767
Total revenue from contracts with customers	**4,955,749**	7,506,535
Timing of revenue recognition		
At a point in time	**4,955,749**	7,506,535

(b) Other income and gains

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Commission income	**98,238**	147,981
Bank interest income	**6,326**	14,273
Rental income	**2,226**	1,922
Government grants	**667**	2,938
Gain on disposal of subsidiaries	**–**	227,881
Others	**7,299**	8,871
	114,756	403,866

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**92,075**	106,873
Equity-settled share option expense	**–**	28
Other welfare	**70,363**	72,161
	162,438	179,062
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**4,434,851**	6,298,073
Cost of after-sales services	**504,328**	709,503
	4,939,179	7,007,576
(c) Other expenses:		
Impairment of goodwill	**240,649**	–
Impairment of items of property, plant and equipment	**–**	22,000
Impairment allowance of prepayments, other receivables and other assets	**392,722**	–
Impairment of intangible assets	**92,122**	–
Loss on disposal of items of property, plant and equipment	**12,822**	4,136
Exchange gain	**(5)**	(36)
Others	**9,265**	3,597
	747,575	29,697
(d) Other items:		
Depreciation of items of property, plant and equipment	**139,162**	128,978
Depreciation of right-of-use assets	**37,343**	–
Amortisation of land use rights	**10,501**	10,776
Amortisation of intangible assets	**20,566**	20,960
Advertisement and business promotion expenses	**16,646**	23,838
(Reversal of write-down)/write-down of inventories to net realisable value	**(3,241)**	201
Lease expenses	**1,460**	29,409
Bank charges	**3,170**	5,459

6. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**130,541**	218,744
Interest expense on other borrowings	**24,870**	63,381
Interest portion of the lease liability	**29,428**	–
Less: interest capitalised	**337**	69
	184,502	282,056

7. TAX

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current Mainland China corporate income tax	**9,012**	90,211
Deferred tax	**(6,258)**	(6,486)
Total tax charge for the period	**2,754**	83,725

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 2018: 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 2018: 25%) during the period.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/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 2019 (946,476,000 ordinary shares during the six months ended 30 June 2018).

The calculation of the diluted (loss)/earnings per share amount is based on the (loss)/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 (loss)/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.

The calculations of the basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**(1,216,871)**	32,960

	Number of shares For the six months ended 30 June	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/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
Share options	**–**	690,219
	946,476,000*	1,611,434,966

* Because the Group is loss-making for the period ended 30 June 2019, the conversion preference shares and share options have no dilutive impact.

	2019	2018
(Loss)/Earnings per share		
Basic (RMB)	**(1.29)**	0.03
Diluted (RMB)	**(1.29)**	0.02

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired assets at a consideration of RMB149,132,000 (unaudited) (for the six months ended 30 June 2018: RMB89,773,000 (unaudited)).

Assets with a net book value of RMB76,587,000 (unaudited) were disposed of by the Group during the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB160,315,000 (unaudited)).

Certain of the Group's buildings with aggregate net book values of approximately RMB488,889,000 (unaudited) and RMB654,877,000, respectively, as at 30 June 2019 and 31 December 2018 were pledged as security for the Group's interest-bearing bank and other borrowings.

Certain of the Group's buildings with aggregate net book values of RMB28,304,000 (unaudited) and RMB29,051,000, as at 30 June 2019 and 31 December 2018, respectively, do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial titles to these buildings as at 30 June 2019 and 31 December 2018, respectively.

10. LAND USE RIGHTS

No land use rights were acquired during both the six months ended 30 June 2018 and 2019.

No land use rights were disposed of by the Group during the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB24,163,000 (unaudited)).

Certain of the Group's land use rights with aggregate net book values of approximately RMB126,698,000 (unaudited) and RMB235,916,000, respectively, as at 30 June 2019 and 31 December 2018 were pledged as security for the Group's interest-bearing bank and other borrowings.

Certain of the Group's land use rights are rights with aggregate net book values of RMB23,799,000 (unaudited) and RMB24,164,000, respectively, as at 30 June 2019 and 31 December 2018, of which the Group had not obtained the land use right certificates. Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial titles to these land use rights as at 30 June 2019 and 31 December 2018, respectively.

Included in the Group's land use rights are rights to certain parcels of land, with aggregate net book values of RMB66,013,000 (unaudited) and RMB66,988,000, respectively, as at 30 June 2019 and 31 December 2018, which the Group did not use for their designated usage. Under applicable PRC laws and regulations, government approval is required for land use rights holders to change the designated usage for the land. Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial titles to these land use rights as at 30 June 2019 and 31 December 2018, respectively.

11. RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets, and the movement during the period are as follow:

	Right-of-use assets		
	Properties *RMB'000* (Unaudited)	Land use right *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
As at 1 January 2019	154,952	146,659	301,611
Depreciation charge	(24,966)	(12,377)	(37,343)
As at 30 June 2019	129,986	134,282	264,268

12. GOODWILL

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Cost:		
At the beginning of the period	**869,107**	1,358,066
Impairment during the period	**(240,649)**	(488,959)
At 30 June 2019	**628,458**	869,107
Cost	**1,358,066**	1,358,066
Accumulated impairment	**(729,608)**	(488,959)
Net carrying amount	**628,458**	869,107

13. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Xuzhou Huaihai Nongcun Commercial Bank Company Limited	**34,560**	34,600
Tongshanxian Nongcun Credit Cooperation Association	**9,234**	9,800
GaoJing Network Technology Shanghai Limited	**1,419**	1,419
Yangzhou Nongcun Commercial Bank Company Limited	**10,440**	9,900
	55,653	55,719

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

14. INVENTORIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Motor vehicles	**771,924**	1,244,175
Spare parts and accessories	**223,189**	274,797
	995,113	1,518,972
Less: Provision for inventories	**34,970**	38,211
	960,143	1,480,761

15. TRADE RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**270,640**	311,029
Impairment	**–**	–
	270,640	311,029

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within three months	**244,283**	281,244
More than three months but less than one year	**25,850**	29,156
More than one year	**507**	629
	270,640	311,029

The aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Neither past due nor impaired	**244,283**	281,244
Less than three months past due	**25,850**	29,156
Three months to one year past due	**507**	629
	270,640	311,029

15. TRADE RECEIVABLES *(Continued)*

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.

16. PREPAYMENT, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 ***RMB'000*** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Prepayments to suppliers	**1,134,774**	1,457,612
Rebate receivables	**1,076,699**	1,337,670
Other receivables *(i)*	**986,703**	996,672
Consideration receivable	**54,419**	54,419
VAT recoverable	**27,935**	38,562
Prepaid expense	**22,578**	22,872
Others	**97,915**	101,407
	3,401,023	4,009,214
Impairment allowance	**(494,905)**	(102,183)
	2,906,118	3,907,031

(i) Included in other receivables is an amount of RMB956,000,000 arose from the acquisition of Yangzhou Huawei Automobile Investment Management Company Limited and its subsidiaries (collectively as "**Huawei entities**") during the year ended 31 December 2017, of which it represents the amount due from the former shareholders of Huawei entities, and the receivable amount is interest free with no fixed terms of repayment and secured by guarantee and pledge of buildings and land use rights.

17. OTHER PAYABLES AND ACCRUALS

As detailed in the disclosure note of the subsequent event in the annual report for the year ended 31 December 2018, the Company is in the discussion with an independent third party in relation to the Company's proposed disposal (the "**Proposed Disposal**") of its entire equity interests in certain subsidiaries (the "**Disposing Subsidiaries**"). The Disposing Subsidiaries mainly engaged in the operation of automobile dealerships stores located primarily in Shandong, Anhui, Jiangsu, Zhejiang and Shanghai in the PRC. If the Proposed Disposal proceeds, it is currently expected that the Proposed Disposal may constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules and the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate. During the period ended 30 June 2019, the Company received a downpayment of RMB1,716,000,000 as deposit from a potential acquirer as required under the terms and conditions of the intention agreement.

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Effective interest rate (%)	***RMB'000***	Effective interest rate (%)	*RMB'000*
Current				
Bank loans	**3.05-8.50**	**3,468,150**	3.05-8.70	4,368,895
Other borrowings	**4.68-17.64**	**417,544**	3.68-15.00	1,333,371
		3,885,694		5,702,266
Non-current				
Bank loans	**4.28-7.00**	**212,880**	4.28-7.00	215,280
Other borrowings	**4.28-7.00**	**354,676**	4.28-7.00	464,696
		567,556		679,976
		4,453,250		6,382,242

19. LEASE LIABILITIES

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Current	**20,147**	–
Non-current	**263,242**	–
	283,389	–

20. TRADE AND BILLS PAYABLES

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Bills payable	**743,395**	1,632,521
Trade payables	**495,075**	518,179
	1,238,470	2,150,700

20. TRADE AND BILLS PAYABLES *(Continued)*

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

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Within 3 months	**578,409**	1,654,327
3 to 6 months	**468,439**	355,776
6 to 12 months	**169,337**	131,774
Over 12 months	**22,285**	8,823
	1,238,470	2,150,700

The trade payables are non-interest-bearing and are normally settled on terms from 3 to 6 months.

21. OTHER PAYABLES AND ACCRUALS

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Contract liabilities	**735,258**	801,812
Payables for purchase of items of property, plant and equipment and land use rights	**374,152**	379,313
Taxes payable (other than income tax)	**274,534**	253,888
Unsettled consideration for business combinations	**73,154**	73,154
Accrued expenses	**209,525**	196,953
Dividend payable	**13,320**	13,320
Advancements from former shareholders and employees arising from acquisitions	**4,209**	34,316
Others	**258,479**	245,993
	1,942,631	1,998,749

22. DIVIDEND

The Directors resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

23. SHARE CAPITAL

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Issued and fully paid:		
946,476,000 (2018:946,476,000) ordinary shares of US$0.0000005 each	**3**	3
664,268,747 (2018: 664,268,747) convertible preference shares of US$0.0000005 each	**2**	2
	5	5

24. CONTINGENT LIABILITIES

In the opinion of the directors of the Company, as at 30 June 2019, neither the Group nor the Company had any significant contingent liabilities.

25. COMMITMENTS

Capital commitments of the Group in respect of property, plant and equipment outstanding as at 30 June 2019 and 31 December 2018 not provided for in the unaudited interim condensed consolidated financial statements were as follows:

	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Contracted, but not provided for land use rights and buildings	**106,999**	187,565

26. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

(a) The Group had the following transactions with a related party for the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Advance from a substantial shareholder		
Mr. Yang Peng	**–**	70,888
Repayment of a substantial shareholder		
Mr. Yang Peng	**195,580**	–

(b) The Group had the following significant balances with its related party as at 30 June 2019 and 31 December 2018:

Due to a substantial shareholder

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mr. Yang Peng	**165,836**	361,416

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**932**	1,387
Pension scheme contributions	**36**	62
Total compensation paid to key management personnel	**968**	1,449

27. 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.

27. SHARE OPTION SCHEME *(Continued)*

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

	For six months ended 30 June 2019		For six months ended 30 June 2018	
	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**	**3,815**	0.3573	4,702
Granted during the period	**0.3573**	**–**	0.3573	11
Forfeited during the period	**0.3573**	**(571)**	0.3573	(604)
At 30 June	**0.3573**	**3,244**	0.3573	4,109

During the period ended 30 June 2019, there's no granted share options. During the period ended 30 June 2018, the weighted average fair values of the share options granted was US$0.1616 (RMB1.0559) (unaudited) per option. The Group recognised equity-settled share option expenses of nil and RMB28,000 (unaudited) during the period ended 30 June 2019 and 2018, respectively.

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.

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	**55,653**	55,719	**55,653**	55,719
	55,653	55,719	**55,653**	55,719
Financial liabilities				
Interest-bearing bank and other borrowings	**4,453,250**	6,382,242	**4,453,250**	6,382,242
	4,453,250	6,382,242	**4,453,250**	6,382,242

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000*** **(Unaudited)**	**Significant observable inputs (Level 2)** ***RMB'000*** **(Unaudited)**	**Significant unobservable inputs (Level 3)** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Equity investments designated at fair value through other comprehensive income	–	–	**55,653**	**55,653**
	–	–	**55,653**	**55,653**

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000* (Audited)	Significant observable inputs (Level 2) *RMB'000* (Audited)	Significant unobservable inputs (Level 3) *RMB'000* (Audited)	Total *RMB'000* (Audited)
Equity investments designated at fair value through other comprehensive income	–	–	55,719	55,719
	–	–	55,719	55,719

The movements in fair value measurements within Level 3 during the period are as follows:

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	**55,719**	57,230
Total losses recognised in other comprehensive income	**(66)**	(1,511)
At 30 June	**55,653**	55,719

The Company did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

29. EVENTS AFTER THE REPORTING PERIOD

Subsequent to period end, certain subsidiaries of the Group, as lessors, entered into lease agreements for certain properties with independent third parties for a period of ten years.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of the Directors on 30 August 2019.

润东汽车

CHINA RUNDONG AUTO GROUP LIMITED
中國潤東汽車集團有限公司