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)

2019 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenue increased to RMB16,210.0 million, representing a growth of 46.5%.
- Revenue of passenger vehicles sales increased by 47.1%.
- Revenue of after-sales services increased by 41.3%.
- Profit for the year increased to RMB557.5 million, representing a growth of 53.4%.
- Proposed final dividend of RMB0.2 per ordinary share. The interim dividend of RMB0.061 per ordinary share was paid.

RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of China MeiDong Auto Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019.

The audited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures of 2018 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2019	2018 (Note)
Revenue	2	**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	3	**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	4(a)	**(123,161)**	(63,188)
Share of profits of a joint venture		**43,748**	30,878
Profit before taxation	4	**757,411**	491,234
Income tax	5(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)*	6(a)	**47.67**	31.57
Diluted *(RMB cents)*	6(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 1(c).

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		**1,035,059**	857,929
Right-of-use assets		**825,776**	—
Lease prepayments		**—**	117,514
Intangible assets		**65,308**	69,275
Interest in a joint venture		**55,140**	43,676
Other non-current assets		**104,220**	48,637
Deferred tax assets		**54,472**	25,260
		2,139,975	1,162,291
Current assets			
Inventories	7	**540,509**	838,856
Trade and other receivables	8	**1,158,815**	889,183
Pledged bank deposits		**961,729**	417,365
Cash and cash equivalents		**1,123,892**	866,821
		3,784,945	3,012,225
Current liabilities			
Loans and borrowings		**871,215**	1,028,868
Trade and other payables	9	**2,132,165**	1,549,809
Lease liabilities		**84,694**	—
Income tax payables	5(c)	**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

	Note	31 December 2019	31 December 2018 (Note)
Non-current liabilities			
Loans and borrowings		**240,492**	143,550
Lease liabilities		**726,178**	—
Deferred tax liabilities		**8,701**	14,736
		975,371	158,286
NET ASSETS		**1,769,348**	1,400,236
EQUITY			
Share capital	10(b)	**91,383**	90,978
Reserves		**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

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 1(c).

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		**1,087,044**	419,191
Income tax paid	5(c)	**(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	9	**(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		**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)

	Note	2019	2018 (Note)
Financing activities:			
Capital element of lease rentals paid		**(42,615)**	—
Interest element of lease rentals paid		**(53,440)**	—
Proceeds from loans and borrowings		**2,627,571**	1,522,322
Repayment of loans and borrowings		**(2,691,085)**	(1,086,759)
(Increase)/decease in pledged bank deposits		**(24,195)**	25,980
Dividends declared and paid to equity shareholders	10(a)	**(168,805)**	(149,038)
Dividends paid to non-controlling interests	10(a)	**(5,821)**	(16,152)
Proceeds from exercise of share options		**8,510**	3,961
Proceeds from exercise of warrants		**—**	92,217
Interest paid		**(67,215)**	(62,433)
Repayment of corporate bonds		**—**	(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		**—**	569
Repayment of advances from a related party		**(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		**866,821**	545,207
Cash and cash equivalents at 31 December		**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 1(c).

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**").

(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 1(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.

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.

(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.

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.

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.

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).

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**

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. 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.

2 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	2018
	RMB'000	*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.

(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.

3 Other income

	2019	2018
	RMB'000	*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

4 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.

	Note	2019 *RMB'000*	2018 *RMB'000*
(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.

(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	2018
	RMB'000	*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	**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. Under this approach, the comparative information is not restated.

5 Income tax in the consolidated statement of comprehensive income

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

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

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

	2019	2018
	RMB'000	*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

(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 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.

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

	2019	2018
	RMB'000	*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

6 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	**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	**9,806,000**	4,971,000
Weighted average number of ordinary shares (diluted) at 31 December	**1,165,210,000**	1,155,278,000

7 Inventories

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

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

8 Trade and other receivables

	2019	2018
	RMB'000	*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	**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.

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.

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

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	2018
	RMB'000	*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

9 Trade and other payables

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**151,503**	120,316
Bills payable	**1,211,847**	783,603
	1,363,350	903,919
Contract liabilities	**552,777**	481,367
Consideration payable (i)	**—**	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	**8,013**	6,425
Trade and other payables	**2,132,165**	1,549,809

(i) 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.

(b) 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	2018
	RMB'000	*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

10 Capital, reserves and dividends

(a) Dividends

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

	2019	2018
	RMB'000	*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	2018
	RMB'000	*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	2018
	RMB'000	*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.

(b) 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:

			2019		2018	
	Note	Par value *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:

	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	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	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

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.

11 Non-adjusting events after 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 be vested 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 10(a).

(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.

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 1,030.8 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 admist 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.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year until the date of this announcement.

Corporate Governance

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") as contained in Appendix 14 to the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Year . Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in the annual report of the Company for the Year.

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 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 Year.

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. The Audit Committee has three members comprising three independent non-executive directors, being Mr. CHEN Guiyi, Mr. WANG, Michael Chou and Mr. JIP Ki Chi.

An Audit Committee meeting was held on 27 March 2020 to review the audited annual financial report for the year ended 31 December 2019.

Annual General Meeting

An annual general meeting of the Company (the "**AGM**") will be held on 18 May 2020. For details of the AGM, please refer to the notice of the AGM which is expected to be published on or about 9 April 2020.

Final Dividend

The Board recommended the payment of a final cash dividend of RMB0.2 per share (2018: RMB0.0849 per share) to shareholders whose names are on the register of members of the Company on 8 June 2020, which is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands.

It is expected that the cheques for cash dividends will be sent by ordinary mail to shareholders at their own risk on or about 24 June 2020.

Closure of Register of Members

The register of members of the Company will be closed for the following periods:

1. from 13 May 2020 to 18 May 2020, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM; and

2. from 3 June 2020 to 8 June 2020, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the final dividend to be approved at the AGM.

All completed transfer forms 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 12 May 2020 and 2 June 2020 respectively.

By Order of the Board
YE Tao
Chief Executive Officer

Hong Kong, 27 March 2020

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

Executive Directors:	*Independent Non-executive Directors:*
Mr. YE Fan *(Chairman)*	Mr. CHEN Guiyi
Mr. YE Tao *(Chief Executive Officer)*	Mr. WANG, Michael Chou
Ms. LUO Liuyu	Mr. JIP Ki Chi