MEIDONG AUTO

China MeiDong Auto Holdings Limited
中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

ANNUAL REPORT 2019

CONTENTS

GEOGRAPHICAL COVERAGE

Guangdong

Porsche

(1) Shunde Dongbao*
(2) Shantou Dongbao*
(3) Jieyang Dongbao*

BMW

(4) Yangjiang Meibaohang*
(5) Guangzhou Meibaohang
(6) Xintang Meibaohang
(7) Dongguan Meibaohang

Lexus

(8) Dongguan Meidong (49%)
(9) Foshan Meixing (60%)
(10) Zhuhai Meidong
(11) Qingyuan Meidong*
(12) Yangjiang Meidong*
(13) Doumeng Meidong
(14) Tangxia Meidong

Toyota

(15) Dongguan Dongbu
(16) Dongguan Dongmei
(17) Dongguan Dongxin
(18) Dongguan Fenggang
(19) Dongguan Wangniudun
(20) Dongguan Meiyue

Hyundai

(21) Dongguan Guanfeng

Audi

(22) Heyuan Guanao*

Beijing & Hebei

BMW

(23) Chengde Meibaohang*
(24) Beijing Huibaohang
(25) Beijing Meibaohang (70%)
(26) Langfang Guanbaohang

Toyota

(27) Beijing Zhongye
(28) Bazhou Guanyue*

Lexus

(29) Beijing Meidong

Hubei

Porsche

(30) Wuhan Xinbao

BMW

(31) Huanggang Baoxinhang*

Hunan

BMW

(32) Zhuzhou Meibaohang*
(33) Hengyang Meibaohang*
(34) Changde Meibaohang*
(35) Yueyang Meibaohang*
(36) Liuyang Meibaohang*
(37) Yongzhou Meibaohang*

Lexus

(38) Changsha Meidong
(39) Zhuzhou Meidong*
(40) Hengyang Meidong*

Toyota

(41) Yiyang Dongxin*

Gansu

Lexus

(42) Lanzhou Meidong*

Jiangxi

Porsche

(43) Ganzhou Xinbao*
(44) Nanchang Jubao

BMW

(45) Jingdezhen Meibaohang*
(46) Shangrao Meibaohang
(47) Xinyu Meibaohang*

Toyota

(48) Xinyu Dongbu*
(49) Jiujiang Dongbu*

Fujian

Lexus

(50) Xiamen Meidong
(51) Longyan Meidong*

Toyota

(52) Quanzhou Meidong

Anhui

BMW

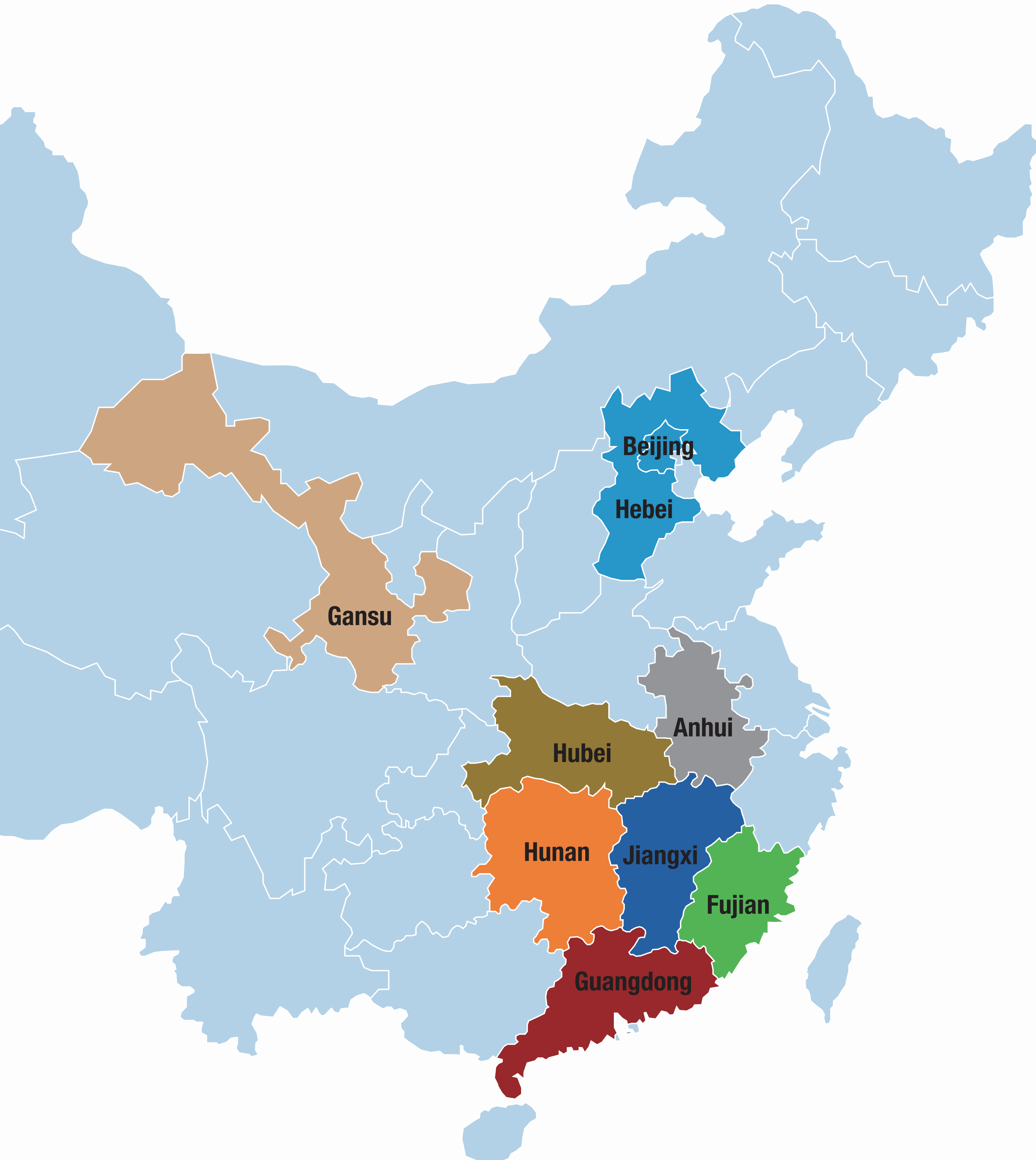
(53) Huaibei Meibaohang*
(54) Suzhou Meibaohang*
(55) Chizhou Meibaohang*
(56) Chuzhou Meibaohang*
(57) Tongling Meibaohang*
(58) Huangshan Meibaohang*

Notes:

(1) Apart from the stores marked by brackets, the others are 100% owned by the Group.
(2) Including a joint venture in which the Group owns 49% equity interest (Dongguan Meidong).

* Single City Single Store

GEOGRAPHICAL COVERAGE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

YE Fan *(Chairman)*
YE Tao *(Chief Executive Officer)*
LIU Xuehua
(retired with effect from 25 March 2019)
LUO Liuyu
(appointed on 25 March 2019)

Independent Non-Executive Directors

CHEN Guiyi
WANG, Michael Chou
JIP Ki Chi

AUTHORISED REPRESENTATIVE

YE Tao

COMPANY SECRETARY

WONG Cheung Ki Johnny, FCPA, ACIS, ACS

AUDIT COMMITTEE

JIP Ki Chi *(Chairman)*
CHEN Guiyi
WANG, Michael Chou

REMUNERATION COMMITTEE

WANG, Michael Chou *(Chairman)*
CHEN Guiyi
JIP Ki Chi

NOMINATION COMMITTEE

YE Fan *(Chairman)*
JIP Ki Chi
WANG, Michael Chou

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1
Tian An Tech Industry Building
Huangjin Road
Nancheng District, Dongguan
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2404
24th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

LETTER TO SHAREHOLDERS

Dear Shareholders,

At the time of this writing, Wuhan, the largest city in central China and a major transportation and economic hub, is under complete lockdown. Across China, cities big and small are turning into ghost towns, with people hiding in their homes and cars disappearing from streets. The mysterious coronavirus has claimed the lives of thousands of people and threatened tens of thousands. Panic is spreading across China and shock waves are reverberating around the world. The short-term economic impact of the virus is severe, with all activities frozen. The long-term ramifications may take a while to become evident. 2020 looks like another year full of uncertainties and risks.

Risks and uncertainties — caused by “black swan” events like the COVID-19, geopolitical disputes like the US/China trade war, environmental regulations like the C5 to C6 conversion, or various capricious rules — have become the norm that businesses have to live with in China. The tiger, the analogy we used in last year’s letter in reference to uncertainties and risks, is becoming more ferocious, ubiquitous and unpredictable by the day.

Yet despite difficulties and challenges, the auto market, especially the luxury one, remains a big opportunity for ambitious companies. The luxury segment is enormous and still growing at a fast rate. The consumption shift into luxury is structural and will continue for a long time, especially in 3rd to 5th tier cities where the luxury market share is significantly lower than that of the country’s average. In addition, with many dealerships unprofitable or unhealthy, there are plenty of consolidation opportunities.

Therefore, the challenge for companies like Meidong is how to take advantage of opportunities and mitigate risks. We gave our answer in the 2018 shareholders’ letter: to be efficient and “outrun peers while the roaring tiger chases”. We outlined our strategy, principles, and culture to achieve efficiency. The single-city-single-store strategy helps margins by allowing less intra-brand competition. Fast inventory turnover and quick ROI enable capital and asset efficiency. A high services absorption rate improves margins and stability. Last but not least, our culture — simple, direct, and data driven-results in high rates of employee retention, efficient communication and quick decision making.

These principles, however, are only effective if we can execute them. Good execution is never easy, even with our industry’s seemingly simple business models. Hence, in this letter, we will focus on execution and provide anecdotes with data, actions, and logic. In this way, you, as shareholders, will hopefully appreciate not only our vision and plan but also our actions and results.

First, let us summarize operations in 2019.

OPERATIONAL SUMMARY 2019

We delivered good results again in 2019. Revenue grew by 46.5% to 16.2 billion RMB, and net profit by 53.4%, to 558 million RMB. Sales and services revenue were up 47.1% and 41.3% to 14.4 billion RMB and 1.8 billion RMB, respectively. We sold 49,359 cars, 30.3% more than 2018, and serviced 456,205, a 27.0% growth. Revenue mix improved to 291,412 RMB ASP in sales and 4,003 RMB ASP in services, with Porsche becoming our fastest-growing segment.

The gross margin for new car sales is up from 4.6% in 2018 to 5.0%, and the gross margin for services is down from 48.2% to 46.1%, resulting in a slight reduction of our overall margin from 9.7% to 9.6%. Later in this letter we will discuss plans to improve services operations. Our expense ratio continues to trend downward, with significant improvements in total expense as a percentage of sales. 2019's net margin ended in 3.4%, slightly higher than 3.3% in 2018.

We built 9 new stores — 2 Porsche, 4 Lexus, 1 BMW, 1 Audi, and 1 Toyota — with a store count growth of 18.4%. Of the 58 stores we operate, 45 are luxury stores and 32 exist in single-city-single-store locations. With an average age of 4 years and a median of 3, our existing stores will enjoy robust growth for quite a while. The 6 BMW stores in Anhui, our first major acquisition, improved substantially, with 5 becoming profitable. With a combined profit of 18.3 million RMB, we will likely produce an M&A payback within 3 years, comparable to our organic ROI.

We improved efficiency at a fast pace in 2019. ROE and ROA were up to 31.5% and 9.4%. Inventory was 28, 23, and 17 days at the beginning, mid, and end of the year, respectively — a rapid downward trend. All these numbers are our historical best and industry leading. Our net cash from operations was 931 million RMB — a growth of 223.6% over 2018. We declared another record-breaking dividend of RMB0.261 per share for the whole year, which represents 55.0% of our profits.

EXECUTE TO ACHIEVE EFFICIENCY

"X company with a $150 profit and Y company with a $100 profit. Which one is better?"

In their first training class, freshly-minted managers are often asked the above question. They are provided additional information like "suppose X is a large conglomerate and Y is the neighborhood coffee shop" to shed light on their intuitive responses and the follow-up discussions. The intention of questions like these is to train our managers to think in relative, not absolute, terms. Efficiency — minimizing expense ratios, maximizing sales margins, making the fastest possible decisions, etc. — is a relative measure to optimize (minimize or maximize) output based on a given level of input. Efficiency is a ratio, not an absolute number. To be efficient, for example, X company has to produce many times more profit than the neighborhood coffee shop to warrant the billions more it receives in investments. We are often amazed to find out how many managers instinctively like being "large", believing that the more sales, heavier assets, bigger investments, and more people a business has, the better. This training is therefore crucial and critical. We train managers to understand and appreciate that, in the real world, managers only have access to limited resources (time, money, knowledge, people, etc.) and that their job is to maximize profits at a certain level of resources. In other words, they are not measured on whether they are profitable, per se; they are measured on the degree to which they are efficiently profitable.

Once managers understand and practice efficiency, the result is powerful. Let us look at our own example from 2019. We grew revenue and profit by 46.5% and 53.4% respectively. Revenue rose from 11.1 billion RMB in 2018 to 16.2 billion in 2019; profit rose from 363.5 million in 2018 to 557.5 million in 2019. While revenue and profit followed a fast and linear growth from 2018 to 2019, the growth of net cash from operations has been anything but linear; in fact, it has ballooned and exploded, growing by 223.6% from 287.6 million to 930.7 million, much higher than the rate of profit and revenue growth. One of the main reasons for this growth is that most of our store managers have become more efficient with capital: inventory came down to 17 days from 28 a year earlier, about a 39.3% drop. In essence, we booked 46.5% more revenue and generated 53.4% more profit but used about 39.3% less capital. Capital efficiency went up by about 150%. Here lies one of the secrets to how we funded, almost entirely with internally-generated cash flow, our 31.1% compounding net profit growth and 45.0% dividend payout for the past 6 years: we are becoming more efficient with capital all the time. Improvements in our efficiency act as catalysts to amplify profits and, consequently, increase cash flow. Efficiency is the reason we have been able to grow so fast — not the other way around.

Efficiency also helps us navigate risks and sometimes turn market challenges into opportunities. In September 2019, with the C5/C6 transition deadline fast approaching in December, one store manager ordered an additional 200 C5 cars, 20% of his annual target. On the surface, he made a risky move that ran against the principle of low inventory — C5 cars could become unsellable metal piles in three months, and we were seeing rapidly deteriorating margins in the market for those cars. In reality, his decision was a rational one bearing little risk: his store had an empty parking lot with less than 10 days' worth of inventory, plenty of cash, high rates of customer traffic, and a team hungry for and capable of making sales. In fact, he was willing, eager and capable of taking in these cars because his inventory level was 1/3 of the industry average. The maneuver turned out to be highly successful and profitable: there was a sizable profit due to extra rebates, more sales to enhance asset turns, and additional good will gained with OEM (not to mention a large bonus for the manager and his team). This example is one of many improvements in efficiency our team made over the course of the year. We leveraged our inventory turns and cash positions and turned market challenges into opportunities. In 2019, we as a group exceeded our agreed-upon target with all OEMs by 14%, increased asset turns from 3.10 in 2018 to 3.21, earned extra rebates, and still ended the year with a record low 17-day inventory. It is not difficult to imagine why we have high ROE and ROA. We sell more cars and gain more profit at a given asset — and we deploy less capital while so doing.

In 2019, we also significantly enhanced the efficiency of our first major acquisition: the 6 BMW stores in Anhui. Prior to the acquisition, the 6 BMW stores combined sold about 1,000 BMWs and had a loss of about 10 million RMB. In one year, we more than doubled the sales units to 2,602 and produced a combined profit of 18.3 million RMB — all the while keeping the inventory at 20 days, among the lowest in the BMW dealership system. If we were to treat these 6 stores as an organic start and the acquisition price as the initial investment, we are on track to a 3-year return.

We realized from Anhui that the true value of consolidation lies in enhancing efficiency. The combined entity has to be more efficient to generate true long-term value. Besides the mechanics of each M&A, which we outlined in last year's letter, the key focus of analysis and decision making for us is the "efficiency gap" — how much we can improve the target's efficiency given a certain time frame. If we can ascertain that gap, then we can estimate "projected" returns. In the long run, our core competency in M&A is our efficiency, or our lead in efficiency.

Our pursuit of efficiency is not always smooth, as evidenced by services operations. Though we have a track record of fast-growing services and, again, had a fast-growing year in 2019, we have fallen short of the key principle we set for ourselves: growing on par or faster than overall revenue, or increasing absorption coverage year over year. Our services growth has been impressive but passive, led by our rapid revenue and store growth. Starting in 2020, our services need to lead — not be led by — growth. This is a challenging task, and we will start by efficiently retaining customers and increasing our customer return ratio (CRR). We are confident that we will slowly but surely make progress. We will report on that progress in future letters.

Our goal is to become the most efficient dealership company in the world, and we have the best team to achieve this goal. Whether it is the store manager who counterintuitively ordered more C5 cars, the 6 pairs of store and finance managers we dispatched to the Anhui stores (they were the only people sent over), or every sales and marketing manager who diligently improved inventory turns, we have over the years built a team who lives our culture, practices our principles, and improves every day. To end this letter, let us introduce our corporate management team to you (see picture). They all started their careers at Meidong as frontline employees in sales, services, marketing, administration, IT, or finance. They were all promoted based on their cultural fit and merit, not because of any fancy resumes or MBA degrees (In fact, only one person in our company holds a management degree, and you know who). They have been with the company for an average of 10.5 years and will continue to be here for a long time. Their average age is 36 and average height, 166 cm — two stats improved by the absence of the two of us! Our people, whose stories we have and haven't shared in this letter, are the foundation of our efficiency and the DNA of our culture. We are always proud and grateful to be working with them.

Thank you for reading this letter, and thank you for your support.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, GDP in the People Republic of China (the "**PRC**") grew by 6.1% year-on year ("**yoy**"), representing the lowest growth rate of GDP in PRC in 30 years with the total retail sales of social consumer goods increased by only 8.0%. The number of passenger vehicle produced and sold reached 21.36 million units and 21.44 million respectively, representing a decrease of 9.2% and 9.6% respectively yoy in 2019. Among the total sales, basic passenger cars (sedans) amounted to 10.308 million units, representing a decrease of 10.7% yoy, whereas the sales of sports utility vehicles ("**SUVs**") was 9.353 million, representing a decrease of 6.3% yoy. The luxury car market continued to grow considerably due to the support from consumption upgrade and continuous launch of small family car by luxury brands. The accumulated sales of mainstream luxury cars amounted to 3.09 million units, representing an increase of 7.5% yoy. The market share of luxury cars increased by 1.6 percentage points to 14.1% compared with 12.5% in 2018. It is expected that the growth momentum will maintain in 2020.

RESULTS ANALYSIS AND FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019 (the "**Year**"), the Group recorded a revenue of approximately RMB16,210.0 million, representing an increase of 46.5% yoy (2018: RMB11,067.4 million). The revenue from new passenger vehicles sales increased by 47.1% yoy to approximately RMB14,383.8 million (2018: RMB9,775.1 million), accounting for approximately 88.7% (2018: 88.3%) of the total revenue. The revenue from after-sales services increased by 41.3% yoy and reached approximately RMB1,826.2 million (2018: approximately RMB1,292.3 million), accounting for approximately 11.3% (2018: 11.7%) of the total revenue.

Cost of Goods Sold

Cost of goods sold increased by 46.6% from RMB9,994.5 million in 2018 to RMB14,652.4 million in 2019. The increase in cost of goods sold was resulted from the growth of the two major business operations of the Group, the new passenger vehicles sales and after-sales services. Among which, the cost of sales for new passenger vehicles and after-sales services increased by 46.6% and 47.2% respectively.

Gross Profit

During the Year, driven by the rapid growth of overall revenue, the Group's gross profit increased by 45.2% from RMB1,072.9 million in 2018 to RMB1,557.6 million in 2019. Overall gross profit margin remained stable and slightly declined by 0.1 percentage point to approximately 9.6%, among which the gross profit of new vehicles sales increased by 0.4 percentage point to 5.0%. The gross profit margin of after-sales services decreased by 2.1 percentage points to 46.1% compared with 48.2% in 2018.

Costs and Expenses

During the Year, the Group effectively enhanced the operational efficiency. The proportion of distribution expenses, administrative expenses and finance costs combined to total revenue dropped by 0.7 percentage point. Distribution cost amounted to RMB492.6 million, accounting for approximately 3.0% of the total revenue, representing a decrease of 0.5 percentage point as compared to 3.5% for the same period of last year. Administrative expenses amounted to RMB381.8 million, accounting for approximately 2.4% of the total revenue, representing a decrease of 0.4 percentage point as compared to 2.8% for the same period of last year. Finance costs amounted to RMB123.2 million while as a percentage of revenue increasing by 0.2 percentage point from 0.6% to 0.8%.

Profit from Year and Profit Attributable to Shareholders for the Year

Leveraging on its unique management strategy, the Group was able to maintain a high operational efficiency amidst challenging environment. Coupled with effective cost control initiatives, the Group's profit from the Year increased by 53.4% to RMB557.5 million (2018: RMB363.5 million). The profit attributable to shareholders for the Year increased by 51.8% to RMB550.8 million (2018: RMB362.9 million). Net profit margin increased to 3.4% (2018: 3.3%).

New Passenger Vehicles Sales

During the Year, through new-store expansion and same store growth, sales of new passenger vehicles during the Year increased by 47.1% yoy to RMB14,383.8 million (2018: RMB9,775.1 million). The luxury brands remains the major revenue source, accounting for 81.3% of the new passenger vehicle sales. In 2019, BMW, Porsche, Lexus and Audi recorded sales of new passenger vehicles of approximately RMB5,534.9 million, RMB3,074.4 million, RMB3,023.8 million and RMB59.6 million respectively, accounting for 38.5%, 21.4%, 21.0% and 0.4% of new passenger vehicles sales respectively. In terms of sales volume, the Group sold 49,359 new passenger vehicles in total, representing an increase of 30.3% yoy. Luxury brands remained as the major driver, with sales of BMW, Porsche, Lexus and Audi accounting for 60.8%, amounting to 16,827 units, 4,006 units, 8,922 units and 237 units respectively.

After-Sales Services

Revenue for the after-sales services was approximately RMB1,826.2 million, representing an increase of 41.3% (2018: RMB1,292.3 million) compared to the same period of last year. The total number of vehicles served was 456,205, representing an increase of 27.0% yoy. The gross profit margin of this segment slightly declined to 46.1%.

Current Network

The Group continued to implement its effective strategy of "Single City Single Store" for its luxury brands while expanding its distribution network. In 2019, the Group added 9 stores through new openings. As of 31 December 2019, the Group had 58 self-operated stores in Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu and Anhui, including a joint venture operated by the Group.

As at 31 December 2019, the number of stores operated by the Group is as follows:

Number of stores under operation	2018	**2019**	Change
Porsche	4	**6**	+2
BMW	23	**24**	+1
Lexus	10	**14**	+4
Audi	–	**1**	+1
Toyota	11	**12**	+1
Hyundai	1	**1**	–
Total	49	**58**	+9

Dividend

The interim dividend for 2019 was RMB0.061 per ordinary share. The Board recommended a final dividend of RMB0.2 per ordinary share for the Year.

A Joint Venture

For the Year, share of profit of a joint venture amounted to RMB43.7 million, representing an increase of approximately 41.4% as compared to share of profit of a joint venture of RMB30.9 million of last year.

Taxation

For the Year, the Group's income tax expenses amounted to RMB199.9 million, representing an increase of approximately 56.4% as compared to RMB127.8 million of last year.

Financial Resources and Position

As at 31 December 2019, the Group's loans and borrowings amounted to RMB1,111.7 million, representing a decrease of approximately 5.2% as compared to RMB1,172.4 million of last year. Short-term loans and borrowings amounted to approximately RMB871.2 million, and long-term loans and borrowings amounted to RMB240.5 million.

As at 31 December 2019, cash and cash equivalents and pledged bank deposits amounted to RMB2,085.6 million. Most of the cash and cash equivalents and pledged bank deposits were denominated in Renminbi and Hong Kong Dollars. As the Group's businesses are conducted in the PRC, the Group does not expect to be exposed to any material foreign exchange risks.

The operating and capital expenditure of the Group is funded by cash flow from business, internal cash and financing agreements with banks and financing companies of automobile manufacturers. The Group has adequate financial resources to meet all contractual obligations and operating requirements.

Contingent Liabilities

As at 31 December 2019, a subsidiary of the Group issued financial guarantee to a financial institution in respect of financial facilities granted to a related party of the Group amounting to RMB80,000,000 (31 December 2018: RMB80,000,000) and the financial facilities utilised by the related party amounted to RMB13,069,000 (31 December 2018: RMB9,154,000) as at 31 December 2019.

As at 31 December 2019, the Directors do not consider it probable that a claim will be made under the above guarantee.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YE Fan *(Chairman)*
Mr. YE Fan, aged 48, is the founder of the Group. He is the younger brother of Mr. YE Tao, and is the Chairman and an executive Director of the Company. He is primarily responsible for supervising the operations of the Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. YE Fan was awarded a Bachelor degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

As the founder of the Group, Mr. YE Fan started his career in the automobile sector by joining an automobile distributor in Dongguan, the PRC as general manager from 1995 to 1998. In 1999, he set up 東莞市聚成汽車技術服務有限公司 (Dongguan Jucheng Auto Technical Services Co., Ltd.*) (a private company based in Dongguan, Guangdong which was principally engaged in the automobile distribution business) with a partner. In April 2003, Mr. YE Fan set up 東莞市冠豐汽車有限公司 (Dongguan Guanfeng Auto Co., Ltd.*) ("**Dongguan Guanfeng**"), which is the first member of the Group. This 4S dealership store was opened in May 2004 and held 4S distributorship for 北京現代汽車有限公司 (Beijing Hyundai Motor Company*) vehicles. Before the establishment of 廣東大東汽車集團有限公司 (Guangdong Dadong Auto Group Co., Ltd*) ("**Dadong Group**") in 2007, he made investments in a few enterprises (including members of the Group) which were principally engaged in automobile distribution of various brands. Following the establishment of Dadong Group in 2007, which has been solely owned by Mr. YE Fan, Dadong Group has been making investments in 4S dealership stores of various brands.

Since 2003, Mr. YE Fan has been acting as a director of Dongguan Guanfeng and various PRC members of the Group and has been responsible for supervising their daily operations and planning their business strategies. Mr. YE Fan is currently a director of each of the subsidiaries of the Company.

* denotes the English translation of the Chinese name for identification purpose only.

Mr. YE Tao *(Chief Executive Officer)*

Mr. YE Tao, aged 53, is the elder brother of Mr. YE Fan. He is an executive Director and the Chief Executive Officer of the Company. He is primarily responsible for overseeing the daily operations and management of the Group, planning its business and marketing strategies, supervising investor relationship and serving on the Remuneration Committee and the nomination committee of the Company (the "**Nomination Committee**"). Mr. YE Tao was awarded a Bachelor degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

Before he joined the Group, Mr. YE Tao worked for Objectiva Software Solutions (Beijing) Inc. (奧博傑天(北京)軟件公司) as the chief executive and legal representative overseeing the overall operations of such company, and in Document Sciences Corporation as the general manager of Asian Operations overseeing the management and operations in the Asia.

In 2008, Mr. YE Tao was invited by Mr. YE Fan to work in the Group as the Chief Executive Officer. Since then, he has been working together with Mr. YE Fan closely in the expansion of the Group's business.

Ms. LUO Liuyu

Ms. LUO Liuyu, aged 36, is an executive Director of the Company. She has been the vice president of human resources and administration unit of the Group's company, Dongguan Meixin Business Consulting Co., Ltd, primarily responsible for the overall human resources management and planning of the Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. LUO joined the Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. Before Ms. LUO joined the Group, she worked for Dongguan Zhicheng Trading Company Limited as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions. Ms. LUO completed a three-year professional study programme in Finance in Dongguan University of Technology in 2007 and a financial management degree from Peking University in 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. JIP Ki Chi

Mr. JIP Ki Chi, aged 50, was appointed as an independent non-executive Director of the Company with effect from 15 November 2013. Mr. Jip is currently the chief financial officer and company secretary of Sun Entertainment Group Limited (formerly known as "Sage International Group Limited") (Stock code: 8082.HK) and acts as an independent non-executive director of Hebei Yichen Industrial Group Corporation Limited (Stock Code: 1596.HK). Mr. Jip was awarded a Bachelor degree of Business in Accountancy from Queensland University of Technology, Australia in 1994, and a Master degree in Business Administration from the University of Adelaide, Australia in 2008. Mr. Jip is a Certified Practising

Accountant of CPA Australia (CPA (Aust.)). He obtained his qualification as a fellow member of Hong Kong Institute of Certified Public Accountants in 2007 (FCPA). Mr. Jip has a wealth of experience in accounting, finance, management and company secretarial field, and has worked as the chief financial officer and company secretary of Inventronics Holdings Limited and Zhong Da Mining Limited, the financial controller and company secretary of Hao Tian Resources Group Limited (Stock code 474.HK) (currently known as Hao Tian Development Group Limited) and the financial controller of Wah Shing Group.

Mr. WANG, Michael Chou

Mr. WANG Chou, aged 50, was appointed as an independent non-executive Director of the Company with effect from 22 June 2015. Mr. Wang was awarded a Master of Business Administration by the Wharton School of Business at the University of Pennsylvania in 1997 and a Bachelor of Arts from Southwestern University in 1992. He is currently the managing partner and president of Abax Global Capital. Mr. Wang is responsible for the overall business management and investment activities at Abax and also focuses on the management of portfolio companies. Mr. Wang is a member of the fund's investment committee and is the Chairman of such firm's operating committee.

Mr. Wang has 20 years of professional advisory experience in the PRC. Prior to joining Abax, Mr. Wang was a Senior Partner in McKinsey & Company's Shanghai office, where he was a leader in its China energy, and industrial practices. As head of the McKinsey Shanghai office, which is now amongst McKinsey's top 10 largest offices globally, he oversaw its growth from 100 to 300 professionals. Mr. Wang is a known expert for performance turnaround at Chinese companies, both state owned and private. He has assisted numerous Chinese clients to improve their performance via growth strategy, operational enhancement and organizational restructuring. Mr. Wang has published numerous articles in International and Chinese media on the performance improvement topic and has been a frequent speaker and guest lecturer at government (including those for State-Owned Assets Supervision and Administration Commission of the State Council and National Development and Reform Commission in the PRC) and industry forums in the PRC and abroad.

Mr. CHEN Guiyi

Mr. CHEN Guiyi, aged 41, was appointed as an independent non-executive Director of the Company with effect from 1 April 2017. From September 1997 to July 2001, Mr. Chen studied at the China Youth University of Political Science where he obtained a bachelor's degree in legal studies. From September 2003 to July 2004, he studied at the University of Groningen of the Netherlands where he obtained a master's degree in laws. From July 2001 to September 2005, he has been an associate director at the newspaper office of Beijing Times of People's Daily. From October 2005 to March 2016, he was one of the partners of the law firm, Jingtian & Gongcheng in Beijing, the PRC. Since March 2016, he has been one of the partners of W&G Investment Management Co., Ltd.. He is also a counsel in LOEB & LOEB LLP. Mr. Chen has ample experience in the capital market, specializing in both the domestic and overseas capital market, and has provided legal services in respect of the domestic and overseas issuance of stocks and bonds for dozens of companies. He was nominated as the Dealmaker of the Year 2014 of Mainland China by the provider of print and online legal news and information, Asian Legal Business under the Thomson Reuters group.

SENIOR MANAGEMENT

Ms. YUAN Ying

Ms. YUAN Ying, aged 39, is our Financial Controller and is responsible for the overall financial planning and management of the Group. Ms. Yuan joined the Group in May 2010 as Finance Manager and was in charge of the Finance Department. She was then responsible for the Group's asset management, internal audit, cost control and formulating of financial statements, etc. Ms. Yuan is an accountant and obtained the qualification of accountant by the Ministry of Finance of the PRC in May 2007. Prior to joining the company, she worked for Yong Feng Footwear (Bao An) Company Limited as finance supervisor in charge of audit of the Finance Department.

Ms. WANG Feixue

Ms. WANG Feixue, aged 39, is our vice president of sales and marketing unit. Currently, she is primarily responsible for the overall management of the sales and marketing functions of the Group. Ms. Wang completed a two-year professional study programme in Chinese language and literature in Henan Broadcast Television University. Ms. Wang joined the Group as a sales consultant in July 2004 and was then in charge of sales of new vehicles. Ms. Wang left the Group in July 2006, then rejoined the Group as a corporate planning manager in July 2007. Before Ms. Wang rejoined the Group in July 2007, she worked for Dongguan Zhicheng Trading Company Limited as the sales manager, and was in charge of managing the sales department.

Ms. CHEN Saijin

Ms. CHEN Saijin, aged 39, is our vice president of purchasing and projects unit. Currently, she is primarily responsible for the overall procurement of the Group and supervising internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour and Social Security Bureau. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) through Internet learning. Ms. Chen joined the Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. Before Ms. Chen joined the Group, she worked for Dongguan Hongyan Vehicle Trading Company Limited as the deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in automobile dealership business authorized by the respective automobile manufacturers of particular brands in the PRC including the sale of new passenger cars, spare parts, service and survey. Particulars of the subsidiaries are set out in note 14 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2019 and a discussion on the Group's future business development are provided in the section "Letter to Shareholders" and "Management Discussion and Analysis" of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the section "Letter to Shareholders". The financial risk management objectives and policies of the Group can be found in note 27 to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are provided in page 33 of this section and note 32 to the consolidated financial statements of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 162 of this Annual Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

The Group has developed environmental protection measures and policies to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust etc. in the course of production or other activities in accordance with the applicable environmental laws and regulations.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental activities which benefit the community.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on page 56 to page 162 of this Annual Report.

The Directors have recommended the payment of a final cash dividend of RMB0.2 per share (2018: RMB0.0849 per share) to the Shareholders whose names are on the register of members of the Company on 8 June 2020. Subject to approval by the Shareholders at the AGM and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on or about 24 June 2020 and the register of members of the Company will be closed from 13 May 2020 to 18 May 2020, both days inclusive, for determination of entitlement of the final dividend, during which period no transfer of shares will be registered.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity set out on page 59 of this Annual Report.

The Company's reserves available for distribution to the Shareholders as at 31 December 2019 amounted to RMB262,566,000 (2018: RMB128,879,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2019 is set out on page 162 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the environmental, social and governance ("**ESG**") information in accordance with the ESG Reporting Guide in Appendix 27 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company has engaged an external consultant to identify material ESG issues of the Group and assist in the reporting of the Group's performance based on its ESG management approach, strategy, priorities and objective. The ESG report will be dispatched to the shareholder of the Company and will be published on the website of the Company and the Stock Exchange in due course. For details of the Company's environmental policies and performance and its compliance with the relevant laws and regulations in the environmental and social aspects, please refer to the ESG report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year ended 31 December 2019 are set out in note 11 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 December 2019 are set out in note 26(c) to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this Annual Report were as follows:

Executive Directors

Mr. YE Fan *(Chairman)*
Mr. YE Tao *(Chief Executive Officer)*
Ms. LIU Xuehua *(retired with effect from 25 March 2019)*
Ms. LUO Liuyu *(appointed on 25 March 2019)*

Independent Non-Executive Directors

Mr. CHEN Guiyi
Mr. JIP Ki Chi
Mr. WANG, Michael Chou

The biographical details of the Directors and senior management of the Company are set out on page 14 to 17 of this Annual Report.

In accordance with Article 105 of the articles of association of the Company (the "**Articles of Association**"), Mr. YE Tao and Mr. CHEN Guiyi shall retire from office by rotation at the AGM and, all of them being eligible, would offer themselves for re-election.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Directors' Service Contracts

Each of the executive Directors, Mr. YE Fan, Mr. YE Tao and Ms. LIU Xuehua, has entered into a new letter of appointment with the Company commencing with effect from 15 November 2016. Each of them was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party. Ms. LIU Xuehua retired with effect from 25 March 2019. The executive Director, Ms. LUO Liuyu entered into a letter of appointment with the Company commencing with effect from 25 March 2019. Ms. LUO Liuyu was not appointed for any specific length or proposed length of services and her term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party.

The independent non-executive Director, Mr. CHEN Guiyi has entered into a letter of appointment with the Company on 1 April 2017. Mr. CHEN Guiyi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. JIP Ki Chi has entered into a new letter of appointment with the Company on 15 November 2016. Mr. JIP Ki Chi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. WANG, Michael Chou has entered into a letter of appointment with the Company on 20 June 2018. Mr. WANG, Michael Chou was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party. Each of the independent non-executive Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Articles of Association. Save as disclosed above, no Director will be proposed for re-election at the AGM in accordance with the Articles of Association.

Save as disclosed above, no Director proposed for re-election at the AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of emoluments of the Directors are set out in note 8 to the consolidated financial statements.

Mr. JIP Ki Chi is entitled to a director's fee of HK$166,560 per annum. Each of Mr. CHEN Guiyi and Mr. WANG, Michael Chou is entitled to a director's fee of HK$100,000 per annum. Save for Director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

The Directors' fees are subject to the Shareholders' approval at the AGM. Other emoluments are determined by the Board with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities and performance and the results of the Group.

Interests In Contracts

Other than as disclosed in note 30 to the consolidated financial statements, there is no contract of significance to which the Company, its holding company, or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Competing Business

Save as disclosed in this Annual Report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interests in any business (apart from the Group's business), which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the year and up to the date of this Annual Report.

Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2019, the interests and short positions of the Directors and chief executive in the Shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions or Short Positions in Shares and Underlying Shares

Name of director	Capacity	Interest in shares Personal interest shares	Family interest	Total interest in shares	Interest in underlying Shares pursuant to share options	Approximate percentage of shareholding as at 31 December 2019
Mr. YE Fan (1)	Settlor of trust	–	754,400,000	754,400,000	–	65.14%
Mr. YE Tao	Beneficial Owner	–	–	–	4,000,000	0.35%
Ms. LIU Xuehua (retired with effect from 25 March 2019)	Beneficial Owner	3,225,000	–	3,225,000	1,075,000	0.37%
Ms. LUO Liuyu (appointed on 25 March 2019)	Beneficial Owner	48,000	–	48,000	1,430,000	0.13%
CHEN Guiyi	Beneficial Owner	–	–	–	1,000,000	0.09%
JIP Ki Chi	Beneficial Owner	–	–	–	1,000,000	0.09%
WANG Michael Chou	Beneficial Owner	–	–	–	1,000,000	0.09%

Notes:

(1) Mr. YE Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited ("**Apex Holdings**") is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited ("**Apex Sail**"). Apex Sail directly holds 754.4 million Shares and by virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail.

Details of Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares" below.

Directors' Rights to Acquire Shares

Pursuant to the Company's share option scheme adopted by the Shareholders on 13 November 2013 (the "**SOS**"), the Company has granted to certain Directors options to subscribe Shares, details of which as at 31 December 2019 were as follows:

Name of Director	Date of Grant	Exercisable Period	Exercisable price	Number of shares subject to the outstanding options as at 01.01.2019	Granted duringthe period	Exercised during the Peiod	Cancelled/ Lapsed	Number of shares subject to the outstanding option as at 31.12.2019	Approximate percentage of shareholding
Mr. YE Tao	20.01.2014	01.01.2015–12.11.2023	1.80	500,000	–	–	–	500,000	0.04%
	20.01.2014	01.01.2016–12.11.2023	1.80	500,000	–	–	–	500,000	0.04%
	20.01.2014	01.01.2017–12.11.2023	1.80	500,000	–	–	–	500,000	0.04%
	20.01.2014	01.01.2018–12.11.2023	1.80	500,000	–	–	–	500,000	0.04%
	04.01.2018	04.01.2018–03.01.2028	2.58	500,000	–	–	–	500,000	0.04%
	04.01.2018	04.01.2019–03.01.2028	2.58	500,000	–	–	–	500,000	0.04%
	04.01.2018	04.01.2020–03.01.2028	2.58	500,000	–	–	–	500,000	0.04%
	04.01.2018	04.01.2021–03.01.2028	2.58	500,000	–	–	–	500,000	0.04%
Ms. LIU Xuehua	20.01.2014	01.01.2015–12.11.2023	1.80	–	–	–	–	–	–
(retired with	20.01.2014	01.01.2016–12.11.2023	1.80	75,000	–	(75,000)	–	–	–
effect from	20.01.2014	01.01.2017–12.11.2023	1.80	537,500	–	(537,500)	–	–	–
25 March 2019)	20.01.2014	01.01.2018–12.11.2023	1.80	537,500	–	(537,500)	–	–	–
	04.01.2018	04.01.2018–03.01.2028	2.58	537,500	–	(537,500)	–	–	–
	04.01.2018	04.01.2019–03.01.2028	2.58	537,500	–	(537,500)	–	–	–
	04.01.2018	04.01.2020–03.01.2028	2.58	537,500	–	–	–	537,500	0.05%
	04.01.2018	04.01.2021–03.01.2028	2.58	537,500	–	–	–	537,500	0.05%

Name of Director	Date of Grant	Exercisable Period	Exercisable price	Number of shares subject to the outstanding options as at 01.01.2019	Granted duringthe period	Exercised during the Peiod	Cancelled/ Lapsed	Number of shares subject to the outstanding option as at 31.12.2019	Approximate percentage of shareholding
Ms. LUO Liuyu	20.01.2014	01.01.2015–12.11.2023	1.80	75,000	–	–	–	75,000	0.01%
(appointed on	20.01.2014	01.01.2016–12.11.2023	1.80	75,000	–	–	–	75,000	0.01%
25 March 2019)	20.01.2014	01.01.2017–12.11.2023	1.80	75,000	–	–	–	75,000	0.01%
	20.01.2014	01.01.2018–12.11.2023	1.80	75,000	–	–	–	75,000	0.01%
	04.01.2018	04.01.2018–03.01.2028	2.58	225,000	–	–	–	225,000	0.02%
	04.01.2018	04.01.2019–03.01.2028	2.58	225,000	–	–	–	225,000	0.02%
	04.01.2018	04.01.2020–03.01.2028	2.58	225,000	–	–	–	225,000	0.02%
	04.01.2018	04.01.2021–03.01.2028	2.58	225,000	–	–	–	225,000	0.02%
	18/07/2019	18/07/2019–17/07/2029	6.00	–	57,500	–	–	57,500	0.01%
	18/07/2019	18/07/2020–17/07/2029	6.00	–	57,500	–	–	57,500	0.01%
	18/07/2019	18/07/2021–17/07/2029	6.00	–	57,500	–	–	57,500	0.01%
	18/07/2019	18/07/2022–17/07/2029	6.00	–	57,500	–	–	57,500	0.01%
CHEN Guiyi	18/07/2019	18/07/2019–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2020–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2021–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2022–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
JIP Ki Chi	18/07/2019	18/07/2019–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2020–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2021–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2022–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
WANG Michael	18/07/2019	18/07/2019–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
Chou	18/07/2019	18/07/2020–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2021–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
	18/07/2019	18/07/2022–17/07/2029	6.00	–	250,000	–	–	250,000	0.02%
		Total directors		**8,500,000**	**3,230,000**	**(2,225,000)**	**–**	**9,505,000**	**0.82%**

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Save as disclosed above, as at 31 December 2019, none of the Directors had any interests or short positions in the Shares or underlying shares of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

Other than the SOS, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following Shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Apex Sail (1), (2)	Beneficial owner	754,400,000	65.14%
Apex Holdings (1), (2)	Interest in a controlled corporation	754,400,000	65.14%
Fiducia Suisse SA (1), (2)	Interest in a controlled corporation	754,400,000	65.14%
Mr. David Henry Christopher HILL (1), (2)	Interest of a controlled corporation	754,400,000	65.14%
Mrs. Rebecca Ann HILL (1), (2)	Interest of spouse	754,400,000	65.14%
Ms. HU Huanran (1), (3)	Interest of spouse	754,400,000	65.14%
Pandanus Partners L.P. (1), (4)	Interest in a controlled corporation	93,044,000	8.03%
Pandanus Associates Inc. (1), (4)	Interest in a controlled corporation	93,044,000	8.03%
FIL Limited (1), (4)	Interest in a controlled corporation	93,044,000	8.03%
FIL Investments Management (Hong Kong) Limited (1), (4)	Beneficial owner	93,044,000	8.03%

Note:

(1) This is based on the total Shares in issue as at 31 December 2019, being 1,158,168,614.

(2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by Fiducia Suisse SA as the trustee of the Ye Family Trust. Fiducia Suisse SA is wholly owned by Mr. David Henry Christopher HILL and Ms. Rebecca Ann HILL is the wife of Mr. David Henry HILL. The Ye Family Trust is a revocable discretionary family trust founded by Mr. YE Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.

(3) Mr. YE Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail. Mr. YE Fan's spouse, Ms. HU Huanran, is deemed to be interested in such 754,400,000 Shares by virtue of the SFO.

(4) FIL Investments Management (Hong Kong) Limited is wholly-owned by FIL Limited, which is in turn owned as to 37.51% by Pandanus Partners L.P. which is wholly owned by Pandanus Associates Inc.. By virtue of the SFO, each of FIL Limited, Pandanus Associates and Pandanus Partners, L.P. is deemed to be interested in the 100,354,000 Shares of FIL Investments Management (Hong Kong) Limited.

Save for the Shareholders as disclosed herein, the Directors are not aware of any person (other than the Directors and chief executives of the Company) who had an interest or a short position in the Shares or underlying shares of the Company as recorded as at 31 December 2019 in the register to be kept by the Company under Section 336 of the SFO.

Short positions in Shares and underlying Shares in the Company

As at 31 December 2019, the Company had not been notified of any short positions being held by any substantial Shareholder in the Shares or underlying Shares of the Company.

Other Persons

As at 31 December 2019, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executives and the substantial Shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

SHARE OPTION SCHEME

Pursuant to the SOS, the Company may, at their discretion, invite full-time or part-time employees of the Group, including Directors and subsidiaries of the Company, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares. The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS will remain in force for a period of 10 years commencing on 13 November 2013.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the date of the listing of the Company on 5 December 2013 (the "**Listing Date**") without prior approval from the Shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 21 days of the date of grant, upon payment of HK$1.00 per grant.

As at 31 December 2019, the Company had 23,345,000 share option outstanding under the SOS, representing approximately 2.02% of the issued share capital of the Company as at the date of this report. Details of the share options outstanding as at the date of this report are as follows:

Option type	Date of grant	Exercisable period	Exercise price
2014 Options	20.01.2014	01.01.2015-12.11.2023	HK$1.80
	20.01.2014	01.01.2016-12.11.2023	HK$1.80
	20.01.2014	01.01.2017-12.11.2023	HK$1.80
	20.01.2014	01.01.2018-12.11.2023	HK$1.80
2018 Options	04.01.2018	04.01.2018-03.01.2028	HK$2.58
	04.01.2018	04.01.2019-03.01.2028	HK$2.58
	04.01.2018	04.01.2020-03.01.2028	HK$2.58
	04.01.2018	04.01.2021-03.01.2028	HK$2.58
2019 Options	18.07.2019	18.07.2019-17.07.2029	HK$6.00
	18.07.2019	18.07.2020-17.07.2029	HK$6.00
	18.07.2019	18.07.2021-17.07.2029	HK$6.00
	18.07.2019	18.07.2022-17.07.2029	HK$6.00

The following table discloses movements in the share options of the Company during the period:

Name of Director	Options type	Date of grant	Exercisable period	Exercisable price HK$	Number of Shares subject to the outstanding options as at 01.01.2019	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	Number of shares subject to the outstanding option as at 31.12.2019	Weighted average closing price of shares immediately before the date on which the options were exercised HK$
Category 1: Directors										
Mr. YE Tao	2014 options	20.01.2014	01.01.2015–12.11.2023	1.80	500,000	–	–	–	500,000	–
		20.01.2014	01.01.2016–12.11.2023	1.80	500,000	–	–	–	500,000	–
		20.01.2014	01.01.2017–12.11.2023	1.80	500,000	–	–	–	500,000	–
		20.01.2014	01.01.2018–12.11.2023	1.80	500,000	–	–	–	500,000	–
	2018 options	04.01.2018	04.01.2018–03.01.2028	2.58	500,000	–	–	–	500,000	–
		04.01.2018	04.01.2019–03.01.2028	2.58	500,000	–	–	–	500,000	–
		04.01.2018	04.01.2020–03.01.2028	2.58	500,000	–	–	–	500,000	–
		04.01.2018	04.01.2021–03.01.2028	2.58	500,000	–	–	–	500,000	–
Ms. LIU Xuehua (retired with effect from 25 March 2019)	2014 options	20.01.2014	01.01.2015–12.11.2023	1.80	–	–	–	–	–	–
		20.01.2014	01.01.2016–12.11.2023	1.80	75,000	–	(75,000)	–	–	4.60
		20.01.2014	01.01.2017–12.11.2023	1.80	537,500	–	(537,500)	–	–	4.60
		20.01.2014	01.01.2018–12.11.2023	1.80	537,500	–	(537,500)	–	–	4.60
	2018 options	04.01.2018	04.01.2018–03.01.2028	2.58	537,500	–	(537,500)	–	–	7.77
		04.01.2018	04.01.2019–03.01.2028	2.58	537,500	–	(537,500)	–	–	7.77
		04.01.2018	04.01.2020–03.01.2028	2.58	537,500	–	–	–	537,500	–
		04.01.2018	04.01.2021–03.01.2028	2.58	537,500	–	–	–	537,500	–
Ms. LUO Liuyu (appointed on 25 March 2019)	2014 options	20.01.2014	01.01.2015–12.11.2023	1.80	75,000	–	–	–	75,000	–
		20.01.2014	01.01.2016–12.11.2023	1.80	75,000	–	–	–	75,000	–
		20.01.2014	01.01.2017–12.11.2023	1.80	75,000	–	–	–	75,000	–
		20.01.2014	01.01.2018–12.11.2023	1.80	75,000	–	–	–	75,000	–
	2018 options	04.01.2018	04.01.2018–03.01.2028	2.58	225,000	–	–	–	225,000	–
		04.01.2018	04.01.2019–03.01.2028	2.58	225,000	–	–	–	225,000	–
		04.01.2018	04.01.2020–03.01.2028	2.58	225,000	–	–	–	225,000	–
		04.01.2018	04.01.2021–03.01.2028	2.58	225,000	–	–	–	225,000	–
	2019 options	18.07.2019	18.07.2019-17.07.2029	6.00	–	57,500	–	–	57,500	–
		18.07.2019	18.07.2020-17.07.2029	6.00	–	57,500	–	–	57,500	–
		18.07.2019	18.07.2021-17.07.2029	6.00	–	57,500	–	–	57,500	–
		18.07.2019	18.07.2022-17.07.2029	6.00	–	57,500	–	–	57,500	–

REPORT OF THE DIRECTORS

Name of Director	Options type	Date of grant	Exercisable period	Exercisable price HK$	Number of Shares subject to the outstanding options as at 01.01.2019	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	Number of shares subject to the outstanding option as at 31.12.2019	Weighted average closing price of shares immediately before the date on which the options were exercised HK$
Mr. JIP Ki Chi	2019	18.07.2019	18.07.2019-17.07.2029	6.00	–	250,000	–	–	250,000	–
	options	18.07.2019	18.07.2020-17.07.2029	6.00	–	250,000	–	–	250,000	–
		18.07.2019	18.07.2021-17.07.2029	6.00	–	250,000	–	–	250,000	–
		18.07.2019	18.07.2022-17.07.2029	6.00	–	250,000	–	–	250,000	–
Mr. WANG,	2019	18.07.2019	18.07.2019-17.07.2029	6.00	–	250,000	–	–	250,000	–
Michael Chou	options	18.07.2019	18.07.2020-17.07.2029	6.00	–	250,000	–	–	250,000	–
		18.07.2019	18.07.2021-17.07.2029	6.00	–	250,000	–	–	250,000	–
		18.07.2019	18.07.2022-17.07.2029	6.00	–	250,000	–	–	250,000	–
Mr. CHEN Guiyi	2019	18.07.2019	18.07.2019-17.07.2029	6.00	–	250,000	–	–	250,000	–
	options	18.07.2019	18.07.2020-17.07.2029	6.00	–	250,000	–	–	250,000	–
		18.07.2019	18.07.2021-17.07.2029	6.00	–	250,000	–	–	250,000	–
		18.07.2019	18.07.2022-17.07.2029	6.00	–	250,000	–	–	250,000	–
Total for Directors					**8,500,000**	**3,230,000**	**(2,225,000)**	**–**	**9,505,000**	
Category 2:	2014	20.01.2014	01.01.2015–12.11.2023	1.80	832,500	–	(437,500)	–	395,000	5.04
employees	options	20.01.2014	01.01.2016–12.11.2023	1.80	832,500	–	(437,500)	–	395,000	5.04
		20.01.2014	01.01.2017–12.11.2023	1.80	832,500	–	(437,500)	–	395,000	5.04
		20.01.2014	01.01.2018–12.11.2023	1.80	832,500	–	(437,500)	–	395,000	5.04
	2018	04.01.2018	04.01.2018–03.01.2028	2.58	1,707,500	–	(325,000)	(70,000)	1,312,500	7.77
	options	04.01.2018	04.01.2019–03.01.2028	2.58	1,707,500	–	(325,000)	(70,000)	1,312,500	7.77
		04.01.2018	04.01.2020–03.01.2028	2.58	1,707,500	–	–	(95,000)	1,612,500	–
		04.01.2018	04.01.2021–03.01.2028	2.58	1,707,500	–	–	(95,000)	1,612,500	–
	2019	18.07.2019	18.07.2019-17.07.2029	6.00	–	1,617,500	–	(15,000)	1,602,500	–
	options	18.07.2019	18.07.2020-17.07.2029	6.00	–	1,617,500	–	(15,000)	1,602,500	–
		18.07.2019	18.07.2021-17.07.2029	6.00	–	1,617,500	–	(15,000)	1,602,500	–
		18.07.2019	18.07.2022-17.07.2029	6.00	–	1,617,500	–	(15,000)	1,602,500	–
Total for Employees					**10,160,000**	**6,470,000**	**(2,400,000)**	**(390,000)**	**13,840,000**	
All Category					**18,660,000**	**9,700,000**	**(4,625,000)**	**(390,000)**	**23,345,000**	

Note:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

CONTINUING CONNECTED TRANSACTION

There were no significant connected transactions.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 30 to the consolidated financial statements.

NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Non-Compete Undertakings dated 13 November 2013 (the "**Non-Compete Undertakings**") for the year ended 31 December 2019. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2019 are set out in note 21 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2019, the Group made charitable and other donations amounting to RMB Nil.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Shares in issue as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the five largest customers of the Group accounted for approximately 0.08% of the total revenue and sales to the largest customer accounted for approximately 0.03% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 81.79% of its operating costs for the year ended 31 December 2019. Purchases from the largest supplier accounted for about 25.44% of its operating costs for the year ended 31 December 2019. None of the Directors, their close associates, or any Shareholder (who to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, save as disclosed herein, the Company has not entered into any equity-linked agreement.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2019 and until the date of this report.

EMOLUMENT POLICY

As at 31 December 2019, the Group had a total of 4,746 employees, the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options may also be granted to eligible employees based on individual performance.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration.

The Company has adopted the SOS as an incentive to Directors and eligible employees, details of the schemes is set out in note 24 to the consolidated financial statements and under the heading "Share Option Scheme" in this Report of Directors.

DIRECTORS' INDEMNITY

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**Code**") during the year ended 31 December 2019. Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this Annual Report.

SIGNIFICANT LEGAL PROCEEDINGS

During the year ended 31 December 2019, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

EVENTS AFTER THE REPORTING PERIOD

Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2019 are provided in note 32 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by KPMG, the Company's external auditors (the "**Auditors**"). A resolution will be proposed at the AGM to re-appoint KPMG as the Auditors.

On behalf of the Board
YE Fan
Chairman

Hong Kong, 27 March 2020

CORPORATE GOVERNANCE REPORT

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve continuing prosperity and to act in the best interests of the Company and its Shareholders as a whole in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the core of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of the Shareholders and stakeholders, and enhance Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code as its own code on corporate governance practices. The Company has taken various measures to cope with the latest development in the corporate governance regime.

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 2019.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprises six members as follows:

Executive Directors
Mr. YE Fan *(Chairman)*
Mr. YE Tao *(Chief Executive Officer)*
Ms. LIU Xuehua
(retired with effect from 25 March 2019)
Ms. LUO Liuyu
(appointed on 25 March 2019)

Independent Non-executive Directors
Mr. CHEN Guiyi
Mr. JIP Ki Chi
Mr. WANG, Michael Chou

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 14 to 16 of this Annual Report.

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. Details of the directors' indemnity are provided in the Report of the Directors on page 32 of this Annual Report. The insurance coverage is reviewed on an annual basis.

Each independent non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that all of them are independent.

Except for the family relationship between Mr. YE Fan and Mr. YE Tao as disclosed in the biographical details on pages 14 to 15 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

The list of Directors is disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Each of the executive Directors, Mr. YE Fan, Mr. YE Tao and Ms. LIU Xuehua, has entered into a new letter of appointment with the Company commencing with effect from 15 November 2016. Each of them was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party. Ms. LIU Xuehua retired with effect from 25 March 2019. The executive Director, Ms. LUO Liuyu entered into a letter of appointment with the Company commencing with effect from 25 March 2019. Ms. LUO Linyu was not appointed for any specific length or proposed length of services and her term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party.

The independent non-executive Director, Mr. CHEN Guiyi has entered into a letter of appointment with the Company on 1 April 2017. Mr. CHEN Guiyi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. JIP Ki Chi has entered into a letter of appointment with the Company on 15 November 2016. Mr. JIP Ki Chi was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party by not less than three months' notice in writing. The independent non-executive Director, Mr. WANG, Michael Chou has entered into a letter of appointment with the Company on 20 June 2018. Mr. WANG, Michael Chou was not appointed for any specific length or proposed length of services and his term of service shall continue unless and until terminated by either party giving not less than three months' notice in writing to the other party. Each of the independent non-executive Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Articles of Association. Save as disclosed above, no Director will be proposed for re-election at the AGM in accordance with the Articles of Association.

Pursuant to the Articles of Association, at least one-third of the Directors shall retire from office but are eligible for re-election by the Shareholders at each annual general meeting of the Company and each Director shall retire on a rotational basis at least once every three years.

During the year ended 31 December 2019, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

Functions of the Board

The Board, headed by the chairman of the Board (the "**Chairman**"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

The Articles of Association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

NOMINATION POLICY

The Company has adopted a nomination policy, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

DIVIDEND POLICY

The Company has adopted a dividend policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties that include:

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2019, the Board approved the terms of reference of the Board (with respect to corporate governance duties), and the terms of reference of the Nomination Committee, the audit committee (the "**Audit Committee**") and the Remuneration Committee and the Shareholders communication policy of the Company (the "**Shareholders Communication Policy**").

Directors' Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Company Secretary updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

Each of the Directors have attended training sessions arranged by the Company on the continuing obligations of listed companies and directors, disclosure obligations of listed companies and amendments to the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in relation to "inside information".

In addition to the above-mentioned training sessions, some Directors and members of the senior management of the Company have also attended several presentations organized by the Company on the compliance of the Listing Rules and conducts of listed companies.

Board Meetings

Code provision A.1.1 of the Code prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles of Association and the Code.

During the year ended 31 December 2019, four Board meetings were held. Details of individual attendance of each of the Directors are set out below:

	Attendance/ Number of Meetings Eligible to Attend
Executive directors:	
Mr. YE Fan *(Chairman)*	6/6
Mr. YE Tao *(Chief Executive Officer)*	6/6
Ms. LIU Xuehua *(retired with effect from 25 March 2019)*	2/2
Ms. LUO Liuyu *(appointed on 25 March 2019)*	4/4
Independent Non-executive Directors:	
Mr. CHEN Guiyi	6/6
Mr. JIP Ki Chi	6/6
Mr. WANG, Michael Chou	6/6

Board Process

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquiries if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial Shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Chairman is Mr. YE Fan; and the chief executive officer of the Company (the "**Chief Executive Officer**") is Mr. YE Tao. The roles of Chairman and Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by other executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all the Directors fully informed of all major business developments and issues.

Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

BOARD COMMITTEES

The Company has set up a number of committees of the Board, including the Remuneration Committee, the Audit Committee and the Nomination Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprise of three independent non-executive Directors, namely Mr. WANG, Michael Chou, Mr. JIP Ki Chi and Mr. CHEN Guiyi. Mr. WANG, Michael Chou is the chairman of the Remuneration Committee.

The Remuneration Committee was established in November 2013 and written terms of reference of the Remuneration Committee have been adopted by the Board and posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee's responsibilities include but not limited to the review and consideration of the Company's remuneration policy for the Directors and senior management, the recommendations to the Board on the remuneration packages of individual executive Director and senior management including benefits in kind, pension rights and compensation payments, and recommendations relating to remunerations of independent non-executive Directors.

The Remuneration Committee held two meetings during the year ended 31 December 2019 with individual attendance as follows:

Members of the Remuneration Committee	**Attendance/ Number of Meetings**
Mr. WANG, Michael Chou *(Chairman)*	2/2
Mr. CHEN Guiyi	2/2
Mr. JIP Ki Chi	2/2

The Group remunerates its employees based on their individual performance, job nature and responsibilities. The Group also provides training and various benefits to its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment to maximize their potential and contribution to the Group.

Audit Committee

The Audit Committee comprises, Mr. CHEN Guiyi, Mr. WANG, Michael Chou and Mr. JIP Ki Chi, all of whom are independent non-executive Directors. Mr. JIP Ki Chi is the chairman of the Audit Committee.

The Audit Committee was established in November 2013 with written terms of reference which were revised and adopted on 12 March 2019, which describe the authority and duties of the Audit Committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The Audit Committee reports directly to the Board and reviews financial statements, risk management and internal control system, and to protect the interests of the Shareholders.

The Audit Committee meets regularly with the Auditors to discuss various accounting issues, and reviews the effectiveness of internal controls.

The Audit Committee held three meetings during the year ended 31 December 2019 with individual attendance as follow:

Members of the Audit Committee	Attendance/ Number of Meetings Eligible to Attend
Mr. JIP Ki Chi *(Chairman)*	3/3
Mr. CHEN Guiyi	3/3
Mr. WANG, Michael Chou	3/3

A meeting of the Audit Committee was held on 27 March 2020 to review the Group's consolidated financial statements for the year ended 31 December 2019.

Nomination Committee

The Nomination Committee comprises one executive Director, Mr. YE Fan and two independent non-executive Directors, Mr. WANG, Michael Chou, and Mr. JIP Ki Chi.

The Nomination Committee was established in November 2013 and written terms of reference of the Nomination Committee which was revised on 12 March 2019 and have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee's responsibilities include but not limited to formulating policy and making recommendation to the Board on nominations and appointments of Directors and Board succession.

The Nomination Committee is also responsible for reviewing the structure, size and composition of the Board, assessing independence of the independent non-executive Directors and making recommendations on any proposed changes to the Board.

The Nomination Committee held one meeting during the year ended 31 December 2019. The attendance records of the meetings are as follow:

Members of the Nomination Committee	Attendance/ Number of Meeting
Mr. YE Fan *(Chairman)*	1/1
Mr. WANG, Michael Chou	1/1
Mr. JIP Ki Chi	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

EXTERNAL AUDITOR

The Auditors is KPMG. KPMG provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the year ended 31 December 2019. KPMG also reviewed the 2019 unaudited interim financial information of the Group prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the HKICPA.

During the year ended 31 December 2019, total fees charged by KPMG in respect of audit services amounted to RMB5,600,000, including interim review of the financial statement of the Company for the six months ended 30 June 2019.

No non-audit service fees were charged by KPMG during the year ended 31 December 2019.

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 48 to 55 of this Annual Report.

DIRECTORS' RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the Company's risk management and internal control systems and for reviewing its effectiveness on an ongoing basis. The Group's internal audit department and senior management conduct reviews of the effectiveness of the risk management and internal control systems of the Group. The Audit Committee reviews the findings and recommendations of the internal audit department and the senior management in their meetings held at least twice a year and reports to the Board on such review.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

In respect of the year ended 31 December 2019, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

COMPANY SECRETARY

The Company Secretary is Mr. WONG Cheung Ki Johnny, who is not an employee of the Company, has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum of association of the Company and Articles of Association from the date of its listing on the Stock Exchange (the "**Listing Date**").

A copy of the memorandum and Articles of Association of the Company is posted on the websites of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

The Directors are aware of the importance of maintaining good relations and communications with the Shareholders. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to Shareholders' communications, with the objective of ensuring that its communication with the Shareholders are timely and accurate.

The Company uses a range of communication tools, such as annual general meetings, annual reports, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.meidongauto.com which serves as a forum for corporate communications with the Shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived since the Listing Date on the Company's website and there are established procedures to ensure timely update in compliance with the Listing Rules.

At the AGM, separate resolutions will be proposed by the Chairman in respect of each issue itemized on the agenda, including the re-election of the Directors. The Chairman, the chairman of each of the Remuneration Committee, the Audit Committee and the Nomination Committee and members of senior management, together with representative(s) from the Auditors will attend the AGM to answer questions from the Shareholders.

The notice of the AGM will be distributed to all Shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

During the year ended 31 December 2019, AGM was held on 17 May 2019, details of individual attendance of each of the Directors are as follows:

	Attendance/Annual General Meeting eligible to attend
Executive Directors	
Mr. YE Fan *(Chairman)*	1/1
Mr. YE Tao *(Chief Executive Officer)*	1/1
Ms. LIU Xuehua *(retired with effect from 25 March 2019)*	N/A
Ms. LUO Liuyu *(appointed on 25 March 2019)*	1/1
Independent Non-executive Directors	
Mr. CHEN Guiyi	1/1
Mr. WANG, Michael Chou	1/1
Mr. JIP Ki Chi	1/1

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Articles of Association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her/its contact details, such as postal address or fax, addressing to the head office of the Company at Room 2404, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or facsimile number (852) 2668 5798.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of China MeiDong Auto Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China MeiDong Auto Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 56 to 161, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Timing of revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on page 88.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises sales of passenger motor vehicles and the provision of after-sales services to a significant number of individual customers. Sales of passenger motor vehicles are recognised when the Group satisfies the performance obligation by transferring control of the vehicle promised in the contract to the customer, which is evidenced by the customer's acceptance of the vehicle and signature on the car delivery note. Revenue arising from after-sales services is recognised when the Group satisfies its performance obligation, which is evidenced by signed customer acceptance for after-sales service transaction. The Group manually records revenue according to car delivery notes and signed customer acceptances. We identified the timing of revenue recognition as a key audit matter because manual tracking and recording processes increase the risk of error whereby revenue may not be recognised in the correct financial period.	Our audit procedures to assess the accuracy of timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to the timing of revenue recognition; • inspecting standard sales contracts for sales of passenger motor vehicles and after-sales services to identify terms and conditions which may affect revenue recognition and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS (continued)

Timing of revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on page 88.

The Key Audit Matter	How the matter was addressed in our audit
	• selecting a sample of sales of passenger motor vehicles recorded during the year and after-sales services rendered during the year, plus additional samples of revenue records for one month before and after the year end and comparing details of the selected transactions with the related sales contracts, car delivery notes and evidence of signed customer acceptance for passenger vehicles sales and after-sales service transactions, where applicable, to assess whether the related performance obligations were satisfied and the revenue had been recognised appropriately in the correct accounting period; and • scrutinising all manual journal entries relating to revenue during the year and inspecting underlying documentation for journal entries which were considered to be material or met other specified risk-based criteria.

KEY AUDIT MATTERS (continued)

Recognition of vendor rebates

Refer to notes 6(c) and 18 to the consolidated financial statements and the accounting policies on page 89.

The Key Audit Matter	How the matter was addressed in our audit
The Group earns vendor rebates under numerous different arrangements with automobile manufacturers. Rebate arrangements vary between different automobile manufactures and in different fiscal years and principally comprise volume based purchase rebates, sales rebates for certain specific car models, performance rebates and other specific rebates. Volume based purchase rebates and sales rebates are usually granted by vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with their comprehensive assessment of the Group's business performance. In addition, other specific rebates are granted to the Group, which include, but are not limited to regional annual awards. Volume based purchase rebates are recognised as a deduction from the cost of purchase of motor vehicles when the performance conditions associated with them are met. Sales rebates, performance rebates and other specific rebates from vendors are recognised as a deduction from costs of sales when the respective conditions associated with them are met.	Our audit procedures to assess the accuracy of recognition of vendor rebates included the following: • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of vendor rebate arrangements for all automobile manufacturers with reference to the requirements under prevailing accounting standards; • selecting a sample of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or bank payment slips; • for vendor rebate receivables recorded at the reporting date, performing recalculations of the receivable amounts, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements;

KEY AUDIT MATTERS (continued)

Recognition of vendor rebates

Refer to notes 6(c) and 18 to the consolidated financial statements and the accounting policies on page 89.

The Key Audit Matter	How the matter was addressed in our audit
The Group manually calculates vendor rebates and recognises them when the associated conditions for recognition are met. We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because manual calculation of the Group's entitlement to such rebates increases the risk that vendor rebates could be recognised before the entitlement conditions have been met.	• evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and • assessing, on a sample basis, whether vendor rebates accrued at the previous financial reporting date were subsequently settled in the current year.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kim Tak.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in RMB'000)

	Note	2019	2018 (Note)
Revenue	4	**16,210,019**	11,067,424
Cost of sales		**(14,652,389)**	(9,994,483)
Gross profit		**1,557,630**	1,072,941
Other income	5	**153,632**	153,926
Distribution costs		**(492,608)**	(390,543)
Administrative expenses		**(381,830)**	(312,780)
Profit from operations		**836,824**	523,544
Finance costs	6(a)	**(123,161)**	(63,188)
Share of profits of a joint venture	15	**43,748**	30,878
Profit before taxation	6	**757,411**	491,234
Income tax	7(a)	**(199,884)**	(127,780)
Profit for the year		**557,527**	363,454
Other comprehensive income for the year		**–**	–
Profit and total comprehensive income for the year		**557,527**	363,454
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		**550,811**	362,929
Non-controlling interests		**6,716**	525
Profit and total comprehensive income for the year		**557,527**	363,454
Earnings per share			
Basic (RMB cents)	10(a)	**47.67**	31.57
Diluted (RMB cents)	10(b)	**47.27**	31.41

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 161 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in RMB'000)

	Note	**31 December 2019**	31 December 2018 *(Note)*
Non-current assets			
Property, plant and equipment	11	**1,035,059**	857,929
Right-of-use assets	12	**825,776**	—
Lease prepayments		**—**	117,514
Intangible assets	13	**65,308**	69,275
Interest in a joint venture	15	**55,140**	43,676
Other non-current assets	16	**104,220**	48,637
Deferred tax assets	25(b)	**54,472**	25,260
		2,139,975	1,162,291
Current assets			
Inventories	17	**540,509**	838,856
Trade and other receivables	18	**1,158,815**	889,183
Pledged bank deposits	19	**961,729**	417,365
Cash and cash equivalents	20	**1,123,892**	866,821
		3,784,945	3,012,225
Current liabilities			
Loans and borrowings	21	**871,215**	1,028,868
Trade and other payables	22	**2,132,165**	1,549,809
Lease liabilities	23	**84,694**	—
Income tax payables	25(a)	**92,127**	37,317
		3,180,201	2,615,994
Net current assets		**604,744**	396,231
Total assets less current liabilities		**2,744,719**	1,558,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in RMB'000)

	Note	31 December 2019	31 December 2018 (Note)
Non-current liabilities			
Loans and borrowings	21	**240,492**	143,550
Lease liabilities	23	**726,178**	—
Deferred tax liabilities	25(b)	**8,701**	14,736
		975,371	158,286
NET ASSETS		**1,769,348**	1,400,236
EQUITY			
Share capital	26(c)	**91,383**	90,978
Reserves	26(d)	**1,620,204**	1,288,442
Total equity attributable to equity shareholders of the Company		**1,711,587**	1,379,420
Non-controlling interests		**57,761**	20,816
TOTAL EQUITY		**1,769,348**	1,400,236

Approved and authorised for issue by the board of directors on 27 March 2020.

Ye Fan
Director

Ye Tao
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 161 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in RMB'000)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000 (note 26(d)(i))	Capital redemption reserve RMB'000 (note 26(d)(ii))	Capital reserves RMB'000 (note 26(d)(iii))	PRC statutory reserves RMB'000 (note 26(d)(iv))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	86,585	239,591	986	(40,237)	135,861	632,771	1,055,557	38,058	1,093,615
Changes in equity for 2018:									
Profit and total comprehensive income for the year	–	–	–	–	–	362,929	362,929	525	363,454
Changes in ownership interests in subsidiaries without change in control	–	–	–	–	–	5,278	5,278	(1,615)	3,663
Appropriation to reserves	–	–	–	–	68,195	(68,195)	–	–	–
Dividends declared and paid (note 26(a) and note 26(b))	–	(149,038)	–	–	–	–	(149,038)	–	(149,038)
Dividends paid to non-controlling interests (note 26(b))	–	–	–	–	–	–	–	(16,152)	(16,152)
Equity settled share-based transactions (note 24)	–	–	–	6,068	–	–	6,068	–	6,068
Issue of ordinary shares upon exercise of share options (note 24)	221	5,273	–	(1,533)	–	–	3,961	–	3,961
Issue of ordinary shares upon exercise of warrants	4,172	100,987	–	(10,494)	–	–	94,665	–	94,665
Balance at 31 December 2018	90,978	196,813	986	(46,196)	204,056	932,783	1,379,420	20,816	1,400,236
Balance at 1 January, as previously reported	**90,978**	**196,813**	**986**	**(46,196)**	**204,056**	**932,783**	**1,379,420**	**20,816**	**1,400,236**
Impact of change in accounting policy (Note)	**–**	**–**	**–**	**–**	**–**	**(70,655)**	**(70,655)**	**(1,202)**	**(71,857)**
Adjusted balance at 1 January 2019	**90,978**	**196,813**	**986**	**(46,196)**	**204,056**	**862,128**	**1,308,765**	**19,614**	**1,328,379**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**550,811**	**550,811**	**6,716**	**557,527**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,000**	**33,000**
Changes in ownership interests in subsidiaries without change in control	**–**	**–**	**–**	**–**	**–**	**1,748**	**1,748**	**4,252**	**6,000**
Appropriation to reserves	**–**	**–**	**–**	**–**	**44,276**	**(44,276)**	**–**	**–**	**–**
Dividends declared and paid (note 26(a) and note 26(b))	**–**	**(168,805)**	**–**	**–**	**–**	**–**	**(168,805)**	**–**	**(168,805)**
Dividends paid to non-controlling interests (note 26(b))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,821)**	**(5,821)**
Equity settled share-based transactions (note 24)	**–**	**–**	**–**	**10,558**	**–**	**–**	**10,558**	**–**	**10,558**
Issue of ordinary shares upon exercise of share options (note 24)	**405**	**11,034**	**–**	**(2,929)**	**–**	**–**	**8,510**	**–**	**8,510**
Balance at 31 December 2019	**91,383**	**39,042**	**986**	**(38,567)**	**248,332**	**1,370,411**	**1,711,587**	**57,761**	**1,769,348**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 161 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019
(Expressed in RMB'000)

	Note	2019	2018 (Note)
Operating activities:			
Cash generated from operations	20(b)	**1,087,044**	419,191
Income tax paid	25(a)	**(156,369)**	(131,585)
Net cash generated from operating activities		**930,675**	287,606
Investing activities:			
Payment for the purchase of property, plant and equipment		**(397,188)**	(284,436)
Proceeds from disposal of property, plant and equipment		**116,335**	68,545
Net cash flow from business combination	22	**(14,824)**	(33,000)
Payment for purchase of lease prepayments		**–**	(23,402)
Prepayment for purchase of right-of-use assets		**(31,493)**	–
Proceeds from disposal of an associate		**–**	19,850
Dividends received from a joint venture	15	**32,284**	24,615
Dividends received from an associate		**–**	12,497
Interest received		**11,080**	8,790
Other cash flows arising from investing activities		**347**	(1,707)
Net cash used in investing activities		**(283,459)**	(208,248)
Financing activities:			
Capital element of lease rentals paid	20(c)	**(42,615)**	–
Interest element of lease rentals paid	20(c)	**(53,440)**	–
Proceeds from loans and borrowings	20(c)	**2,627,571**	1,522,322
Repayment of loans and borrowings	20(c)	**(2,691,085)**	(1,086,759)
(Increase)/decease in pledged bank deposits	19	**(24,195)**	25,980
Dividends declared and paid to equity shareholders	26(b)	**(168,805)**	(149,038)
Dividends paid to non-controlling interests	26(b)	**(5,821)**	(16,152)
Proceeds from exercise of share options	24	**8,510**	3,961
Proceeds from exercise of warrants		**–**	92,217
Interest paid	20(c)	**(67,215)**	(62,433)
Repayment of corporate bonds	20(c)	**–**	(89,074)
Proceeds from changes in interests in subsidiaries without change in control		**–**	663
Acquisition of non-controlling interests		**(6,000)**	–
Advances from related parties	20(c)	**–**	569
Repayment of advances from a related party	20(c)	**(50)**	–
Capital injection by non-controlling interests		**33,000**	–
Net cash (used in)/generated from financing activities		**(390,145)**	242,256
Net increase in cash and cash equivalents		**257,071**	321,614
Cash and cash equivalents at 1 January	20(a)	**866,821**	545,207
Cash and cash equivalents at 31 December	20(a)	**1,123,892**	866,821

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 61 to 161 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China MeiDong Auto Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1–1111, Cayman Islands. The Company and its subsidiaries (together, the "**Group**") are principally engaged in 4S dealership business in the People's Republic of China (the "**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**the Listing Rules**"). Significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interests in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These consolidated financial statements are presented in Renminbi ("**RMB**") which is the Group's presentation currency, rounded to the nearest thousands, except for earnings per share information.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 29(b). For an explanation of how the Group applies lessee accounting, see note 2(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.05%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

b. Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 28(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018 (Note)	637,768
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,403)
Add: lease payments for the additional periods where the Group considers it reasonably certain that the early termination option will not be exercised (Note)	477,780
	1,114,145
Less: total future interest expenses	(400,457)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	713,688
Add: finance lease liabilities recognised as at 31 December 2018	—
Total lease liabilities recognised at 1 January 2019	713,688

Note: Pursuant to a termination clause in certain lease contracts, the Group has the right to early terminate the lease by giving notice to the lessor in advance. As at 31 December 2018, the Group disclosed total future minimum lease payments under the notice period. As at the date of transition to HKFRS 16, the Group considers it reasonably certain not to exercise the option to early terminate the lease, therefore the lease term as determined under HKFRS 16 includes additional periods beyond the notice period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

b. Lessee accounting and transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at 1 January 2019, the date of initial application of HKFRS 16).

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Trade and other receivables	889,183	(15,401)	**873,782**
Total current assets	3,012,225	(15,401)	**2,996,824**
Right-of-use assets	—	750,794	**750,794**
Lease prepayments	117,514	(117,514)	**—**
Deferred tax assets	25,260	23,952	**49,212**
Total non-current assets	1,162,291	657,232	**1,819,523**
Lease liabilities (current)	—	79,945	**79,945**
Total current liabilities	2,615,994	79,945	**2,695,939**
Net current assets	396,231	(95,346)	**300,885**
Total assets less current liabilities	1,558,522	561,886	**2,120,408**
Lease liabilities (non-current)	—	633,743	**633,743**
Total non-current liabilities	158,286	633,743	**792,029**
Net assets	1,400,236	(71,857)	**1,328,379**
Reserves	1,288,442	(70,655)	**1,217,787**
Total equity attributable to equity shareholders of the Company	1,379,420	(70,655)	**1,308,765**
Non-controlling interests	20,816	(1,202)	**19,614**
Total equity	1,400,236	(71,857)	**1,328,379**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit for the year in the Group's consolidated statement of comprehensive income, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 20(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 20(d)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

c. Impact on the financial result, segment results and cash flows of the Group (continued)

	2019				2018
	Amounts reported under HKFRS 16 (A) RMB'000	Add back: HKFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	836,824	64,817	(87,882)	813,759	523,544
Finance costs	(123,161)	53,440	–	(69,721)	(63,188)
Profit before taxation	757,411	118,257	(87,882)	787,786	491,234
Profit for the year	557,527	118,257	(87,882)	587,902	363,454

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

c. *Impact on the financial result, segment results and cash flows of the Group (continued)*

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Line items in the consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	1,087,044	(96,055)	990,989	419,191
Net cash generated from operating activities	930,675	(96,055)	834,620	287,606
Capital element of lease rentals paid	(42,615)	42,615	–	–
Interest element of lease rentals paid	(53,440)	53,440	–	–
Net cash (used in)/generated from financing activities	(390,145)	96,055	(294,090)	242,256

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(e)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(f)).

In the Company's statement of finance position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(iii)).

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(j)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Buildings	15–30 years
—	Leasehold improvements	over the shorter of the unexpired term of the lease and the estimated useful lives
—	Plant and machinery	5–10 years
—	Passenger vehicles	1–5 years
—	Office equipment and furniture	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(j)(iii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)(iii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years. Software is amortised from the date it is available for use over its estimated useful life of 2–10 years. Both the period and method of amortisation are reviewed annually.

(i) Right-of-use assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the 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 direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily temporary exhibition halls, parking lots and staff dormitories. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Right-of-use assets (continued)

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(j)(iii)). Depreciation is calculated using the straight line method over the unexpired term of lease.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "right-of-use assets" and presents lease liabilities separately in the statement of financial position. In addition, lease prepayments carried at amortised cost are reclassified as right-of-use assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Right-of-use assets (continued)

(i) As a lessee (continued)

(B) *Policy applicable prior to 1 January 2019*

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof; where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets, including lease prepayments;

— intangible assets;

— investment in a joint venture; and

— investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(iii) Impairment of other non-current assets

— Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(w)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(q) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the binomial option-pricing model, taking into account the terms and condition upon which the option were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue arising from the sale of goods is recognised when the Group satisfies the performance obligation by transferring control of the goods promised in the contract to the customer. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Services income

Revenue arising from services is recognised when the relevant performance obligation is satisfied.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(iv) Commission income

Commission income is recognised at point in time when the services have been rendered.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Vendor rebates

Incentive rebates provided by vendors are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the statement of financial position date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation

As described in note 2(g), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 2(h), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(ii) Net realisable value of inventories

As described in note 2(k), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Determining the lease term

As explained in policy note 2(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include early termination options exercisable by the Group, the Group evaluates the likelihood of exercising the termination options taking into account all relevant facts and circumstances that create an economic incentive for the Group not to exercise the option, including leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Sales of passenger vehicles	**14,383,828**	9,775,138
— After-sales services	**1,826,191**	1,292,286
	16,210,019	11,067,424

All revenue was recognised at a point in time.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts for after-sales services is RMB178,798,000 (2018: RMB158,646,000). This amount represents revenue expected to be recognised in the future from pre-completion contracts for after-sales services entered into by customers with the Group. The Group will recognise the expected revenue in future when the Group satisfied its performance obligation, which is expected to occur over the next 12 to 36 months (2018: next 12 to 36 months).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for passenger vehicles such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of passenger vehicles that had an original expected duration of one year or less.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

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

(i) Information about geographical area

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

(ii) Information about major customers

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

5 OTHER INCOME

	2019 RMB'000	2018 RMB'000
Commission income	**116,284**	75,260
Bank interest income	**10,964**	8,947
Management service income	**11,564**	9,767
Net gain on disposal of an associate	**—**	13,194
Net gain on disposal of property, plant and equipment	**16,287**	18,219
Gain on bargain purchase	**—**	31,273
Net foreign exchange loss	**(6,778)**	(8,916)
Others	**5,311**	6,182
	153,632	153,926

6 PROFIT BEFORE TAXATION

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

		Note	2019 RMB'000	2018 RMB'000 *(Note)*
(a)	**Finance costs:**			
	Interest on			
	— loans and borrowings		52,694	45,353
	— corporate bonds		—	3,746
	— lease liabilities		53,440	—
	Total interest expense		106,134	49,099
	Other finance costs	(i)	17,027	14,089
			123,161	63,188

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach.

Under this approach, the comparative information is not restated. See note 2(c).

		Note	2019 RMB'000	2018 RMB'000 *(Note)*
(b)	**Staff costs:**			
	Salaries, wages and other benefits		546,122	413,046
	Equity settled share-based payment expenses	(ii)	10,558	6,068
	Contributions to defined contribution retirement plans	(iii)	28,688	18,256
			585,368	437,370

(i) It represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.

(ii) The Group recognised an expense of RMB10,558,000 for the year ended 31 December 2019 (2018: RMB6,068,000) in relation to share options granted to certain employees of the Group pursuant to a share option scheme (see note 24).

6 PROFIT BEFORE TAXATION (continued)

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

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

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

(c) Other items:

	2019 **RMB'000**	2018 RMB'000 *(Note)*
Cost of inventories	**14,509,226**	9,881,316
Write down of inventories	**4,556**	2,744
Depreciation		
— owned property, plant and equipment	**113,107**	94,645
— right-of-use assets (Note)	**64,817**	—
Amortisation of lease prepayments	**—**	3,416
Amortisation of intangible assets	**4,212**	3,233
Lease expenses	**9,705**	66,234
Net foreign exchange loss	**6,778**	8,916
Auditors' remuneration	**5,600**	5,000

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the lease prepayments which were previously included in lease prepayments is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2019 RMB'000	2018 RMB'000
Current tax:		
Provision for PRC income tax for the year (note 25(a))	211,179	138,690
Deferred tax:		
Origination of temporary differences (note 25(b))	(11,295)	(10,910)
	199,884	127,780

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 RMB'000	2018 RMB'000
Profit before taxation	757,411	491,234
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	197,976	126,633
Tax effect of non-deductible expenses	3,217	2,155
Tax effect of non-taxable income on share of profits of a joint venture	(10,937)	(7,720)
Tax effect of non-taxable gain on bargain purchase	—	(7,818)
Reversal of PRC dividend withholding tax (ii)	(6,500)	—
Effect of PRC dividend withholding tax (iii)	16,500	11,000
Tax effect of unused tax losses not recognised, net of utilisation of tax losses for which no deferred tax asset was recognised in previous periods	(372)	3,530
Actual tax expense	199,884	127,780

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin islands.

No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting period. The payments of dividends by companies in Hong Kong are not subject to any Hong Kong withholding tax.

The Group's PRC subsidiaries are subject to income tax at the statutory tax rate of 25%.

(ii) Under the CIT Law and its relevant regulations, dividends receivable by non-PRC resident enterprises from PRC resident enterprises for earnings accumulated beginning on 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the tax arrangement between the mainland China and Hong Kong Special Administration, Region, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC resident enterprise is entitled to a reduced dividend withholding tax rate of 5%. During the year ended 31 December 2019, the Company and China Meidong Auto (HK) Limited, a wholly owned subsidiary of the Group, became qualified as Hong Kong tax residents and are entitled to a reduced dividend withholding tax rate of 5%. Consequently, the Group reversed PRC dividend withholding tax of RMB4,500,000 in relation to declared dividend distribution out of earnings of PRC subsidiaries of RMB90,000,000 in 2018 with withholding tax previously recognised at a rate of 10%. During the year ended 31 December 2019, the Group also reversed deferred tax liabilities of RMB2,000,000 in relation to over-estimated PRC dividend of RMB20,000,000 in 2018 with withholding tax previously recognised at a rate of 10%.

(iii) In 2019, the PRC dividend withholding tax of RMB16,500,000 was provided against the declared dividend distribution out of earnings of PRC subsidiaries of RMB330,000,000. Accordingly, the Group recognised PRC withholding tax of RMB16,500,000 in income tax payables.

In 2018, the PRC dividend withholding tax of RMB11,000,000 was provided against the estimated dividend distribution out of earnings of PRC subsidiaries of RMB110,000,000, of which RMB90,000,000 was declared in December 2018. Accordingly, the Group recognised PRC withholding tax of RMB9,000,000 and RMB2,000,000 in income tax payables and deferred tax liabilities, respectively.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2019

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(note (i))* RMB'000	Total RMB'000
Executive directors							
Mr. Ye Fan	–	605	2,500	6	3,111	–	3,111
Mr. Ye Tao	–	2,418	2,020	–	4,438	302	4,740
Ms. Liu Xuehua (retired with effect from 25 March 2019)	–	331	511	–	842	162	1,004
Ms. Luo Liu Yu (appointed with effect from 25 March 2019)	–	166	717	4	887	385	1,272
Non-executive directors							
Mr. Wang Ju	90	–	–	–	90	1,083	1,173
Mr. Jip Ki Chi	149	–	–	–	149	1,083	1,232
Mr. Chen Gui Yi	90	–	–	–	90	1,083	1,173
	329	3,520	5,748	10	9,607	4,098	13,705

8 DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2018

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(note (i))* RMB'000	Total RMB'000
Executive directors							
Mr. Ye Fan	–	605	2,500	6	3,111	–	3,111
Mr. Ye Tao	–	2,418	2,020	–	4,438	1,021	5,459
Ms. Liu Xuehua	–	724	900	–	1,624	1,098	2,722
Non-executive directors							
Mr. Wang Ju	84	–	–	–	84	–	84
Mr. Jip Ki Chi	139	–	–	–	139	–	139
Mr. Chen Gui Yi	84	–	–	–	84	–	84
	307	3,747	5,420	6	9,480	2,119	11,599

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme adopted on 13 November 2013. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(q)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in report of the directors and note 24.

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: three) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other two (2018: two) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowance and benefits in kind	**949**	475
Share-based payments	**1,131**	407
	2,080	882

The emoluments of the two (2018: two) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK$		
Nil – 1,000,000	**—**	2
1,000,001–1,500,000	**2**	—

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB550,811,000 (2018: RMB362,929,000) and the weighted average of 1,155,404,000 ordinary shares in issue (2018: 1,149,529,000 shares) during the year ended 31 December 2019.

Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares at 1 January	**1,153,544,000**	1,100,630,000
Effect of exercise of share options (note 24)	**1,860,000**	1,163,000
Effect of exercise of warrants	**–**	47,736,000
Weighted average number of ordinary shares at 31 December	**1,155,404,000**	1,149,529,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB550,811,000 (2018: RMB362,929,000) and the weighted average of 1,165,210,000 ordinary shares (2018: 1,155,278,000 ordinary shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the year ended 31 December 2019.

Weighted average number of shares (diluted)

	2019	2018
Weighted average number of ordinary shares for the year ended 31 December	**1,155,404,000**	1,149,529,000
Effect of deemed issue of shares on the warrants	**–**	778,000
Effect of deemed issue of shares under the employee share option scheme (note 24)	**9,806,000**	4,971,000
Weighted average number of ordinary shares (diluted) at 31 December	**1,165,210,000**	1,155,278,000

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Passenger vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2018	461,997	110,625	107,677	113,222	73,410	11,691	878,622
Acquisition through business combinations	–	13,265	12,246	–	–	–	25,511
Additions	3,489	32,789	35,700	121,112	22,131	81,022	296,243
Transfer	53,613	24,837	2,065	–	–	(80,515)	–
Disposals	–	–	(1,088)	(78,658)	(1,351)	–	(81,097)
At 31 December 2018	519,099	181,516	156,600	155,676	94,190	12,198	1,119,279
At 1 January 2019	**519,099**	**181,516**	**156,600**	**155,676**	**94,190**	**12,198**	**1,119,279**
Additions	**–**	**60,287**	**22,228**	**168,698**	**28,285**	**110,787**	**390,285**
Transfer	**–**	**97,947**	**228**	**–**	**747**	**(98,922)**	**–**
Disposals	**–**	**–**	**(1,527)**	**(136,601)**	**(16,401)**	**–**	**(154,529)**
At 31 December 2019	**519,099**	**339,750**	**177,529**	**187,773**	**106,821**	**24,063**	**1,355,035**
Accumulated depreciation:							
At 1 January 2018	76,072	26,859	30,903	26,332	37,310	–	197,476
Charge for the year	19,502	11,947	12,816	39,406	10,974	–	94,645
Written back on disposals	–	–	(748)	(29,231)	(792)	–	(30,771)
At 31 December 2018	95,574	38,806	42,971	36,507	47,492	–	261,350
At 1 January 2019	**95,574**	**38,806**	**42,971**	**36,507**	**47,492**	**–**	**261,350**
Charge for the year	**19,916**	**22,921**	**13,097**	**41,791**	**15,382**	**–**	**113,107**
Written back on disposals	**–**	**–**	**(820)**	**(38,711)**	**(14,950)**	**–**	**(54,481)**
At 31 December 2019	**115,490**	**61,727**	**55,248**	**39,587**	**47,924**	**–**	**319,976**
Net book value:							
At 31 December 2019	**403,609**	**278,023**	**122,281**	**148,186**	**58,897**	**24,063**	**1,035,059**
At 31 December 2018	423,525	142,710	113,629	119,169	46,698	12,198	857,929

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's property, plant and equipment are located in the PRC.

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB259,109,000 as at 31 December 2019 (2018: RMB272,259,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2019.

Property, plant and equipment with net book value of RMB60,781,000 are pledged as security for bank loans (see note 21(b)(i)) as at 31 December 2019 (2018: RMB70,781,000).

12 RIGHT-OF-USE ASSETS

	Land use rights carried at cost (i) RMB'000	Properties and Land leased for own use carried at cost (ii) RMB'000	Total RMB'000
Cost:			
At 31 December 2018	—	—	—
Impact on initial application of HKFRS 16 (Note)	117,514	633,280	750,794
At 1 January 2019	117,514	633,280	750,794
Additions	—	139,799	139,799
At 31 December 2019	117,514	773,079	890,593
Accumulated amortisation:			
At 31 December 2018 and 1 January 2019	—	—	—
Charge for the year	(3,402)	(61,415)	(64,817)
At 31 December 2019	(3,402)	(61,415)	(64,817)
Net book value:			
At 31 December 2019	114,112	711,664	825,776

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

12 RIGHT-OF-USE ASSETS (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 RMB'000	2018 *(Note)* RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**3,402**	3,416
Properties and land leased for own use	**61,415**	—
	64,817	3,416
Interest on lease liabilities (note 6(a))	**53,440**	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 (note 6(c))	**9,705**	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**—**	66,234

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balance at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the land use rights which were previously included in lease prepayments is also identified as right-of-use assts. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

During the year, additions to right-of-use assets were RMB139,799,000. This amount was primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 20(d), 23 and 28(a), respectively.

12 RIGHT-OF-USE ASSETS (continued)

(i) Land use rights

Land in respect of land use rights are all located in the PRC with a lease period of 34–40 years when granted.

Land use rights with net book value of RMB83,870,000 are pledged as security for bank loans (see note 21(b)(i)) as at 31 December 2019 (2018: RMB86,502,000).

(ii) Properties and land leased for own use

The Group has obtained the right to use other properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 20 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

13 INTANGIBLE ASSETS

The Group

	Car dealership RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2018	16,350	2,820	19,170
Acquisition through business combination	56,697	—	56,697
Additions	—	5,583	5,583
At 31 December 2018	73,047	8,403	81,450
At 1 January 2019	73,047	8,403	81,450
Additions	—	245	245
At 31 December 2019	73,047	8,648	81,695
Accumulated amortisation:			
At 1 January 2018	(6,827)	(2,115)	(8,942)
Charge for the year	(2,002)	(1,231)	(3,233)
At 31 December 2018	(8,829)	(3,346)	(12,175)
At 1 January 2019	(8,829)	(3,346)	(12,175)
Charge for the year	(3,652)	(560)	(4,212)
At 31 December 2019	(12,481)	(3,906)	(16,387)
Net book value:			
At 31 December 2019	60,566	4,742	65,308
At 31 December 2018	64,218	5,057	69,275

The car dealership arise from the Group's relationship with automobile manufacturers, with an estimated useful life of 20 years. The fair value of the car dealership as at the acquisition date was determined by using the multiple-period excess earning method.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China MeiDong Auto International Limited ("**MeiDong International**") (中國美東汽車國際有限公司)	British Virgin Islands	100 shares of USD1 each	100%	100%	–	Investment holding
China Meidong Auto (HK) Limited ("**MeiDong HK**") (中國美東汽車(香港)有限公司)	Hong Kong	10,000 shares	100%	–	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. ("**Dongguan Meixin**") (東莞美信企業管理諮詢有限公司)	The PRC	RMB200,000,000	100%	–	100%	Investment holding
Beijing Zhongye Toyota Auto Sales and Services Co., Ltd. (北京中業豐田汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Dongguan Guanfeng Auto Co., Ltd. (東莞市冠豐汽車有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. (東莞市東部豐田汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. (東莞東美豐田汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Dongguan Dongxin Auto Sales and Services Co., Ltd. (東莞市東鑫汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Xiamen Meidong Auto Sales and Services Co., Ltd. (廈門美東汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd. (株洲市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd. (泉州美東豐田汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Heyuan Guanfenghang Auto Co., Ltd. (河源市冠豐行汽車有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Chengde Meibaohang Auto Sales and Services Co., Ltd. (承德美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Beijing Meibaohang Auto Sales and Services Co., Ltd. (北京美寶行汽車銷售服務有限公司)	The PRC	RMB50,000,000	70%	–	70%	Automobile dealership
Foshan Dongbao Auto Sales and Services Co., Ltd. (佛山東保汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Changsha Meidong Lexus Auto Sales and Services Co., Ltd. (長沙美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Dongguan Dongyue Used Vehicles Co., Ltd. (東莞市東粵二手車有限公司)	The PRC	RMB5,000,000	100%	–	100%	Used vehicle trading

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Changde Meibaohang Auto Sales and Services Co., Ltd. (常德市美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC	RMB52,000,000	100%	–	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Yueyang Meibaohang Auto Sales and Services Co., Ltd. (岳陽市美寶行汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Meidong Finance Lease Co., Ltd. (美東融資租賃有限公司)	The PRC	RMB68,880,000/ nil	100%	–	100%	Finance lease service
Jingdezhen Meibaohang Auto Sales and Services Co., Ltd. (景德鎮美寶行汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Xinyu Dongbu Toyota Auto Sales and Services Co., Ltd. (新余東部豐田汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Zhuhai Meidong Lexus Auto Sales and Services Co., Ltd. (珠海美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Huanggang Baoxinhang Auto Sales and Services Co., Ltd. (黃岡寶鑫行汽車銷售服務有限公司)	The PRC	RMB15,000,000	100%	–	100%	Automobile dealership
Foshan Meixin Lexus Auto Sales and Services Co., Ltd. (佛山美興雷克薩斯汽車銷售服務有限公司)	The PRC	RMB30,000,000	60%	–	60%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Yangjiang Meibaohang Auto Sales and Services Co., Ltd. (陽江美寶行汽車銷售服務有限公司)	The PRC	RMB15,000,000	100%	–	100%	Automobile dealership
Guangzhou Meibaohang Auto Sales and Services Co., Ltd. (廣州美寶行汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Beijing Huibaohang Auto Sales and Services Co., Ltd. (北京匯寶行汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Liuyang Meibaohang Auto Sales and Services Co., Ltd. (瀏陽美寶行汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Qingyuan Meidong Lexus Auto Sales and Services Co., Ltd. (清遠美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Zhuzhou Meidong Lexus Auto Sales and Services Co., Ltd. (株洲美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Jiujiang Dongbu Toyota Auto Sales and Services Co., Ltd. (九江東部豐田汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Yongzhou Meibaohang Auto Sales and Services Co., Ltd. (永州美寶行汽車銷售服務有限公司)	The PRC	RMB8,000,000	100%	–	100%	Automobile dealership
Shangrao Meibaohang Auto Sales and Services Co., Ltd. (上饒美寶行汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Dongguan Meiyue Auto Sales and Services Co., Ltd. (東莞美悅汽車銷售服務有限公司)	The PRC	RMB12,000,000	100%	–	100%	Automobile dealership
Yangjiang Meidong Lexus Auto Sales and Services Co., Ltd. (陽江美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Ganzhou Xinbao Auto Sales and Services Co., Ltd. (贛州鑫保汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Tangxia Meidong Lexus Auto Sales and Services Co., Ltd. ("**Tangxia Meidong**") (塘廈美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Doumen Meidong Lexus Auto Sales and Services Co., Ltd. ("**Doumen Meidong**") (斗門美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Langfang Guanbaohang Auto Sales and Services Co., Ltd. (廊坊冠寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Tongling Meibaohang Auto Sales and Services Co., Ltd. (銅陵美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Chizhou Meibaohang Auto Sales and Services Co., Ltd. (池州美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Huangshan Meibaohang Auto Sales and Services Co., Ltd. (黃山美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Suzhou Meibaohang Auto Sales and Services Co., Ltd. (宿州美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Meibaohang Auto Sales and Services Co., Ltd. ("**Dongguan Meibaohang**") (東莞美寶行汽車銷售服務有限公司)	The PRC	RMB30,000,000	100%	–	100%	Automobile dealership
Wuhan Xinbao Auto Sales and Services Co., Ltd. (武漢鑫保汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Nanchang Jubao Auto Sales and Services Co., Ltd. (南昌聚保汽車銷售服務有限公司)	The PRC	RMB50,000,000	100%	–	100%	Automobile dealership
Heyuan Guanao Auto Sales and Services Co., Ltd. (河源冠奧汽車銷售服務有限公司)	The PRC	RMB40,000,000	100%	–	100%	Automobile dealership
Bazhou Guanbaohang Auto Sales and Services Co., Ltd. (霸州冠寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Huaibei Meibaohang Auto Sales and Services Co., Ltd. (淮北美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Chuzhou Meibaohang Auto Sales and Services Co., Ltd. (滁州美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Bazhou Guanyue Auto Sales and Services Co., Ltd. (霸州市冠悦汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Hengyang Meidong Lexus Auto Sales and Services Co., Ltd. (衡陽美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Beijing Meidong Lexus Auto Sales and Services Co., Ltd. (北京美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB20,000,000	100%	–	100%	Automobile dealership
Jinan Jubao Auto Sales and Services Co., Ltd. (濟南聚保汽車銷售服務有限公司)	The PRC	RMB70,000,000	70%	–	70%	Automobile dealership
Xinyu Meibaohang Auto Sales and Services Co., Ltd. (新餘美寶行汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Shaoguan Meidong Lexus Auto Sales and Services Co., Ltd. (韶關美東雷克薩斯汽車銷售服務有限公司)	The PRC	RMB10,000,000	100%	–	100%	Automobile dealership
Guangzhou Dongbao Auto Sales and Services Co., Ltd. (廣州東保汽車銷售服務有限公司)	The PRC	RMB80,000,000/ 48,000,000	70%	–	70%	Automobile dealership

Note: Except for MeiDong International and MeiDong HK, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

15 INTEREST IN A JOINT VENTURE

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**55,140**	43,676

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of Joint venture	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Dongguan Meidong Automotive Service Co., Ltd. ("**Dongguan Meidong**")	Incorporated	The PRC	RMB 22,000,000	49%	–	49%	Automobile dealership

Dongguan Meidong is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Dongguan Meidong as a joint venture.

Dongguan Meidong, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

15 INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2019 RMB'000	2018 RMB'000 *(Note)*
Gross amounts of Dongguan Meidong's		
Current assets	190,646	156,342
Non-current assets	18,519	23,327
Current liabilities	(96,634)	(90,535)
Equity	(112,531)	(89,134)
Included in the above assets and liabilities:		
Cash and cash equivalents	110,467	83,362
Current financial liabilities (excluding trade and other payables and provisions)	(13,069)	(9,154)
Revenue	978,381	865,554
Profit and total comprehensive income	89,282	63,016
Profit distribution to Dongguan Meixin	32,284	24,615
Included in the above profit:		
Depreciation and amortisation	(3,197)	(2,957)
Interest income	1,042	686
Interest expense	(1)	(9)
Income tax expense	(30,030)	(21,028)
Reconciled to the Group's interest in Dongguan Meidong		
Gross amounts of Dongguan Meidong's net assets	112,531	89,134
Group's effective interest	49%	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	55,140	43,676

Note: The joint venture has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. At 1 January 2019, all of Dongguan Meidong's leases are short-term leases and leases of low-value assets, therefore Dongguan Meidong elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets.

16 OTHER NON-CURRENT ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments for property, plant and equipment, intangible assets and right-of-use assets	**49,859**	4,966
Long-term deposits and receivables	**54,361**	43,671
	104,220	48,637

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2019 RMB'000	2018 RMB'000
Motor vehicles	**431,954**	762,765
Others	**108,555**	76,091
	540,509	838,856

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	**14,509,226**	9,881,316
Write-down of inventories	**4,556**	2,744

Inventories with carrying amount of RMB148,872,000 have been pledged as security for loans and borrowings (see note 21(b)(i)) as at 31 December 2019 (2018: RMB329,553,000).

Inventories with carrying amount of RMB195,803,000 have been pledged as security for the bills payable (see note 22(b)) as at 31 December 2019 (2018: RMB363,331,000).

18 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	151,831	125,534
Prepayments	350,616	186,435
Other receivables and deposits	649,670	570,209
Amounts due from third parties	1,152,117	882,178
Amounts due from related parties (note 30(c))	6,698	7,005
Trade and other receivables	1,158,815	889,183

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Trade and other receivables with carrying amount of RMB149,671,000 have been pledged as security for loans and borrowings (see note 21(b)(i)) as at 31 December 2019 (2018: RMB158,163,000).

Trade and other receivables with carrying amount of RMB103,089,000 have been pledged as security for the bills payable (see note 22(b)) as at 31 December 2019 (2018: RMB27,486,000).

18 TRADE AND OTHER RECEIVABLES (continued)

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	**127,021**	109,360
1 to 2 months	**10,684**	7,687
2 to 3 months	**9,316**	2,301
Over 3 months	**4,810**	6,186
	151,831	125,534

Details on the Group's credit policy are set out in note 27(a).

19 PLEDGED BANK DEPOSITS

	2019 RMB'000	2018 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings (note 21(b)(i))	**48,774**	24,579
Restricted bank deposits pledged in respect of bills payable (note 22(b))	**912,955**	392,786
	961,729	417,365

The pledged bank deposits will be released upon the settlement of relevant loans and borrowings and bills payable.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Cash at bank and in hand	**1,123,892**	866,821

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2019 RMB'000	2018 RMB'000 *(Note)*
Profit before taxation		**757,411**	491,234
Adjustments for:			
— Depreciation of property, plant and equipment	6(c)	**113,107**	94,645
— Depreciation of right-of-use assets	6(c)	**64,817**	—
— Amortisation of lease prepayments	6(c)	**—**	3,416
— Amortisation of intangible assets	6(c)	**4,212**	3,233
— Net gain on disposal of property, plant and equipment	5	**(16,287)**	(18,219)
— Write down of inventories	6(c)	**4,556**	2,744
— Finance costs	6(a)	**123,161**	63,188
— Net gain on disposal of an associate	5	**—**	(13,194)
— Share of profits of a joint venture	15	**(43,748)**	(30,878)
— Interest income	5	**(10,964)**	(8,947)
— Equity settled share-based payment expenses	6(b)	**10,558**	6,068
— Net foreign exchange loss		**2,803**	8,930
— Net gain on bargain purchase	5	**—**	(31,273)
Changes in working capital:			
Decrease/(increase) in inventories		**293,791**	(165,776)
Increase in trade and other receivables		**(273,740)**	(301,302)
Increase in pledged bank deposits		**(520,169)**	(178,802)
Increase in trade and other payables		**588,226**	502,742
Decrease in other non-current assets		**(10,690)**	(8,618)
Cash generated from operations		**1,087,044**	419,191

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB60,040,000 were classified as operating activities in the consolidated cash flow statement for the year ended 31 December 2018. Under HKFRS 16, except for short-term lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 20(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings RMB'000 (Note 1)	Lease liabilities RMB'000 (Note 23)	Interest payables RMB'000 (Note 2)	Other payables due to a related party RMB'000 (Note 30(c))	Total RMB'000
At 31 December 2018	1,172,418	–	2,088	5,624	1,180,130
Impact on initial application of HKFRS 16 (Note 3)	–	713,688	–	–	713,688
At 1 January 2019	1,172,418	713,688	2,088	5,624	1,893,818
Changes from financing cash flows:					
Proceeds from loans and borrowings	2,627,571	–	–	–	2,627,571
Repayment of loans and borrowings	(2,691,085)	–	–	–	(2,691,085)
Repayment of advances from a related party	–	–	–	(50)	(50)
Capital element of lease rentals paid	–	(42,615)	–	–	(42,615)
Interest element of lease rentals paid	–	(53,440)	–	–	(53,440)
Interest paid	–	–	(67,215)	–	(67,215)
Total changes from financing cash flows	(63,514)	(96,055)	(67,215)	(50)	(226,834)
Exchange adjustments	2,803	–	–	–	2,803
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	139,799	–	–	139,799
Interest expenses (note 6(a))	–	53,440	69,721	–	123,161
Total other changes	–	193,239	69,721	–	262,960
At 31 December 2019	1,111,707	810,872	4,594	5,574	1,932,747

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

Note 1: Bank loans and other borrowings consist of bank loans and borrowings from other financial institutions and a related party as disclosed in note 21.

Note 2: Interest payables is recorded in trade and other payables as disclosed in note 22.

Note 3: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2(c) and note 20(b).

	Bank loans and other borrowings RMB'000 (Note 1)	Corporate bonds RMB'000	Interest payables RMB'000 (Note 2)	Other payables due to a related party RMB'000 (Note 30(c))	Total RMB'000
At 1 January 2018	724,959	91,905	3,916	5,055	825,835
Changes from financing cash flows:					
Proceeds from loans and borrowings	1,522,322	–	–	–	1,522,322
Repayment of loans and borrowings	(1,086,759)	–	–	–	(1,086,759)
Repayment of corporate bonds	–	(89,074)	–	–	(89,074)
Interest paid	–	–	(62,433)	–	(62,433)
Advances from related parties	–	–	–	569	569
Total changes from financing cash flows	435,563	(89,074)	(62,433)	569	284,625
Exchange adjustments	11,896	(2,865)	(101)	–	8,930
Other changes:					
Exercise of warrants by way of setting off corporate bonds	–	(2,448)	–	–	(2,448)
Interest expenses (note 6(a))	–	2,482	60,706	–	63,188
Total other changes	–	34	60,706	–	60,740
At 31 December 2018	1,172,418	–	2,088	5,624	1,180,130

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

Note 1: Bank loans and other borrowings consist of bank loans and borrowings from other financial institutions and a related party as disclosed in note 21.

Note 2: Interest payables is recorded in trade and other payables as disclosed in note 22.

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 (Note) RMB'000
Within operating cash flows	9,705	60,040
Within investing cash flows	31,493	23,402
Within financing cash flows	96,055	—
	137,253	83,442

Note: As explained in the note to note 20(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rentals paid	105,760	60,040
Purchase of lease prepayments	—	23,402
Prepayment for purchase of right-of-use assets	31,493	—
	137,253	83,442

21 LOANS AND BORROWINGS

(a) At 31 December 2019, loans and borrowings were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand (i)	**871,215**	1,028,868
After 1 year but within 2 years (i)	**86,332**	26,300
After 2 years but within 5 years (i)	**154,160**	117,250
	240,492	143,550
	1,111,707	1,172,418

(i) Loans and borrowings of RMB574,979,000 repayable within 1 year were guaranteed by related parties as at 31 December 2019 (2018: RMB634,300,000) (see note 30(d)).

Loans and borrowings of RMB86,332,000 repayable after 1 year but within 2 years were guaranteed by a related party as at 31 December 2019 (2018: RMB26,300,000) (see note 30(d)).

Loans and borrowings of RMB154,160,000 repayable after 2 years but within 5 years were guaranteed by a related party as at 31 December 2019 (2018: RMB117,250,000) (see note 30(d)).

21 LOANS AND BORROWINGS (continued)

(b) At 31 December 2019, loans and borrowings were secured as follows:

	2019 RMB'000	2018 RMB'000
Unsecured borrowings from other financial institutions	**5,528**	23,131
Unsecured borrowings from a related party (note 30(c))	**44,789**	43,810
	50,317	66,941
Secured bank loans (i)	**814,457**	665,633
Secured borrowings from other financial institutions (i)	**246,933**	439,844
	1,061,390	1,105,477
	1,111,707	1,172,418

(i) Loans and borrowings were secured by the following assets of the Group:

	2019 RMB'000	2018 RMB'000 (Note)
Inventories	**148,872**	329,553
Trade and other receivables	**149,671**	158,163
Property, plant and equipment	**60,781**	70,781
Lease prepayments	**—**	86,502
Right-of-use assets	**83,870**	—
Pledged bank deposits	**48,774**	24,579
	491,968	669,578

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

22 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables	151,503	120,316
Bills payable	1,211,847	783,603
	1,363,350	903,919
Contract liabilities (i)	552,777	481,367
Consideration payable (ii)	—	14,824
Other payables and accruals	208,025	143,274
Amounts due to third parties	2,124,152	1,543,384
Amounts due to related parties (note 30(c))	8,013	6,425
Trade and other payables	2,132,165	1,549,809

(i) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB322,721,000 (2018: RMB287,905,000).

(ii) Consideration payable represents payables due to a third party arising from a Group's business combination occurred in 2018.

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

22 TRADE AND OTHER PAYABLES (continued)

(b) Bills payable were secured by the following assets of the Group:

	2019 RMB'000	2018 RMB'000
Pledged bank deposits	912,955	392,786
Inventories	195,803	363,331
Trade and other receivables	103,089	27,486
	1,211,847	783,603

As at 31 December 2019, bills payable of RMB908,668,000 were guaranteed by a related party (2018: RMB656,256,000) (see note 30(d)).

(c) As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	1,326,106	850,096
After 3 months but within 6 months	37,244	53,823
	1,363,350	903,919

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	At 31 December 2019		At 1 January 2019 (Note)	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	84,694	87,350	79,945	82,266
After 1 year but within 2 years	82,777	91,390	67,654	74,636
After 2 years but within 5 years	228,608	288,607	189,943	239,850
After 5 years	414,793	774,970	376,146	717,393
	726,178	1,154,967	633,743	1,031,879
	810,872	1,242,317	713,688	1,114,145
Less: total future interest expenses		(431,445)		(400,457)
Present value of lease liabilities		810,872		713,688

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(i) Share options granted on 20 January 2014:

Pursuant to a resolution of the board of directors of the Company passed on 20 January 2014, 11,400,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua (retired with effect from 25 March 2019), the executive directors of the Company, respectively. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. The scheme became effective on 13 November 2013, unless otherwise cancelled or amended, will remain in force for ten years from that date.

During the year ended 31 December 2019, 2,900,000 options were exercised (2018: 2,640,000) at a subscription price of HK$1.8 per ordinary share for a total consideration of HK$5,220,000 (equivalent to RMB4,502,000) and consequently, HK$290,000 (equivalent to RMB250,000) and RMB5,937,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,685,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The number of options granted on 20 January 2014 outstanding at 31 December 2019 are 3,880,000 (2018: 6,780,000) which have an exercise price of HK$1.8 (2018: HK$1.8) and a remaining contractual life of 3.87 years (2018: 4.87 years).

(ii) Share options granted on 4 January 2018:

Pursuant to a resolution of the board of directors of the Company passed on 4 January 2018, 11,980,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,980,000 shares of the Company in aggregate with an exercise price of HK$2.58, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua (retired with effect from 25 March 2019), the executive directors of the Company, respectively. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 4 January 2018, 4 January 2019, 4 January 2020 and 4 January 2021, respectively, and be exercisable until 3 January 2028.

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(ii) Share options granted on 4 January 2018: (continued)

During the year ended 31 December 2019, 1,725,000 options were exercised (2018: nil) at a subscription price of HK$2.58 per ordinary share for a total consideration of HK$4,451,000 (equivalent to RMB4,008,000) and consequently, HK$172,500 (equivalent to RMB155,000) and RMB5,097,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,244,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The number of options granted on 4 January 2018 outstanding at 31 December 2019 are 9,825,000 (2018: 11,880,000) which have an exercise price of HK$2.58 (2018: HK$2.58) and a remaining contractual life of 8.01 years (2018: 9.01 years).

(iii) Share options granted on 18 July 2019:

Pursuant to a resolution of the board of directors of the Company passed on 18 July 2019, 9,700,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 9,700,000 shares of the Company in aggregate with an exercise price of HK$6.00, among which 230,000 share options were granted to Ms. Luo Liuyu (appointed as an executive director of the Company with effect from 25 March 2019) and 1,000,000 share options each were granted to Mr. Chen Guiyi, Mr. WANG Michael Chou, and Mr. JIP Ki Chi, the independent non-executive directors of the Company. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 18 July 2019, 18 July 2020, 18 July 2021 and 18 July 2022, respectively, and be exercisable until 17 July 2029.

None of the options granted on 18 July 2019 were exercised during the year ended 31 December 2019. The number of options granted on 18 July 2019 outstanding at 31 December 2019 are 9,640,000 which have an exercise price of HK$6.00 and a remaining contractual life of 9.54 years.

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) The term and conditions of the grants are as follows:

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
—On 20 January 2014	4,150,000	25% on 1 January 2015	9.82 years
		25% on 1 January 2016	
		25% on 1 January 2017	
		25% on 1 January 2018	
—On 4 January 2018	4,150,000	25% on 4 January 2018	10.00 years
		25% on 4 January 2019	
		25% on 4 January 2020	
		25% on 4 January 2021	
—On 18 July 2019	3,230,000	25% on 18 July 2019	10.00 years
		25% on 18 July 2020	
		25% on 18 July 2021	
		25% on 18 July 2022	
Options granted to employees:			
—On 20 January 2014	7,250,000	25% on 1 January 2015	9.82 years
		25% on 1 January 2016	
		25% on 1 January 2017	
		25% on 1 January 2018	
—On 4 January 2018	7,830,000	25% on 4 January 2018	10.00 years
		25% on 4 January 2019	
		25% on 4 January 2020	
		25% on 4 January 2021	
—On 18 July 2019	6,470,000	25% on 18 July 2019	10.00 years
		25% on 18 July 2020	
		25% on 18 July 2021	
		25% on 18 July 2022	
Total share options granted	33,080,000		

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2019		2018	
	Exercise price	Number of options	Exercise price	Number of options
Outstanding at the beginning of the year	HK$2.30	18,660,000	HK$1.80	9,470,000
Exercised during the year	HK$2.09	(4,625,000)	HK$1.80	(2,640,000)
Forfeited during the year	HK$3.11	(390,000)	HK$2.32	(150,000)
Granted during the year	HK$6.00	9,700,000	HK$2.58	11,980,000
Outstanding at the end of the year	HK$3.86	23,345,000	HK$2.30	18,660,000
Exercisable at the end of the year	HK$3.08	10,365,000	HK$2.04	9,750,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$6.11 (2018: HK$3.37).

The options outstanding at 31 December 2019 has an exercise price of HK$1.80, HK$2.58 or HK$6.00 (2018: HK$1.80 or HK$2.58) and a weighted average remaining contractual life of 7.95 years (2018: 7.51 years).

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measure based on a binomial option-pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option-pricing model.

Fair value of share options and assumptions

	Share options granted on 20 January 2014	Share options granted on 4 January 2018	Share options granted on 18 July 2019
Fair value at measurement date (expressed as weighted average fair value under binomial option-pricing model)	HK$0.75	HK$0.87	HK$2.35
Share price	HK$1.63	HK$2.48	HK$5.71
Exercise price	HK$1.80	HK$2.58	HK$6.00
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option-pricing model)	54.34%	48.08%	47.47%
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	9.82 years	10.00 years	10.00 years
Expected dividends	2.02%	5.75%	2.38%
Risk-free interest rate (based on HKMA Hong Kong Exchange Fund Notes)	2.23%	1.85%	1.56%

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Fair value of share options and assumptions: (continued)

Fair value of share options and assumptions (continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the historical earning per share and management's estimation of dividend payment. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2019 RMB'000	2018 RMB'000
At the beginning of the year	**37,317**	30,212
Provision for current income tax for the year	**211,179**	138,690
Payment during the year	**(156,369)**	(131,585)
At the end of the year	**92,127**	37,317

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment arising from business combinations RMB'000	Depreciation charge of right-of-use assets RMB'000	Unused tax losses RMB'000	Accruals RMB'000	Inventory provision RMB'000	PRC dividend withholding tax RMB'000	Others RMB'000	Total RMB'000
Deferred tax (liabilities)/assets arising from:								
At 1 January 2018	(2,514)	–	2,532	9,385	1,246	–	(611)	10,038
Arising from business combinations	(10,424)	–	–	–	–	–	–	(10,424)
Credited/(charged) to profit or loss (note 7(a))	404	–	7,743	4,443	(560)	(2,000)	880	10,910
At 31 December 2018	(12,534)	–	10,275	13,828	686	(2,000)	269	10,524
Impact on initial application of HKFRS 16 (Note)	**–**	**23,952**	**–**	**–**	**–**	**–**	**–**	**23,952**
At 1 January 2019	**(12,534)**	**23,952**	**10,275**	**13,828**	**686**	**(2,000)**	**269**	**34,476**
Credited/(charged) to profit or loss (note 7(a))	**749**	**6,809**	**427**	**942**	**453**	**2,000**	**(85)**	**11,295**
At 31 December 2019	**(11,785)**	**30,761**	**10,702**	**14,770**	**1,139**	**–**	**184**	**45,771**

Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years, which are progressing to their normal operating stage and are expected to derive profits in the foreseeable future. Accordingly, it is considered probable that sufficient taxable profits will be available to utilise their unused tax losses before they expire.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to consolidated statement of financial position:

The Group

	2019 RMB'000	2018 RMB'000
Representing:		
Net deferred tax assets	**54,472**	25,260
Net deferred tax liabilities	**(8,701)**	(14,736)
	45,771	10,524

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB23,888,000 (2018: RMB27,301,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The PRC deductible tax losses in PRC expire within 5 years from the year when such losses were incurred. The tax losses incurred by MeiDong HK do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

The Corporate Income Tax Law of the PRC and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. During the year ended 31 December 2019, the Group is entitled to the reduced withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2019 in respect of undistributed earnings of RMB1,291,140,000 (2018: RMB1,095,781,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2018	86,585	239,591	986	16,375	(146,117)	197,420
Profit and total comprehensive income for the year	–	–	–	–	66,781	66,781
Dividends declared and paid (note 26(b))	–	(149,038)	–	–	–	(149,038)
Equity settled share-based transactions (note 24)	–	–	–	6,068	–	6,068
Issue of ordinary shares upon exercise of share options (note 24)	221	5,273	–	(1,533)	–	3,961
Issue of ordinary shares upon exercise of warrants	4,172	100,987	–	(10,494)	–	94,665
Balance at 31 December 2018	90,978	196,813	986	10,416	(79,336)	219,857
Balance at 1 January 2019	**90,978**	**196,813**	**986**	**10,416**	**(79,336)**	**219,857**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**283,829**	**283,829**
Dividends declared and paid (note 26(b))	**–**	**(168,805)**	**–**	**–**	**–**	**(168,805)**
Equity settled share-based transactions (note 24)	**–**	**–**	**–**	**10,558**	**–**	**10,558**
Issue of ordinary shares upon exercise of share options (note 24)	**405**	**11,034**	**–**	**(2,929)**	**–**	**8,510**
Balance at 31 December 2019	**91,383**	**39,042**	**986**	**18,045**	**204,493**	**353,949**

Note: The Group, including the Company, has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See notes 2(c) and 31.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2019 RMB'000	2018 RMB'000
Interim dividend for the year, approved and paid during the year, of RMB0.061 per ordinary share (2018: RMB0.041 per ordinary share)	**70,648**	47,259

	2019 RMB'000	2018 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.2 per ordinary share (2018: RMB0.0849 per ordinary share)	**232,049**	97,936

The final dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.0849 per ordinary share (2018: RMB0.0883 per ordinary share)	**98,157**	101,779

(iii) Other dividends

During the year ended 31 December 2019, subsidiaries of the Group declared and paid dividends of RMB5,821,000 (2018: RMB16,152,000) in cash to non-controlling interests.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

The share capital of the Group as at 31 December 2019 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

	Note	Par value	2019		2018	
		HK$	Number of shares (thousand)	Nominal value of ordinary shares HK$'000	Number of shares (thousand)	Nominal value of ordinary shares HK$'000
At 31 December	(i)	0.1	**20,000,000**	**2,000,000**	20,000,000	2,000,000

Ordinary shares, issued and fully paid:

	Note	Number of ordinary shares (thousand)	Nominal value of ordinary shares HK$ ('000)
At 1 January 2018		1,100,630	110,063
Issue of ordinary shares upon exercise of warrants		50,274	5,027
Issue of ordinary shares upon exercise of share options	24	2,640	264
At 31 December 2018 and 1 January 2019		1,153,544	115,354
Issue of ordinary shares upon exercise of share options	24	4,625	463
At 31 December 2019		1,158,169	115,817
RMB equivalent ('000) at 31 December 2019			91,383
RMB equivalent ('000) at 31 December 2018			90,978

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(i) Authorised share capital

The Company was incorporated on 24 February 2012 with an authorised share capital of HK$10,000,000 divided into 100,000,000 ordinary shares of HK$0.1 each. Pursuant to a resolution dated 16 October 2013 passed by its sole shareholder, Apex Sail, the authorised share capital of the Company was increased from HK$10,000,000 to HK$2,000,000,000 by the creation of 19,900,000,000 new share of HK$0.1 each.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the share premium of the Company.

(iii) Capital reserves

Capital reserve comprises the following:

- contributions by the Controlling Shareholder at the respective dates;
- balances arising from transactions with owners in their capacity as the equity owners; and
- the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(iii).

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(iv) PRC statutory reserve

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity shareholders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as loans and borrowings, bills payable and lease liabilities plus unaccrued proposed dividends, less pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 0.59 to 1.21 on 1 January 2019 when compared to its position as at 31 December 2018.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

Considering the impact of the application of HKFRS 16, during 2019, the Group reassessed the range and maintained the adjusted net debt-to-capital ratio at the range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	Note	The Group 31 December 2019 RMB'000	 1 January 2019 *(Note)* RMB'000	 31 December 2018 *(Note)* RMB'000
Current liabilities:				
Loans and borrowings	21	871,215	1,028,868	1,028,868
Bills payable	22	1,211,847	783,603	783,603
Lease liabilities	23	84,694	79,945	—
		2,167,756	1,892,416	1,812,471
Non-current liabilities:				
Loans and borrowings	21	240,492	143,550	143,550
Lease liabilities	23	726,178	633,743	—
Total debts		3,134,426	2,669,709	1,956,021
Add: Proposed dividends	26(b)	232,049	97,936	97,936
Less: Pledged bank deposits	19	(961,729)	(417,365)	(417,365)
Cash and cash equivalents	20(a)	(1,123,892)	(866,821)	(866,821)
Adjusted net debts		1,280,854	1,483,459	769,771
Total equity		1,769,348	1,328,379	1,400,236
Less: Proposed dividends	26(b)	(232,049)	(97,936)	(97,936)
Adjusted capital		1,537,299	1,230,443	1,302,300
Adjusted net debt-to-capital ratio		0.83	1.21	0.59

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2(c).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits, time deposits and trade and other receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and time deposits are limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade receivables

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, insurance commission receivables from insurance companies and warranty receivables from automobile manufacturers. The mortgage is normally settled within one month directly by major financial institutions. While for the receivables from insurance companies and automobile manufacturers, risk of default is considered low, as these are either reputable companies or with good credit rating. Based on past experience, the Group was of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, 59% (2018: 51%) and 25% (2018: 20%) of the total trade receivables were due from the Group's five largest debtors and the largest single debtor respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2019.

Prepayments and other receivables and deposits

Credit risk in respect of prepayments and other receivables and deposits is limited since the counterparties are mainly reputable automobile manufacturers.

The Group measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2019.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	918,003	99,450	162,437	–	1,179,890	1,111,707
Trade and other payables	2,132,165	–	–	–	2,132,165	2,132,165
Lease liabilities (Note)	87,350	91,390	288,607	774,970	1,242,317	810,872
	3,137,518	190,840	451,044	774,970	4,554,372	4,054,744

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	At 31 December 2018				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	1,035,597	56,584	124,851	1,217,032	1,172,418
Trade and other payables	1,549,809	–	–	1,549,809	1,549,809
	2,585,406	56,584	124,851	2,766,841	2,722,227

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2(c).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits and interest-bearing borrowings. These financial instruments issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

Cash at bank, pledged bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank and pledged bank deposits are with fixed interest rates ranging from 0.30% to 3.00% per annum as at 31 December 2019 (2018: 0.30% to 3.00%).

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

The Group's interest-bearing borrowings and interest rates at the end of the reporting period are set out as follows:

	2019 Effective interest rate %	2019 RMB'000	2018 Effective interest rate %	2018 RMB'000
Fixed rate borrowings				
Bank loans	**3.27–6.18**	**192,060**	3.27–5.22	75,000
Borrowings from a related party	**6.00**	**44,789**	6.00	43,810
Lease liabilities (Note)	**6.42–7.05**	**810,872**	N/A	–
		1,047,721		118,810
Variable rate borrowings				
Bank loans	**3.26–7.83**	**622,397**	3.26–7.83	590,633
Borrowings from other financial institutions	**4.70–8.50**	**252,461**	4.70–9.25	462,975
		874,858		1,053,608
		1,922,579		1,172,418

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2(c).

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the reporting period for 2018.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax and retained profits for the year RMB'000
At 31 December 2019		
Basis points	**100**	**(7,129)**
Basis points	**(100)**	**7,129**
At 31 December 2018		
Basis points	100	(8,307)
Basis points	(100)	8,307

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through financing activities which give rise to cash and cash equivalents and loans and borrowings that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to the risk is primarily Hong Kong dollars.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in Renminbi)			
	2019		2018	
	Hong Kong Dollars RMB'000	**United States Dollars RMB'000**	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Cash and cash equivalents	**243,985**	**18**	85,385	17
Loans and borrowings	**(160,748)**	**–**	(205,907)	–
Net exposure arising from recognised assets and liabilities	**83,237**	**18**	(120,522)	17

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019		2018	
	Increase/ (decrease) in foreign exchange rate	**(Decrease)/ increase in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rate	(Decrease)/ increase in profit after tax and retained profits RMB'000
Hong Kong Dollars	**5%**	**4,162**	5%	(6,026)
	(5)%	**(4,162)**	(5)%	6,026
United States Dollars	**5%**	**1**	5%	1
	(5)%	**(1)**	(5)%	(1)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

(e) Fair value measurement

At 31 December 2019 and 31 December 2018, All of the Group's financial instruments were carried at cost or amortised cost not materially different from their fair value.

28 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2019 not provided for in the consolidated financial statements were as follows:

	The Group	
	2019	2018
	RMB'000	RMB'000
Contracted for	**143,022**	46,788
Authorised but not contracted for	**5,470**	2,520
	148,492	49,308

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases of buildings and lands are payable as follows:

	The Group
	Properties and other assets
	RMB'000
Within 1 year	53,069
After 1 year but within 5 years	172,022
After 5 years	412,677
	637,768

The Group is the lessee in respect of a number of properties and land held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(i), and the details regarding the Group's future lease payments are disclosed in note 23.

29 CONTINGENT LIABILITIES

As at 31 December 2019, one subsidiary of the Group issued financial guarantee to a financial institution in respect of financial facilities granted to Dongguan Meidong amounting to RMB80,000,000 (2018: RMB80,000,000) and the financial facilities utilised by Dongguan Meidong amounted to RMB13,069,000 (2018: RMB9,154,000) as at 31 December 2019 (see note 30(e)).

As at 31 December 2019 and 2018, the directors do not consider it probable that a claim will be made under the above guarantees taking into account the financial performance of the related parties.

30 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, the directors are of the view that the following companies are related parties of the Group:

Name of party	**Relationship**
Ye Fan 葉帆	Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Guangdong Dadong Automotive Group Co., Ltd. (“**Dadong Group**”) 廣東大東汽車集團有限公司	Controlled by the Controlling Shareholder
Dongguan Meidong 東莞美東汽車服務有限公司	Joint venture
Apex Sail	Immediate parent company

Notes: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Recurring transactions

	2019 RMB'000	2018 RMB'000
Short-term rental expense:		
Dadong Group	**2,340**	2,340
Management service income:		
Dongguan Meidong	**11,564**	9,767

The Company's directors are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business.

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Non-recurring transactions

	2019 RMB'000	2018 RMB'000
Sales of passenger vehicles:		
Dongguan Meidong	**7,238**	15,035
Purchases of passenger vehicles:		
Dongguan Meidong	**14,281**	17,475
Advance from a related party:		
Ye Fan	**–**	569
Repayment of advance from a related party:		
Ye Fan	**50**	–
Loans and borrowing from a related party:		
Apex Sail (i)	**–**	16,172
Repayment of loans and borrowing from related parties:		
Apex Sail (ii)	**–**	8,184

(i) During the year ended 31 December 2018, unsecured loans and borrowings of HK$20,000,000 with one year maturity period was borrowed by the Company from Apex Sail, which bears an annual interest rate at 6%. As at 31 December 2018, the Company had unsecured loans and borrowings of HK$20,000,000 and HK$30,000,000 borrowed from Apex sail, which were matured on 28 February 2019 and 10 November 2019, respectively. During the year ended 31 December 2019, the Company signed agreements with Apex Sail to extend the respective maturity date of these loans and borrowings at same terms for another year.

(ii) During the year ended 31 December 2018, unsecured loans and borrowings of HK$10,000,000 with one year maturity period was repaid by the Group to Apex Sail, which bears an annual interest rate at 6%.

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

At 31 December 2019, the Group had the following balances with related parties:

	2019 RMB'000	2018 RMB'000
Other receivables due from:		
Dongguan Meidong	**6,698**	7,005
Other payables due to:		
Dadong Group	**684**	684
Ye Fan	**5,574**	5,624
Dongguan Meidong	**1,755**	117
	8,013	6,425
Loans and borrowings due to:		
Apex Sail	**44,789**	43,810

Except for loans and borrowings due to Apex Sail, the amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Guarantees and securities issued by related parties

	At 31 December 2019 RMB'000	At 31 December 2018 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
— Ye Fan (i)	**798,371**	763,750
— Dadong Group (ii)	**17,100**	14,100
	815,471	777,850
Guarantees issued by a related party in respect of bills issued by the Group:		
—Ye Fan (iii)	**908,668**	656,256

(i) Loans and borrowings of RMB798,371,000 as at 31 December 2019 (31 December 2018: RMB763,750,000) were guaranteed by Mr. Ye Fan.

(ii) Loans and borrowings of RMB17,100,000 as at 31 December 2019 (31 December 2018: RMB14,100,000) were guaranteed by Dadong Group.

(iii) Bills payable of RMB908,668,000 as at 31 December 2019 (31 December 2018: RMB656,256,000) were guaranteed by Mr. Ye Fan.

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) Guarantees issued by the Group

	2019 RMB'000	2018 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to related parties:		
— Dongguan Meidong	**80,000**	80,000

(f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**13,459**	11,582
Equity compensation benefits	**5,246**	3,393
	18,705	14,975

Total remuneration is included in staff costs (see note 6(b)).

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expense and financial assistance as disclosed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

The related party transactions in respect of management service income as disclosed above do not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019	31 December 2018 (Note)
Non-current assets			
Interests in a subsidiary		**304,725**	304,725
Long-term receivables		**30,718**	30,718
		335,443	335,443
Current assets			
Other receivables		**316,963**	89,287
Cash and cash equivalents		**201,926**	48,537
		518,889	137,824
Current liabilities			
Other payables		**255,398**	73,789
Loans and borrowings		**244,985**	179,621
		500,383	253,410
Net current assets/(liabilities)		**18,506**	(115,586)
Total assets less current liabilities		**353,949**	219,857
NET ASSETS		**353,949**	219,857
EQUITY	26		
Share capital		**91,383**	90,978
Reserves		**262,566**	128,879
TOTAL EQUITY		**353,949**	219,857

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019.

32 NON-ADJUSTING EVENTS THE REPORTING PERIOD

(a) Equity settled share-based transaction

Pursuant to a resolution of the board of directors of the Company passed on 16 January 2020, 1,940,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 1,940,000 shares of the Company with an exercise price of HK$10.80 each.

Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. 25% each of these share options will vest on 16 January 2020, 16 January 2021, 16 January 2022, and 16 January 2023, respectively, and they are exercisable until 15 January 2030.

(b) Disposal of interests in subsidiaries without change in control

Pursuant to certain share purchase agreements with a third party, Dongguan Meixin, a wholly owned subsidiary of the Group, disposed 31%, 30% and 29% equity interests in three subsidiaries, namely Tangxia Meidong, Dongguan Meibaohang and Doumen Meidong respectively to a third party with the consideration of RMB6,200,000, RMB2,900,000 and RMB9,000,000, respectively, in January 2020. The disposals of equity interests do not result in the Group's change in control of those subsidiaries.

(c) Final dividend

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 26(b).

(d) Impact of Coronavirus

The wide spread of the novel Coronavirus in China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future. As at the date of this announcement, the Group was not aware of material adverse effects on the financial statements as a result of the novel Coronavirus outbreak.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2019, the directors consider the immediate parent of the Group to be Apex Sail, which is incorporated under the laws of the British Virgin Islands, and the ultimate controlling party of the Group to be Mr. Ye Fan.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest rate benchmark reform*	1 January 2020
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
HKAFRS 17, *Insurance contracts*	1 January 2021
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	4,807,980	6,263,322	7,682,714	11,067,424	**16,210,019**
Profit before taxation	146,587	218,209	377,718	491,234	**757,411**
Taxation	(40,535)	(61,243)	(98,967)	(127,780)	**(199,884)**
Profit for the year	106,052	156,966	278,751	363,454	**557,527**
Profit attributable to equity shareholders of the Company	102,163	152,057	275,787	362,929	**550,811**
Non-controlling interests	3,889	4,909	2,964	525	**6,716**
Profit for the year	106,052	156,966	278,751	363,454	**557,527**
Earnings per share					
Basic (RMB cents)	9.69	13.97	25.26	31.57	**47.67**
Diluted (RMB cents)	9.69	13.97	25.23	31.41	**47.27**

ASSETS AND LIABILITIES

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Total Assets	2,378,716	2,591,868	2,973,609	4,174,516	**5,924,920**
Total Liabilities	(1,585,063)	(1,689,578)	(1,879,994)	(2,774,280)	**(4,155,572)**
	793,653	902,290	1,093,615	1,400,236	**1,769,348**
Equity attributable to equity shareholders of the Company	764,756	864,484	1,055,557	1,379,420	**1,711,587**
Non-controlling interests	28,897	37,806	38,058	20,816	**57,761**
Total Equity	793,653	902,290	1,093,615	1,400,236	**1,769,348**