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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1268)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 increased by 30.4% to RMB4,346.7 million as compared to the same period of 2017. The revenue of passenger vehicles sales and revenue of after sales grew by 29.1% and 40.2% respectively.
- Gross profit for the six months ended 30 June 2018 increased by 27.8% to RMB474.6 million as compared to the same period of 2017 with a gross margin of 10.9%.
- Profit attributable to shareholders for the six months ended 30 June 2018 increased by 46.1% to RMB157.6 million as compared to the same period of 2017.
- The net profit margin increased by 0.4 percentage points to 3.7%.
- Proposed interim dividend of RMB0.041 per ordinary share, representing a dividend payout ratio of 30%.

RESULTS

The board of directors (the "Board") of China MeiDong Auto Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018 — unaudited

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**4,346,746**	3,332,259
Cost of sales	*5*	**(3,872,115)**	(2,960,979)
Gross profit		**474,631**	371,280
Other income	*4*	**68,506**	32,671
Distribution costs		**(169,218)**	(125,883)
Administrative expenses		**(142,999)**	(112,349)
Profit from operations		**230,920**	165,719
Finance costs	*5(a)*	**(26,725)**	(28,634)
Share of profits of an associate		**—**	87
Share of profits of a joint venture		**12,950**	12,471
Profit before taxation	*5*	**217,145**	149,643
Income tax	*6*	**(56,500)**	(40,895)
Profit for the period		**160,645**	108,748
Other comprehensive income for the period		**—**	—
Profit and total comprehensive income for the period		**160,645**	108,748
Profit and total comprehensive income attributable to:			
Equity shareholders of the Company		**157,586**	107,940
Non-controlling interests		**3,059**	808
Profit and total comprehensive income for the period		**160,645**	108,748
Earnings per share	*7*		
Basic (RMB cents)		**13.75**	9.92
Diluted (RMB cents)		**13.67**	9.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 — unaudited

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	8	**764,762**	681,146
Lease prepayments		**119,284**	97,528
Intangible assets		**14,305**	10,228
Interest in an associate		**—**	19,153
Interest in a joint venture		**50,363**	37,413
Other non-current assets		**45,828**	48,392
Deferred tax assets		**17,126**	12,887
		1,011,668	906,747
Current assets			
Inventories	9	**746,651**	673,129
Trade and other receivables	10	**667,894**	583,983
Pledged bank deposits	11	**207,466**	264,543
Cash and cash equivalents	12	**611,774**	545,207
		2,233,785	2,066,862
Current liabilities			
Loans and borrowings	13	**793,924**	674,282
Trade and other payables	14	**1,061,730**	1,030,069
Corporate bonds	15	**—**	91,905
Income tax payables		**21,184**	30,212
		1,876,838	1,826,468
Net current assets		**356,947**	240,394
Total assets less current liabilities		**1,368,615**	1,147,141

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current liabilities			
Loans and borrowings	*13*	**105,993**	50,677
Deferred tax liabilities		**4,475**	2,849
		110,468	53,526
NET ASSETS		**1,258,147**	1,093,615
EQUITY	*16*		
Share capital		**90,899**	86,585
Reserves		**1,129,545**	968,972
Total equity attributable to equity shareholders of the Company		**1,220,444**	1,055,557
Non-controlling interests		**37,703**	38,058
TOTAL EQUITY		**1,258,147**	1,093,615

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 20 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any change in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 and HK (IFRIC) 22 do not have a material effect on how the Group's results and financial position for the current or prior period have been prepared or presented in this interim financial report.

The Group has been impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 15. Under the transition methods chosen, the Group recognises the cumulative effects of the initial application of HKFRS 15 as an adjustment to the opening statement of financial position at 1 January 2018. Comparative information is not restated.

(b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method. Comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Presentation of contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

— "Receipts in advance" amounting to RMB328,939,000 as at 1 January 2018, which was mainly related to sales of passenger vehicles and after-sales services previously included in trade and other payables is now presented as Contract liabilities.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Sales of passenger vehicles	**3,779,495**	2,927,564
After-sales services	**567,251**	404,695
	4,346,746	3,332,259

(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.

4 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Commission income	**31,043**	20,343
Bank interest income	**4,519**	1,104
Management service income	**3,733**	—
Net gain on disposal of an associate	**13,194**	—
Net gain on disposal of property, plant and equipment	**14,114**	6,398
Net foreign exchange (loss)/gain	**(745)**	4,503
Others	**2,648**	323
	68,506	32,671

5 PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
(a) Finance costs:			
Interest on:			
— loans and borrowings		**16,214**	14,695
— corporate bonds		**3,746**	10,418
Total borrowing cost		**19,960**	25,113
Other finance costs	*(i)*	**6,765**	3,521
Total finance costs		**26,725**	28,634
(b) Staff costs:			
Salaries, wages and other benefits		**177,569**	142,154
Equity settled share-based payment expenses	*(ii)*	**4,029**	172
Contributions to defined contribution retirement plans	*(iii)*	**7,208**	6,747
		188,806	149,073
(c) Other items:			
Cost of inventories		**3,818,186**	2,918,040
Write down of inventories		**4,914**	8,293
Depreciation		**46,417**	31,755
Amortisation of lease prepayments		**1,646**	1,474
Amortisation of intangible assets		**1,368**	1,116
Operating lease charges		**28,108**	19,207
Net foreign exchange loss/(gain)		**745**	(4,503)

(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 RMB4,029,000 for the six months ended 30 June 2018 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (six months ended 30 June 2017: RMB172,000) (see note 16(b)).

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

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

6 INCOME TAX

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Current tax:		
Provision for PRC income tax for the period	**59,113**	40,005
Deferred tax:		
Origination and reversal of temporary differences	**(2,613)**	890
	56,500	40,895

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

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

Under the Corporate Income Tax Law of the PRC which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate.

Taxation for the Group's PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to equity shareholders of the Company of RMB157,586,000 (six months ended 30 June 2017: RMB107,940,000) and the weighted average of 1,146,259,000 ordinary shares in issue (six months ended 30 June 2017: 1,088,130,000 ordinary shares) during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
Issued ordinary shares at 1 January	**1,100,630,000**	1,088,130,000
Effect of exercise of warrants	**45,157,000**	—
Effect of exercise of share options	**472,000**	—
Weighted average number of ordinary shares at 30 June	**1,146,259,000**	1,088,130,000

(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 RMB157,586,000 (six months ended 30 June 2017: RMB107,940,000) and the weighted average of 1,152,455,000 ordinary shares (six months ended 30 June 2017: 1,088,130,000 ordinary shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme and warrants during the period ended 30 June 2018.

Weighted average number of shares (diluted)

	Six months ended 30 June	
	2018	2017
Weighted average number of ordinary shares for the period ended 30 June	**1,146,259,000**	1,088,130,000
Effect of deemed issue of shares under the employee share option scheme	**4,737,000**	—
Effect of deemed issue of shares on warrants	**1,459,000**	—
Weighted average number of ordinary shares at 30 June	**1,152,455,000**	1,088,130,000

The impact of share options and warrants to earnings per share was anti-dilutive for the period ended 30 June 2017 and therefore there were no dilutive potential ordinary shares during the period, as a result, the diluted earnings per share is equivalent to the basic earnings per share for the period ended 30 June 2017.

8 PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Net book value, at 1 January	**681,146**	621,525
Additions	**145,431**	167,482
Disposals	**(34,714)**	(62,350)
Depreciation charge for the period/year	**(46,417)**	(69,048)
Written back on disposals	**19,316**	23,537
At 30 June/31 December	**764,762**	681,146

9 INVENTORIES

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Motor vehicles	**679,467**	622,802
Others	**67,184**	50,327
	746,651	673,129

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

	Six months ended 30 June 2018 *RMB'000*	2017 *RMB'000*
Carrying amount of inventories sold	**3,818,186**	2,918,040
Write down of inventories	**4,914**	8,293
	3,823,100	2,926,333

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 month	**69,857**	72,994
1 to 2 months	**9,150**	3,348
2 to 3 months	**1,417**	340
Over 3 months	**5,304**	4,501
Trade debtors	**85,728**	81,183
Prepayments	**180,005**	134,017
Other receivables and deposits	**390,381**	354,551
Amounts due from third parties	**656,114**	569,751
Amounts due from related parties	**11,780**	14,232
Trade and other receivables	**667,894**	583,983

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

11 PLEDGED BANK DEPOSITS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Restricted bank deposits pledged in respect of loans and borrowings	**27,301**	50,559
Restricted bank deposits pledged in respect of bills payable	**180,165**	213,984
	207,466	264,543

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

12 CASH AND CASH EQUIVALENTS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Cash at banks and in hand	**611,774**	545,207

13 LOANS AND BORROWINGS

(a) At 30 June 2018, loans and borrowings were repayable as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 year or on demand	**793,924**	674,282
After 1 year but within 2 years	**55,593**	50,677
After 2 years but within 5 years	**50,400**	—
	105,993	50,677
	899,917	724,959

(b) At 30 June 2018, loans and borrowings were secured as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Unsecured bank loans	**3,528**	—
Unsecured borrowings from other financial institutions	**38,548**	17,371
Unsecured borrowings from a related party	**42,155**	33,436
	84,231	50,807
Secured bank loans	**476,995**	358,984
Secured borrowings from other financial institutions	**338,691**	315,168
	815,686	674,152
	899,917	724,959

14 TRADE AND OTHER PAYABLES

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 3 months	**528,076**	516,386
Over 3 months but within 6 months	**55,107**	44,015
Total trade payables and bills payable	**583,183**	560,401
Receipts in advance	**—**	328,939
Contract liabilities	**357,672**	—
Other payables and accruals	**114,038**	134,990
Amounts due to third parties	**1,054,893**	1,024,330
Amounts due to related parties	**6,837**	5,739
Trade and other payables	**1,061,730**	1,030,069

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

15 CORPORATE BONDS

On 9 March 2015, the Company issued bonds in the aggregate principal amount of HK$101,400,000 and warrants (see note 16(c)) to certain third parties. The fair value of the bonds amounting to RMB67,126,000 was estimated at the issuance date using the Discounted Cashflow Method.

According to the terms and conditions of the bonds, the bonds bear an interest rate of 9% per annum and will mature in 3 years. The bonds may additionally bear a default interest rate of 25% per annum subject to the occurrence of certain default events. The bondholders were entitled to redeem the bonds after the second anniversary of the issuance date but no later than the date which is fourteen days before the bond maturity date, in a maximum principal amount equal to 50 percent of the principal amount. Unless previously redeemed or cancelled as provided herein, the Company shall redeem any outstanding bonds on the maturity date in an amount equal to the redemption amount and an additional redemption amount HK$22,815,000 on the bonds, to be payable to each bondholder pro-rata to the principal amount of the bonds held by that bondholder. The redemption rights of the bonds were evaluated with nil fair value at the issuance date. As at 30 June 2018, the fair value of redemption rights of the bonds was nil after the repayment of corporate bonds on the maturity date.

During the period ended 30 June 2018, subscription rights attaching to 50,274,000 warrant shares were exercised at a subscription price of RMB1.883 per ordinary share (see note 16(c)). Consequently, the Company issued 50,274,000 ordinary shares upon the exercise of the subscription rights, of which 48,974,000 ordinary shares were issued for a cash consideration of RMB92,217,000 and 1,300,000 ordinary shares were issued for a consideration of RMB2,447,900 which is setting off with the outstanding principal amount of the corporate bonds held by the warrants holders.

On 9 March 2018, the maturity date of corporate bonds, the Group repaid the remaining outstanding principal amount of the corporate bonds of RMB70,611,000, corresponding interests of RMB3,360,000 and the additional redemption amount of RMB18,463,000 to bond holders. Accordingly, 355,838,151 ordinary shares of the Company held by Apex Sail Limited and secured for the corporate bonds have been released.

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interim dividend declared after the interim period, of RMB4.1 cents per ordinary share (six months ended 30 June 2017: RMB3.5 cents per ordinary share)	**47,259**	38,172

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB8.83 cents per ordinary share (six months ended 30 June 2017: RMB6.4 cents per ordinary share)	**101,779**	69,640

(iii) ***Other dividends***

During the six months ended 30 June 2018, a subsidiary of the Group declared and paid dividends of RMB4,577,000 (six months ended 30 June 2017: nil) in cash to non-controlling interests.

(b) 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 under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua, the executive directors of the Company, respectively.

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

During the six months ended 30 June 2018, 1,750,000 options were exercised (six months ended 30 June 2017: nil) at a subscription price of HK$1.8 per ordinary share for a total consideration of HK$3,150,000 (equivalent to RMB2,549,000) and consequently, HK$175,000 (equivalent to RMB142,000) and RMB2,407,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,024,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share options.

The Group recorded equity settled share-based payment expenses of nil for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB172,000) (see note 5(b)(ii)).

(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 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, 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.

The Group recorded equity settled share-based payment expenses of RMB4,029,000 for the six months ended 30 June 2018 (see note 5(b)(ii)).

(c) Warrants

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

During the period ended 30 June 2018, subscription rights attaching to 50,274,000 warrant shares were exercised at a subscription price of RMB1.883 per ordinary share for a total consideration of RMB94,665,000 and consequently, HK$5,027,400 (equivalent to RMB4,172,000) and RMB90,493,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these warrants in an aggregate amount of RMB10,494,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of warrants.

No warrants were exercised during the six months ended 30 June 2017.

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Contracted for	**22,157**	22,485
Authorised but not contracted for	**81,705**	99,962
	103,862	122,447

18 CONTINGENT LIABILITIES

As at 30 June 2018, one subsidiary of the Group has issued financial guarantees to a financial institution in respect of financial facilities granted to Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong") amounting to RMB80,000,000 (31 December 2017: RMB80,000,000) and Dongguan Anxin Toyota Automotive Sales and Services Co., Ltd. ("Dongguan Anxin") amounting to RMB78,000,000 (31 December 2017: RMB78,000,000). As at 30 June 2018, the financial facility utilised by Dongguan Meidong amounted to RMB411,300 (31 December 2017: RMB8,218,000), and the financial facility utilised by Dongguan Anxin amounted to RMB16,231,000 (31 December 2017: RMB24,540,000).

As at 30 June 2018, the directors do not consider it probable that a claim will be made under the above guarantee.

19. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

(a) Assets acquisition

In July 2018, Dongguan Meixin Business Consulting Co., Ltd. ("Dongguan Meixin"), a wholly owned subsidiary of the Group entered into an agreement with a third party, pursuant to which Dongguan Anxin agreed to acquire certain assets from six BMW branded 4S stores wholly owned by the third party.

(b) Interim dividend

After the end of the reporting period, the directors declared an interim dividend. Further details are disclosed in note 16(a).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the Chinese economy maintained a steady growth amidst the uncertainties with GDP growth of 6.8% year-on-year (YoY). Consumer demand maintained a good momentum. The total sales of consumer goods increased by 9.4%. During the period, the automobile industry witnessed a steady growth. According to China Association of Automobile Manufacturers (CAAM), the total sales of passenger vehicles grew by 4.64% to 11,775,300 units, in which the sales of sedans amounted to 5,694,000, an increase of 5.46% while the sales of sports utility vehicles (SUVs) grew 9.68% to 4,964,700 units. In the first half of 2018, despite of short-term market uncertainties in the second quarter due to factors such as tariff reduction, the growth of major luxury brands remained stable that outpaced the overall automobile market.

RESULTS ANALYSIS

REVENUE

For the six months ended 30 June 2018 (the "Period"), the Group recorded a revenue of approximately RMB4,346.7 million, representing a YoY increase of 30.4% (The first half of 2017 ("20171H"): RMB3,332.3 million). During the Period, both new passenger vehicles sales and after-sales service achieved fruitful results. The revenue of new passenger vehicles sales increased by 29.1% to approximately RMB3,779.5 million (20171H: RMB2,927.6 million), accounting for 86.9% of the total revenue (20171H: 87.9%). The revenue of after-sales service increased by 40.2% YoY to approximately RMB567.3 million (20171H: approximately RMB404.7 million), accounting for approximately 13.1% of the total revenue (20171H: 12.1%).

Gross Profit

During the Period, the gross profit increased by 27.8% from RMB371.3 million for the first half of 2017 to RMB474.6 million, which was driven by the steady growth in the overall revenue. The overall gross profit margin remained stable with a slight decline of 0.2 percentage points to approximately 10.9%.

Distribution Expenses and Administrative Expenses

During the Period, distribution costs amounted to RMB169.2 million, representing an increase of approximately 34.4% from RMB125.9 million for the same period of last year, accounting for 3.9% of the total revenue (20171H: 3.8%). Administrative expenses increased by approximately 27.3% from RMB112.3 million for the same period of last year to RMB143.0 million, accounting for 3.3% of the total revenue (20171H: 3.4%).

Finance Costs

During the Period, finance costs recorded a decrease of 6.6% from RMB28.6 million to RMB26.7 million, accounting for 0.6% of the revenue, fell by 0.3 percentage points from 0.9%.

Profit for the Period Attributable to Shareholders

Leveraged on its excellent information management capabilities, overall operational efficiency of the Group continued to improve. Combined with the effective control over expenses, profit for the Period attributable to shareholders increased by 46.1% to RMB157.6 million (20171H: RMB107.9 million). Net profit margin increased by 0.4 percentage points to approximately 3.6% (20171H: 3.2%).

Dividend

The Board of Directors proposed to declare an interim dividend of RMB0.041 per ordinary share for the six months ended 30 June 2018.

New Passenger Vehicles Sales

During the Period, the Group continued to maintain a balanced and expedited growth rate through the new-store expansion and the same-store growth. Together with the Group's effective "Single City Single Store" strategy, new passenger vehicles sales maintained a satisfactory growth during the first half of 2018. During the Period, the Group's revenue of new passenger vehicles sales amounted to RMB3,779.5 million (20171H: RMB2,927.6 million), representing an increase of approximately 29.1% over the same period of last year. Luxury brands continued to be the core sales revenue source of the Group, accounting for 73.1% of the revenue of new passenger vehicles sales. During the first half of 2018, BMW, Porsche and Lexus recorded new passenger vehicles sales of approximately RMB1,397.9 million, RMB461.8 million and RMB901.6 million respectively, accounting for 37.0%, 12.2% and 23.9% of the revenue respectively. In terms of sales volume, the Group sold 15,587 new passenger vehicles in total, representing a YoY increase of 24.6% of new passenger vehicles sales. Among which, luxury brands were still the main source of revenue, the sales volume of BMW, Porsche and Lexus were 4,219 units, 576 units and 2,603 units respectively.

After-sales service

Revenue from after-sales service amounted to approximately RMB567.3 million, representing an increase of 40.2% as compared with the same period of last year (20171H: RMB404.7 million). A total of 170,889 units were served, representing a YoY increase of 16.2%. The gross profit margin of this segment remained at a stable and high level of 48.4%. The Group holds a young store portfolio; as the stores become matured, the contribution from after-sales services with high margin will gradually enhance. This serves as one of the major driving forces for the optimization of the Group's revenue structure. In addition, the Group is committed to providing high quality value-added services to increase customer loyalty. At the same time, with the growing demand for after-sales services in the second-tier to fourth-tier cities and the local competitive advantage brought by the Group's unique "Single City Single Store" strategy, the Group will fully capture the enormous growth potential in the after-sales service market.

Current network

The Group continued to implement its effective strategy of "Single City Single Store" with a focus on luxury brands for expanding the sales network. As at 30 June 2018, there were 41 4S self-operated stores which operate in Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong and Gansu, including a joint venture that is operated by the Group.

As at 30 June 2018, the number of stores operated by the Group is as follows:

Number of stores under operation	**20171H**	**20181H**	**Change**
Porsche	2	3	+1
BMW	11	15	+4
Lexus	8	10	+2
Toyota	11	11	–
Hyundai	2	2	–
Total	34	41	+7

Agreement to Acquire Assets of BMW Outlets

Dongguan Meixin Business Consulting Co., Ltd. (東莞美信企業管理咨詢有限公司) (the "Purchaser"), a wholly-owned subsidiary of the Company, recently entered into an agreement (the "Agreement") with an independent third party, pursuant to which, the Purchaser agreed to acquire certain assets of six BMW selling and service outlets in Huaibei (淮北), Suzhou (宿州), Chuzhou (滁州), Tongling (銅陵), Chizhou (池州) and Huangshan (黃山), Anhui Province in the PRC (the "Acquisition").

The Board believes the Acquisition is consistent with its proven strategy of Single City Single Store focusing on mainstream luxury vehicles. The strategy allows us to enter many fast growing lower tier cities and to be the only dealer for certain luxury brand in those cities.

PROSPECTS OF THE SECOND HALF OF 2018

For the second half of 2018, despite the uncertainties in China's macro economy and automobile market, supported by the consumption upgrade and the gradual implementation of encouraging policies, the automobile industry is full of opportunities. Such trend will be particularly recognizable in lower tier cities. The Group will adhere to the "Single City Single Store" strategy with a focus on developing luxury brands portfolio in lower tier cities. Through the development of new stores and merger and acquisition projects, the Group will proactively yet cautiously expand its network, injecting new driving forces for the Group's sustainable and stable growth.

While developing the sales network, the Group is also actively expanding its luxury brand products portfolio. Based on its current portfolio of Porsche, BMW and Lexus, the Group will bring in Audi and BMW Mini brands. Audi is one of the top 3 luxury brands in China and has a massive car ownership in China. BMW Mini brand focuses on the younger generation market. The inclusion of the above two brands will help the Group to cover a wider consumer base and further optimize the source of revenue.

In addition to its active expansion, the Group is also committed to continually optimizing its internal data management system and implementing the Group's "simple, direct and data-driven" business principle. At the general management level, continuously optimizing capital and inventory management and enhancing the investment return remain as the managerial priorities of the Group. This aims to bring balance for the Group between maintaining a prudent and solid management approach while capturing market opportunities, ensuring the Group's sustainable long term developments with high returns.

Financial Resources and Position

As at 30 June 2018, the Group's loans and borrowings amounted to RMB899,917,000, representing an increase of approximately 10.2% from the loans and borrowings of RMB816,864,000 as at 31 December 2017 (including RMB91,905,000 of corporate bonds as at 31 December 2017), including approximately RMB793,924,000 of short-term loans and borrowings, and RMB105,993,000 of long-term loans and borrowings.

As at 30 June 2018, cash and cash equivalents and pledged bank deposits amounted to RMB819,240,000. Most of the cash and cash equivalents and pledged bank deposits are dominated in Renminbi and Hong Kong Dollars. As the Group's business are conducted in the PRC, the Group does not anticipate to be exposed to any material foreign exchange risks.

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

Contingent Liabilities

As at 30 June 2018, one subsidiary of the Group has issued financial guarantees to a financial institution in respect of financial facilities granted to Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong") amounting to RMB80,000,000 (31 December 2017: RMB80,000,000) and Dongguan Anxin Toyota Automotive Sales and Services Co., Ltd. ("Dongguan Anxin") amounting to RMB78,000,000 (31 December 2017: RMB78,000,000). As at 30 June 2018, the financial facility utilised by Dongguan Meidong amounted to RMB411,300 (31 December 2017: RMB8,218,000), and the financial facility utilised by Dongguan Anxin amounted to RMB16,231,000 (31 December 2017: RMB24,540,000).

As at 30 June 2018, the directors do not consider it probable that a claim will be made under the above guarantee.

OTHER INFORMATION

ISSUE OF BONDS AND WARRANTS

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

PLACING OF SHARES

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

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company (the "Controlling Shareholders") has provided to the Company a written confirmation in respect of his/its compliance with the non-compete undertakings dated 13 November 2013 (the "Non-Compete Undertakings") for the six months ended 30 June 2018. The independent non-executive directors of the Company have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

STAFF TRAINING AND DEVELOPMENT

As at 30 June 2018, the Group had a total of 3,758 employees. The majority of whom are based 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 advocates simple, direct and data-oriented corporate culture, which becomes one of key elements of attracting talents. The management team of the Group values satisfaction of employees, strives for creating a better working environment and career paths for employees.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

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

The Group has no status update on the property title defect for the six months ended 30 June 2018.

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

PURCHASE, SALE OR REDEMPTION OF 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 six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

An Audit Committee meeting was held on 20 August 2018 and the Audit Committee has reviewed the unaudited interim financial report for six months ended 30 June 2018. KPMG, the Group's external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2018 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board resolved to declare an interim dividend of RMB0.041 per ordinary share for the six months ended 30 June 2018 (2017: RMB0.035 per ordinary share). The interim dividend will be paid in cash. Based on the number of shares in issue as at the date of this announcement, a total amount of dividend of approximately RMB47.3 million will be distributed.

The interim dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 14 September 2018. The register of members of the Company will be closed from Thursday, 13 September 2018 to Friday, 14 September 2018 (both days inclusive), during such period no share transfer will be registered. To qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 12 September 2018. The interim dividend will be payable on or about Friday, 28 September 2018.

APPRECIATION

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

By Order of the Board
China MeiDong Auto Holdings Limited
YE TAO
Executive Officer

Hong Kong, 20 August 2018

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

Executive Directors:
Mr YE Fan *(Chairman)*
Mr YE Tao *(Chief Executive Officer)*
Ms LIU Xuehua

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