



HARMONY AUTO
和諧汽車

China Harmony New Energy Auto Holding Limited
中國和諧新能源汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3836

2019 INTERIM REPORT



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Corporate Information

Board of Directors

Executive Directors

Mr. FENG Changge (*Chairman*)
Mr. LIU Fenglei
Ms. MA Lintao
Ms. FENG Guo
Mr. HAN Yang

Independent Non-executive Directors

Mr. WANG Nengguang
(*appointed on 4 February 2019*)
Mr. XIAO Changnian
(*resigned on 4 February 2019*)
Mr. LIU Zhangmin
Mr. XUE Guoping
Mr. LAU Kwok Fan
(*appointed on 14 June 2019*)

Audit Committee

Mr. WANG Nengguang (*Chairman*)
(*appointed on 4 February 2019*)
Mr. XIAO Changnian
(*resigned on 4 February 2019*)
Mr. LIU Zhangmin
Mr. XUE Guoping

Remuneration Committee

Mr. XUE Guoping (*Chairman*)
Mr. LIU Zhangmin
Mr. LIU Fenglei

Nomination Committee

Mr. FENG Changge (*Chairman*)
Mr. XUE Guoping
Mr. WANG Nengguang
(*appointed on 4 February 2019*)
Mr. XIAO Changnian
(*resigned on 4 February 2019*)

Company Secretary

Ms. WONG Wai Yee, Ella

Authorized Representatives

Mr. LIU Fenglei
Ms. WONG Wai Yee, Ella

Legal Adviser

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Principal Banks

China CITIC Bank, Zhengzhou Branch
Shanghai Pudong Development Bank, Zhengzhou
Branch
China Merchants Bank, Zhengzhou Branch
The Bank of East Asia, Zhengzhou Branch
Bank of Communications, Zhengzhou Branch

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Corporate Information

Principal Place of Business and Headquarter in the PRC

15A, Tower A, World Trade Center Building
Shangwunehuan Road
CBD Zhengdong New District
Zhengzhou, Henan Province
PRC

Principal Place of Business in Hong Kong

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

Cayman Islands Share Registrar

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

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

Company's website

www.hexieauto.com

Stock Code

3836

Management Discussion and Analysis

INDUSTRY OVERVIEW

In the first half of 2019, China's automobile industry was still facing tremendous pressure on the decrease in overall production and sales volume which remained at a lower level. The completed production and sales volume of passenger vehicles amounted to 9.978 million and 10.127 million units, respectively, representing a year-on-year decrease of 15.8% and 14%, respectively in the half year. From the perspectives of sub-segments, luxury vehicles continued to grow with exuberant demand. According to the statistics, the overall sales volume of luxury vehicles amounted to over 1.4 million units for the first half of 2019, representing a year-on-year increase of 7.2%. From January to June 2019, the completed production and sales volume of new energy vehicles amounted to 0.614 million and 0.617 million units, respectively, representing a year-on-year increase of 48.5% and 49.6%, respectively.

In terms of the distribution of luxury vehicle brands, for the first half of 2019, BMW outperformed in the luxury vehicle market in China with sales volume of over 0.35 million units, representing a year-on-year growth of 16.8%. Along with the launch of the "BMW 3 Series", we expected that BMW will release greater potential in 2019 and lead the luxury vehicle market in China. In the first half of 2019, Lexus recorded sales volume of 93,823 units in China, representing a year-on-year growth of 36.5%, among which, hybrid electric vehicles accounted for one-third to the total sales volume.

China's automobile market is entering the stage of industrial structure adjustment. From the current perspectives of the different market segments, we expect a steady growth in terms of sales volume of luxury vehicle due to strong market demand. The growth will be attributable to three aspects, which include consumption upgrade as a result of higher income of residents, continuous increase in the proportion of product lines of luxury vehicle brands, and gradual increase in the proportion of young users and recurring users. Under stimulation policies launched by the government, the new energy vehicle industry remains at a rapid development stage.



Management Discussion and Analysis

BUSINESS OVERVIEW

Focusing on principal businesses development and accelerating the promotion of brand structure optimization

As of the date of this interim report, the Group has established 69 dealership outlets, covering 24 cities nationwide, and distributed 14 luxury and ultra-luxury brands. The Group had obtained authorization for construction of a total of 6 brands and 12 outlets, which are located in tier-1 and tier-2 cities in Beijing, Wuhan, Ordos, Hohhot, etc. in China.

During the period from 1 January 2019 to 30 June 2019 (the “**Reporting Period**”), the total sales volume of BMW, as the largest brand under the dealership of the Group, amounted to 11,606 units, representing a year-on-year growth of 33.1%. The total sales volume of Lexus, as the second large brand of the Group, amounted to 1,723 units, representing a year-on-year growth of 30.7%. As a dealer specializing in luxury and ultra-luxury vehicle brands, we have also made remarkable achievements in the operation of ultra-luxury brands. During the Reporting Period, in terms of sales volume, Ferrari recorded a year-on-year increase of 172.7% and Rolls Royce recorded a year-on-year increase of 90%.

In the first half of 2019, the Group focused on the development of its principal businesses, proactively enhanced the operation efficiency of each outlet, improved the assessment indicators and management models of each outlet, and reinforced the profitability of each outlet so as to drive the sales volume of new vehicles and establish well-performing outlets for each brand. Meanwhile, we capitalized on the scientific inventory management system to implement rational allocation and optimization of resources, thereby reducing the turnover days of new vehicles and controlling finance costs in an efficient manner.

Along with the diversification of the overall retail market of passenger vehicles in the PRC, the luxury vehicle market will still maintain strong momentum and growth amidst challenges. We believe that we will outperform our competitors by leveraging on our extensive experience for years under the support of consumption upgrade of the luxury vehicle market.

Management Discussion and Analysis

Proactively extending the strategic cooperation in new energy vehicles and increasing brand coverage

In 2019, various models of new energy vehicles from a number of domestic and foreign brands were put into mass production resulting in an increase of customers of new energy vehicles. In response to the developing trend of new energy vehicles, the Group has consolidated “Harmony Auto Zhilian”, a company which specialized in the sales of new energy vehicles, with “Harmony Auto Maintenance” which also progressing gradually to mature operation. After the consolidation, the new company integrated the quality resources of new energy vehicle sales and aftersales services, specialized in the authorization and service network for new energy vehicles nationwide, and devoted itself to the promotion and popularization of the brands and products of new energy vehicles. During the Reporting Period, the new company has obtained authorization for eight new energy vehicle brands, including BYTON, Guangzhou Automobile, Leap Motor, Weltmeister, JAC Motors, Isuzu, Skyline and ALWAYS, and a few dozens of outlets are under intense preparation. These outlets are mainly located in first-tier cities and new first-tier cities in China, including, Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Suzhou, and Ningbo.

Regarding aftersales maintenance for new energy vehicles, the Company has been paying attention to the macroscopic trend and sub-segment of the aftersales service market, and specializing in new business growth drivers brought by new traveling models like e-hailing and ride sharing. The Company has implemented strategic cooperation with Xiaojuchefu (小桔車服) and Shouqi Limousine & Chauffeur (首汽約車) while signing strategic cooperation agreements with seven new energy vehicle brands such as Nio (蔚來), Leapmotor (零跑) and Saalen Auto (賽麟), to provide aftersales services of new energy vehicles in the country.

Completion of BYTON’s global production base and preparing for delivery upon mass production by the end of the year

BYTON, being the Company’s venture capital investee, is a high-end smart intuitive electric vehicle manufacturer. Its plant construction, equipment installation and R&D on details are under smooth progress. Phase 1 of the global production base located in Nanjing has completed the roof works and the plant of which was constructed under industry 4.0 standard by adopting world-leading production equipment and technology. The construction of five major factories for stamping, coating, welding, assembly and battery have been completed and the main equipment has been installed. The installation of ancillary equipment is in progress and the entire production line is in the process of commissioning, which will be put into trial production in the third quarter.

At the same time, M-Byte (mass production edition) will make its global debut in the third quarter, with the announcement of the pre-sale price, first model and key specifications, interest of first batch of users, etc., which will allow consumers to share our achievements and exploration of our vehicles from the concept to a real product. By the end of this year, BYTON will announce the detailed specifications, final price and specific policies on warranty, service and charging of the first model, M-Byte. Currently, hundreds of prototypes are undergoing all-round, stringent and extreme testing in the world, and a stunning high-end smart intuitive electric vehicle is on the horizon. Depending on the most frequently used basic features in daily driving scenarios, BYTON created customized interactive systems. The first batch of Internet partners, including Baidu, Ximalaya, Meituan, etc., will create a brand new social life platform for human-machine connections.



Management Discussion and Analysis

FUTURE OUTLOOK AND DEVELOPMENT STRATEGIES

China's automobile market is entering the stage of industrial structure adjustment, and consumption upgrade will become a major driver of new automobile sales. We expect that the luxury vehicle market will continue to be a sub-segment with continuous positive growth and remains a huge room for improvement. The Group has been deeply-rooted in the luxury and ultra-luxury markets for years and has fully integrated the full chain of industry in the production, sales and after-sales maintenance of new energy vehicles. Therefore, we believe that we will continue to be deeply devoted to luxury and ultra-luxury market and adhere to the development positioning of new energy vehicles in the increasingly over-crowded automobile market so as to create better results and market revenue for shareholders and investors.

In the second half of 2019, we will continue to expand our brand portfolio, apply for and expand more dealership authorization, and continue to reinforce the layout of our major brands, including Lexus, BMW and other leading brands in the luxury automobile market in China. Regarding the after-sales business, the Group will strive to increase customer retention and satisfaction as well as enhancing the efficiency and quality of the management and operation of the Group.

The Group will focus on the sales of new energy vehicles, serve and expand its businesses to capture the opportunities to receive the dividends of the new energy vehicle market. It will adopt the strategy of "multi-brand, multi-model, multi-touch", striving to become the largest channel with the most new energy brands in the new energy market to innovate the traditional automobile marketing channel, in order to provide customers with a full-service chain with full lifecycle services.

With the development of China's automobile market, we believe that the pricing factors of consumers in deciding whether to purchase automobiles will gradually decrease, and the product design and quality, service quality and brand reputation will gradually increase. Currently, the Group has accumulated more than 300,000 customers of luxury vehicles, and as new automobile sales enter the stage of inventory market, we will constantly assess our ability to maintain our capability in retaining customers to complete our focus on business strategy from "vehicle" to "vehicle + person" and expand our value chain to enhance our profitability based on our considerable customer base.

Management Discussion and Analysis

FINANCIAL OVERVIEW

Revenue

Revenue of the Group was RMB5,891.5 million for the first half of 2019, representing an increase of 25.7% as compared to RMB4,687.4 million for the corresponding period of 2018, among which, revenue from sales of new vehicles increased by 26.2% to RMB5,048.8 million, or 85.7% of the total revenue, as compared to the same period in 2018, while revenue from after-sales services and accessories business increased by 20.7% to RMB831.1 million as compared to the same period in 2018, accounting for 14.1% to the total revenue.

In terms of revenue from luxury brands, revenue generated from Lexus and BMW accounted for 81.3% of the total revenue from new vehicles, while revenue generated from ultra-luxury brands increased by more than 100% over the same period of last year, including Ferrari and Rolls-Royce.

Cost of sales and services provided

Cost of sales and services of the Group increased by 26.2% from RMB4,210.2 million for the corresponding period of 2018 to RMB5,313.9 million in the first half of 2019. Cost of sales from the new vehicles business and cost of aftersales services and accessories business were RMB4,849.5 million and RMB464.4 million respectively.

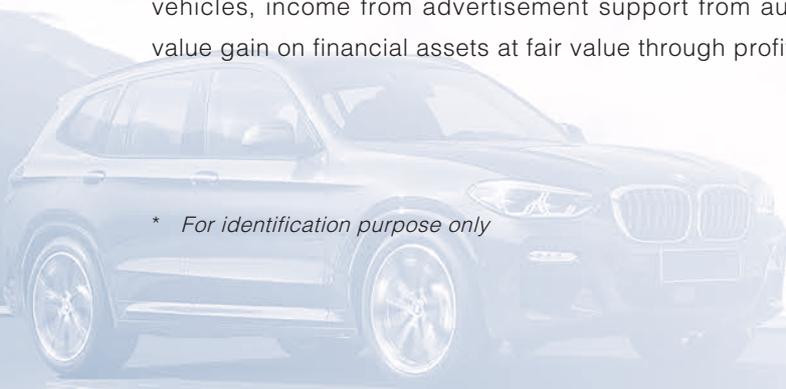
Gross profit

Gross profit of the Group increased by 21.0% from RMB477.2 million for the corresponding period of 2018 to RMB577.6 million in the first half of 2019. Gross profit from sales of new vehicles increased by 32.3% from RMB150.6 million for the corresponding period of 2018 to RMB199.3 million in the first half of 2019. Gross profit from after-sales services and accessories business increased by 12.3% from RMB326.6 million for the corresponding period of 2018 to RMB366.7 million in the first half of 2019.

Other income and gains, net

Other income and gains, net of the Group amounted to RMB246.1 million in the first half of 2019, basically maintaining fair as compared with the corresponding period of last year deducting the impact of Henan Hexie Automobile Aftersales Services Co., Ltd.* (河南和諧汽車維修服務有限公司) (the "**Independent Aftersales Company**") and Future Mobility Corporation Limited Cayman ("**FMC**"). Other income and gains mainly comprises the commission income (from insurance agency and vehicle financing agency service), gains on trading of second-hand vehicles, income from advertisement support from automobile manufacturers, interest income as well as fair value gain on financial assets at fair value through profit or loss.

* For identification purpose only



Management Discussion and Analysis

Profit attributable to the owners of the parent

Profit attributable to owners of the parent for the first half of 2019 was approximately RMB286.2 million. Among which, excluding the impact of the Independent Aftersales Company and FMC, profit from 4S outlet business amounted to RMB280.6 million, representing a growth of 12.1% as compared to the corresponding period of 2018.

Liquidity and Capital Resources

Cash flow

The Group's primary uses of cash are for the purchases of passenger vehicles, spare parts and automobile accessories, to establish new dealership outlets, and to fund its working capital and operating expenses. The Group's liquidity needs were financed through a combination of short-term bank loans and cash flows generated from its operating activities.

As at 30 June 2019, cash and deposits of the Group totalled RMB1,489.8 million.

For the first half of 2019, the Group's net cash generated from operating activities was RMB574.6 million, net cash used in investing activities was RMB72.7 million, and net cash used in financing activities was RMB291.5 million.

Net current assets

As at 30 June 2019, the Group had net current assets of RMB709.4 million, representing an increase of 49.4% as compared to net current assets of RMB474.8 million as of 31 December 2018.

Capital expenditure

The Group's capital expenditure (primarily used for the expenditure generated from and prepayment for the purchase of property, plant and equipment in connection with the establishment of new outlets) for the first half of 2019 was RMB146.3 million (corresponding period of 2018: RMB333.1 million).

Management Discussion and Analysis

Inventory

The Group's inventories primarily consist of new passenger vehicles, spare parts and automobile accessories. Inventories for the period decreased by RMB132.9 million from RMB1,124.4 million as of 31 December 2018 to RMB991.5 million as of 30 June 2019. The decrease in inventories of new vehicles of the Group was mainly attributable to the reinforced management of orders for new passenger vehicles and after-sales products by each outlet, together with the dynamic pre-warning, monitoring and management of the inventory of each outlet by the Group's headquarters, and the allocation between the dealership outlets to adjust resource allocation in order to ensure reasonable inventory balance.

The average inventory turnover days of the Group for the first half of 2019 was 36 days, and the average inventory turnover days for 2018 was 44 days. The decrease in inventory turnover days was mainly attributable to better supply control due to the continuous improvement in inventory management and the continuous optimization of inventory structure in the first half of 2019, which reduced the inventory turnover days of certain brands.

Bank loans and other borrowings

As at 30 June 2019, the Group had bank loans and other borrowings in the aggregate amount of RMB1,961.1 million, representing a decrease of 8.3% as compared to RMB2,137.6 million as at 31 December 2018. The table below sets forth breakdowns of our bank loans and other borrowings as of the indicated dates:

	30 June 2019 RMB'000	31 December 2018 RMB'000
Bank loans repayable:		
Within one year	1,366,859	1,281,883
In the second year	–	–
In the third to fifth year	–	–
	1,366,859	1,281,883
Other borrowings repayable:		
Within one year	594,280	855,721
Total	1,961,139	2,137,604

As at 30 June 2019, the gearing ratio of the Group, calculated by total liabilities divided by total assets, was 39.9%, representing an increase of 2.7 percentage points as compared with the gearing ratio of 37.2% of 31 December 2018, which was mainly resulted from the recognition of lease liabilities over the adoption of the new standard of HKFRS 16 Lease.

As at 30 June 2019, certain of the Group's bank loans and other borrowings were secured by mortgages or pledges over the Company's asset. For details, please refer to note 18 to the financial statement.

Management Discussion and Analysis

Contingent liabilities

As at 30 June 2019, the Company did not have any material contingent liabilities or guarantees.

Interest rate risk and foreign exchange risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rate on our debt. Increases in interest rate could result in an increase in the Group's cost of borrowing. If this occurs, it could adversely affect the Group's finance costs, profit and the Group's financial condition. The interest rates on bank loans and overdrafts in China depend on the benchmark loan rates published by the People's Bank of China. The Group does not currently use any derivative instruments to manage the Company's interest rate risk.

Substantially all of the Group's revenue, cost of sales and expenses are denominated in RMB. The Group also uses RMB as its reporting currency. The Group does not believe its business is currently subject to any significant direct foreign exchange risk and has not used any derivative financial instruments to hedge its exposure to such risk.

Employees and remuneration policies

As at 30 June 2019, the Group had a total of 3,372 employees (31 December 2018: 3,693 employees). Relevant staff cost for the first half of 2019 was approximately RMB148.0 million, while the staff cost was approximately RMB140.0 million for the corresponding period of 2018. The remuneration packages for employees are based on individual experience and work duties. The remuneration packages are subject to annual review by the management, taking into account the overall performance of the staff and market condition. The Group also participates in the State-managed Retirement Benefit Scheme in China and the Mandatory Provident Fund Scheme in Hong Kong. In addition, eligible employees are also entitled to share options under the share option scheme adopted by the Company, and share award under the share award plan adopted by the Company.

In order to (i) incentivize, recognize and reward employees, Directors (whether executive Directors or non-executive Directors, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain talents to promote the long-term growth and development of the Group; and (iii) align the interests of the award holders with that of the shareholders to promote the long-term financial performance of the Company, the Board adopted a share award plan (the "**Share Award Plan**") on 28 February 2019. During the six months ended 30 June 2019, 6,840,500 shares were purchased on the market pursuant to the terms of the Share Award Plan.

Management Discussion and Analysis

Events after the Reporting Period

There were no significant events after the reporting period ended 30 June 2019 and up to the date of this report which would have any material effect to the Group.

Material Acquisitions, Disposals and Significant Investments

Save as disclosed in this interim report, during the six months ended 30 June 2019, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. Save as disclosed in this interim report, as at 30 June 2019, the Group did not hold any other significant investments.



Corporate Governance and Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, the interests and short positions of the directors (the “**Directors**”) or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) were as follows:

Name	Position	Ordinary Shares			Underlying			Approximate % of Shareholding Interest
		Nature of Interests			Shares under			
		Personal Interests ⁽⁵⁾	Family Interests ⁽⁶⁾	Interest of controlled corporation	Share Options	Personal Interests	Total Interests ⁽⁷⁾	
Mr. FENG Changge	Director	-	-	690,066,160 (L) ⁽¹⁾	5,000,000 ⁽³⁾⁽⁴⁾	695,066,160 (L)	45.69%	
Ms. MA Lintao	Director	-	695,066,160 (L) ⁽²⁾	-	-	695,066,160 (L)	45.69%	
Mr. LIU Fenglei	Director	778,587 (L)	-	-	5,000,000 ⁽³⁾⁽⁴⁾	5,778,587 (L)	0.38%	
Ms. FENG Guo	Director	360,285 (L)	-	-	800,000 ⁽³⁾⁽⁴⁾	1,160,285 (L)	0.08%	
Mr. HAN Yang	Director	390,000 (L)	-	-	2,400,000 ⁽³⁾⁽⁴⁾	2,790,000 (L)	0.18%	
Mr. WANG Nengguang ⁽⁶⁾	Director	40,000(L)	-	-	-	40,000 (L)	0.00%	

Notes:

- (1) These 690,066,160 shares in the Company are held by Eagle Seeker Company Limited (“**Eagle Seeker**”). Mr. FENG Changge is deemed to be interested in the said 690,066,160 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Changge is the founder of the trust.
- (2) Ms. MA Lintao is Mr. FENG Changge's spouse and is therefore deemed to be interested in all the shares of the Company in which Mr. FENG Change is deemed to be interested in.
- (3) These interests represent options to subscribe Shares in accordance with the Share Option Scheme granted to the relevant Directors. For further details, please refer to the section headed “Share Option Scheme”.
- (4) These options were granted by the Company in May 2017 and December 2017 and accepted by the relevant grantees in May 2017 and December 2017.
- (5) “Personal Interests” represents interests directly beneficially owned.
- (6) “Family Interests” represents interests of spouse or child under 18.

Corporate Governance and Other Information

(7) The letter “L” denotes the long position in the shares of the Company.

(8) Mr. WANG Nengguang was appointed on February 4, 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company has adopted a share option scheme on 26 June 2015 (“**Share Option Scheme**”), which is made pursuant to Chapter 17 of the Rules Governing the Listing of Securities (the “**Listing Rules**”), in relation to grant of share options (the “**Existing Share Options**”) to certain employees of the Company or its subsidiaries (the “**Existing Grantees**”) to subscribe for up to aggregate number of 45,000,000 shares (the “**Shares**”) of HK\$0.01 each of the Company, for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Out of the 45,000,000 Existing Share Options, 29,600,000 share options have lapsed and 15,400,000 share options have not been exercised (“**Outstanding Options**”) on 9 May 2017.

The Board has resolved to grant up to 70,000,000 new Share Options to the Existing Grantees and certain new grantees (collectively, the “**Grantees**”, each a “**Grantee**”) to replace the Outstanding Options, subject to the acceptance of each of these Existing Grantees. No compensation shall be payable to them for cancellation of the Outstanding Options. New Grantees are mainly senior management of the subsidiaries of the Company and general managers of its outlets.

On 15 December 2017, the Directors further offered to grant new Share Options to certain Grantees under the Share Option Scheme, entitling them to subscribe for a total of 15,000,000 Shares of HK\$0.01 each of the Company. The grant of the Share Options will be subject to the acceptance of the Grantees.

Summary of each of the Share Option Scheme and the new Share Options has been set out in note 22 to the financial statement.



Corporate Governance and Other Information

Notes:

- (1) The Share Option period of the 70,000,000 new Share Options is valid from 9 May 2017 (i.e. date of grant) till the earlier of (i) the day on which the relevant Grantee ceases to be an employee or a director of the Company and its subsidiaries on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 8(vi) of the Share Option Scheme, and (ii) 28 June 2025, the cessation of directorships of the former Directors Mr. QIAN Yewen and Mr. YANG Lei did not involve the grounds of termination as specified in the above (i), and their Share Options remained valid as at 30 June 2019.
- (2) The Share Option period of the 15,000,000 new Share Options is valid from 15 December 2017 (i.e. date of grant) till the earlier of (i) the day on which the relevant Grantee ceases to be an employee or a director of the Company and its subsidiaries on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 8(vi) of the Share Option Scheme, and (ii) 28 June 2025.
- (3) Mr. HAN Yang was appointed as an executive Director of the Company with effect from 30 June 2018.



Corporate Governance and Other Information

Share Award Plan

On 28 February 2019, the Company adopted a share award plan (the “**Share Award Plan**”), pursuant to which the Company may grant existing Shares to selected participants (namely all employees, directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group, but excluding Mr. Feng Changge). The reason for adopting the Share Award Plan is to (i) incentivize, recognize and reward employees, directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of the Award Holders with that of the Shareholders to promote the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan. Details of the Share Award Plan are set out in the Company’s announcement dated 2 April 2019.

As at 30 June 2019, the trustee appointed by the Company for the purpose of the Share Award Plan purchased a total of 6,840,500 Shares according to the Share Award Plan. As at 30 June 2019, none of the 6,840,500 Shares has been granted.

Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as follows:

Name	Capacity/Nature of Interest	Number of Shares Directly or Indirectly Held ⁽⁴⁾	Approximate % of Shareholding Interest
Eagle Seeker	Beneficial owner	690,066,160 (L)	45.36%
Eagle Pioneer Company Limited ⁽¹⁾	Interest of controlled corporation	690,066,160 (L)	45.36%
Cititrust Private Trust (Cayman) Limited ⁽²⁾	Interest of controlled corporation	690,066,160 (L)	45.36%
Foxconn (Far East) Limited ⁽³⁾	Beneficial owner	128,734,000 (L)	8.46%
Hon Hai Precision Industry Co. Ltd ⁽³⁾	Interest of controlled corporation	128,734,000 (L)	8.46%

Notes:

- (1) Eagle Seeker is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the 690,066,160 Shares held by Eagle Seeker Company Limited.
- (2) Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest in the 690,066,160 Shares held by Eagle Seeker (the controlling Shareholder of the Company), indirectly via Eagle Pioneer Company Limited. Mr. Feng Changge, Executive Director and Chairman of the Company, is the founder of the trust of Cititrust Private Trust (Cayman) Limited.

Corporate Governance and Other Information

- (3) Foxconn (Far East) Limited ("**Foxconn**") is wholly owned by Hon Hai Precision Industry Co. Ltd. ("**Hon Hai**"), a company listed on the Taiwan Stock Exchange. Accordingly, Hon Hai is deemed to have interest in the 128,734,000 Shares held by Foxconn.
- (4) The letter "L" denotes long position in such Shares.

Save as disclosed above, as at 30 June 2019, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the six months ended 30 June 2019, the Company repurchased a total of 5,852,500 of ordinary shares of HK\$0.01 each on the Stock Exchange for a total consideration of approximately HK\$18,413,850 (excluding transaction cost). Details of the shares repurchased during the Reporting Period are set out as follows:

Month of repurchase	Number of shares	Repurchase price per share		Aggregate consideration (HK\$) (excluding transaction cost)
		Highest (HK\$)	Lowest (HK\$)	
February 2019	5,852,500	3.22	3.01	18,413,850

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would benefit shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they had complied with the Model Code during the six months ended 30 June 2019.



Corporate Governance and Other Information

Compliance with the Corporate Governance Code

For the six months ended 30 June 2019, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in the Listing Rules, save and except for the deviation as set out below.

In accordance with code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and should also invite the chairman of each of the nomination committee, audit committee and remuneration committee to attend. Mr. Feng Changge, the chairman of the Board and the chairman of the nomination committee was not able to attend the annual general meeting of the Company held on 13 June 2019 due to other business commitments.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

Update on Directors’ information

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with the Listing Rules and the CG Code. As at the date of this report, the Audit Committee consists of three members, namely Mr. Wang Nengguang, Mr. Liu Zhangmin and Mr. Xue Guoping, all of whom are independent non-executive directors of the Company. Mr. Wang Nengguang is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2019.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	For the six months ended 30 June 2018 RMB'000 (Unaudited)
Revenue	6(a)	5,891,521	4,687,357
Cost of sales and services	7(b)	(5,313,934)	(4,210,198)
Gross profit		577,587	477,159
Other income and gains, net	6(b)	246,136	438,430
Selling and distribution expenses		(308,440)	(249,879)
Administrative expenses		(75,121)	(77,363)
Operating profit		440,162	588,347
Finance costs, net	8	(55,532)	(30,725)
Share of profits and losses of			
– Joint Ventures		8	8
– Associates		(21,059)	(42,968)
Profit before income tax		363,579	514,662
Income tax expense	9	(69,621)	(83,393)
Profit for the period		293,958	431,269
Attributable to:			
Owners of the Company		286,238	424,424
Non-controlling interests		7,720	6,845
		293,958	431,269
Earnings per share attributable to ordinary equity holders of the Company			
Basic (RMB)	11	0.19	0.28
Diluted (RMB)	11	0.19	0.27

The accompanying notes on pages 28 to 58 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period	293,958	431,269
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period</i>		
Exchange differences on translation of foreign operations	4,741	2,226
Other comprehensive income for the period, net of tax	4,741	2,226
Total comprehensive income for the period, net of tax	298,699	433,495
Attributable to:		
Owners of the Company	290,979	426,650
Non-controlling interests	7,720	6,845
	298,699	433,495

The accompanying notes on pages 28 to 58 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2019

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		2,635,533	2,522,989
Prepaid land lease payments		–	11,097
Right-of-use assets	4a	443,297	–
Intangible assets		100,388	104,991
Goodwill		57,911	57,911
Prepayments and other assets	15	1,883,763	1,603,233
Finance lease receivables	12	106,023	81,528
Investment in joint ventures		5,614	5,606
Investment in associates		6,406	686,222
Financial assets at fair value through profit or loss	16	1,377,410	1,377,410
Financial asset at fair value through other comprehensive income	17	103,462	–
Deferred income tax assets		53,755	48,823
		6,773,562	6,499,810
Current assets			
Inventories	13	991,507	1,124,419
Trade receivables	14	160,139	123,352
Finance lease receivable	12	71,824	50,532
Prepayments, deposits and other receivables	15	2,053,595	1,797,166
Finance assets at fair value through profit or loss	16	133,577	167,577
Pledged and restricted bank deposits		86,833	74,947
Cash in transit		39,488	35,964
Cash and bank balances		1,363,500	1,148,300
		4,900,463	4,522,257
Total assets		11,674,025	11,022,067

The accompanying notes on pages 28 to 58 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2019

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	20	12,040	12,085
Treasury shares		(17,022)	–
Reserves		6,969,593	6,866,308
		6,964,611	6,878,393
Non-controlling interests		50,605	42,885
Total equity		7,015,216	6,921,278
Non-current liabilities			
Deferred income tax liabilities		52,599	53,337
Lease liabilities	4a, 21	415,118	–
		467,717	53,337
Current liabilities			
Trade and bills payables	19	120,185	136,317
Other payables and accruals		1,228,811	987,420
Bank loans and other borrowings	18	1,961,139	2,137,604
Lease liabilities	4a, 21	58,761	–
Income tax payable		822,196	786,111
		4,191,092	4,047,452
Total liabilities		4,658,809	4,100,789
Total equity and liabilities		11,674,025	11,022,067

The accompanying notes on pages 28 to 58 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital	Treasury shares	Share premium	Capital Reserve	Statutory reserve	Merger reserve	Share option reserve	Foreign	Retained profits	Sub-total	Non-controlling interest	Total equity
								currency translation reserve				
RMB'000	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000	
At 1 January 2018	12,176	-	3,384,541	1,943	213,450	371,200	35,563	113,749	2,154,698	6,287,320	43,145	6,330,465
Impact of adopting HKFRS 9	-	-	-	-	-	-	-	-	68,604	68,604	-	68,604
At 1 January 2018 (restated)	12,176	-	3,384,541	1,943	213,450	371,200	35,563	113,749	2,223,302	6,355,924	43,145	6,399,069
Profit for the period	-	-	-	-	-	-	-	-	424,424	424,424	6,845	431,269
Other comprehensive income for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	2,226	-	2,226	-	2,226
Total comprehensive income for the period	-	-	-	-	-	-	-	2,226	424,424	426,650	6,845	433,495
Final 2017 dividend declared	-	-	(160,973)	-	-	-	-	-	-	(160,973)	-	(160,973)
Share repurchased	-	(19,800)	-	-	-	-	-	-	-	(19,800)	-	(19,800)
Exercise of share options	6	-	2,194	-	-	-	(349)	-	-	1,851	-	1,851
Equity-settled-share option arrangement (Note 22)	-	-	-	-	-	-	18,606	-	-	18,606	-	18,606
At 30 June 2018	12,182	(19,800)	3,225,762	1,943	213,450	371,200	53,820	115,975	2,647,726	6,622,258	49,990	6,672,248

The accompanying notes on pages 28 to 58 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company											
	Share capital	Treasury shares	Share premium	Capital Reserve	Statutory reserve	Merger reserve	Share option reserve	Foreign currency translation reserve	Retained profits	Sub-total	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000*	RMB'000	RMB'000	RMB'000
At 1 January 2019	12,085	-	3,186,337	1,995	238,414	371,200	73,873	112,459	2,882,030	6,878,393	42,885	6,921,278
Impact of adopting HKFRS 16	-	-	-	-	-	-	-	-	(22,320)	(22,320)	-	(22,320)
At 1 January 2019 (restated)	12,085	-	3,186,337	1,995	238,414	371,200	73,873	112,459	2,859,710	6,856,073	42,885	6,898,958
Profit for the period	-	-	-	-	-	-	-	-	286,238	286,238	7,720	293,958
Other comprehensive income for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	4,741	-	4,741	-	4,741
Total comprehensive income for the period	-	-	-	-	-	-	-	4,741	286,238	290,979	7,720	298,699
Final 2018 dividend declared	-	-	(156,079)	-	-	-	-	-	-	(156,079)	-	(156,079)
Shares repurchased	(45)	(17,022)	(15,761)	-	-	-	-	-	-	(32,828)	-	(32,828)
Equity-settled-share option arrangement (Note 22)	-	-	-	-	-	-	6,466	-	-	6,466	-	6,466
At 30 June 2019	12,040	(17,022)	3,014,497	1,995	238,414	371,200	80,339	117,200	3,145,948	6,964,611	50,605	7,015,216

* These reserve accounts comprise the consolidated other reserves of RMB6,969,593,000 in the condensed consolidated balance sheet as at 30 June 2019 (31 December 2018: RMB6,866,308,000).

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	613,368	(175,007)
Income tax paid	(38,773)	(58,862)
Net cash generated from/(used in) operating activities	574,595	(233,869)
Cash flows from investing activities		
Interest received	11,331	7,038
Purchases of property, plant and equipment	(146,331)	(333,149)
Proceeds from disposal of property, plant and equipment	53,680	79,292
Purchase of intangible assets	(2,679)	(322)
Proceeds from disposal of intangible assets	7,048	–
Advance made to an associate	(29,700)	(75,951)
Proceeds from disposal of shares in a financial asset at fair value through profit or loss	–	39,618
Purchases of a financial asset at fair value through profit or loss	–	(60,000)
Proceeds from disposal of a financial asset at fair value through profit or loss	34,000	37,000
Collection of loans and receivables from a third party	–	200,000
Decrease in time deposits	–	500
Net cash used in investing activities	(72,651)	(105,974)
Cash flows from financing activities		
Proceeds from exercise of share options	–	1,851
Repurchase of shares	(32,828)	(19,800)
Proceeds from bank borrowings and other borrowings	5,606,920	5,220,870
Repayments of bank borrowings and other borrowings	(5,783,506)	(5,439,370)
Interest paid	(55,532)	(34,331)
Repayments of lease liabilities	(26,539)	–
Net cash used in financing activities	(291,485)	(270,780)

The accompanying notes on pages 28 to 58 form an integral part of the condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Net increase/(decrease) in cash and cash equivalents	210,459	(610,623)
Cash and cash equivalents at beginning of the period	948,300	1,475,378
Exchange differences on cash and cash equivalents	4,741	2,226
Cash and cash equivalents at end of the period	1,163,500	866,981
Analysis of balance of cash and cash equivalents		
Cash and cash equivalents as stated in the statement of cash flows	1,163,500	866,981
Non-pledged time deposits with original maturity of more than three months when acquired	200,000	104,500
Cash and bank balances as stated in the condensed consolidated balance sheet	1,363,500	971,481

The accompanying notes on pages 28 to 58 form an integral part of the condensed consolidated interim financial information.

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

1 General information

China Harmony New Energy Auto Holding Limited (the “Company”), was incorporated on 24 September 2012 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 June 2013 (“Listing”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the sale of automobiles and provision of after-sales services in Mainland China.

In the opinion of the directors of the Company (the “Directors”), the ultimate holding company of the Company is Cititrust Private Trust (Cayman) Limited, which is incorporated in the Cayman Islands (“Cayman Islands”). Eagle Seeker Company Limited is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the shares held by Eagle Seeker Company Limited. Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest indirectly through Eagle Seeker Company Limited, in the shares held by Mr. Feng Changge (“the Chairman and a director of the Company, the “Controlling Shareholder”), who is the founder of the trust of Cititrust Private Trust (Cayman) Limited.

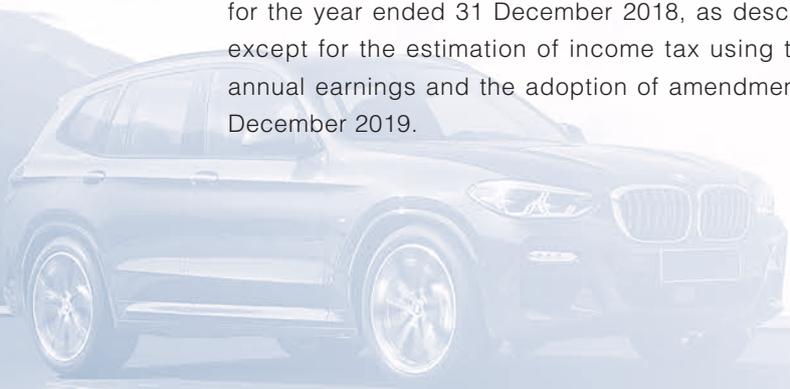
The condensed consolidated interim financial information are presented in Renminbi (“RMB”), unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Change in accounting policies and disclosures

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, as described in those annual consolidated financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2019.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

3 Change in accounting policies and disclosures (Continued)

(a) New and amended standards and interpretation adopted by the Group

New and amended standards and interpretations, which are mandatory for the first time for the financial period beginning 1 January 2019, are as follows:

Annual improvements project	<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>
HKAS 19 (Amendment)	<i>Employee Benefits</i>
HKAS 28 (Amendment)	<i>Investments in Associate and Joint Ventures</i>
HKFRS 9 (Amendments)	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>

Except as disclosed in Note 4 for the adoption of HKFRS 16, the adoption of the above new and amended standards and interpretations did not have any significant impact on the preparation of these condensed consolidated interim financial information.

(b) New and amended standard, interpretation and revised framework have been issued but are not effective and have not been early adopted by the Group

The following new and amended standards, interpretation and revised framework are not effective for financial year beginning on 1 January 2019, and have not been applied in preparing these condensed consolidated interim financial information:

		Effective for annual periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021

The Group will apply the above new and amended standards, interpretation and revised framework when they become effective. The directors of the Company is in the process of assessing the financial impact of the other new and amended standards, interpretation and revised framework, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

4 Adoption of HKFRS 16

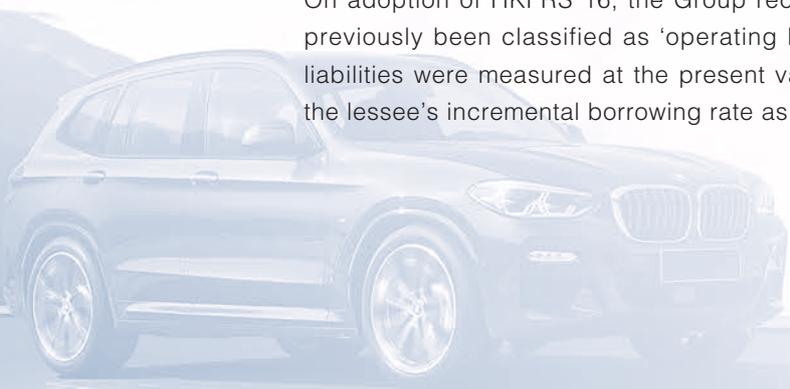
The Group has adopted HKFRS 16 from 1 January 2019 without restating comparative information for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. As a result, the reclassifications and adjustments arising from the adoption of HKFRS 16 are therefore not reflected in the consolidated balance sheet as at 31 December 2018, but are recognised in the opening consolidated balance sheet as at 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Balance sheet (extract)	31 December 2018		1 January 2019 Restated RMB'000
	As originally presented RMB'000	Adoption of HKFRS 16 RMB'000	
Non-current assets			
Right-of-use-assets	–	468,287	468,287
Prepaid land lease payments	11,097	(11,097)	–
Current assets			
Prepayments, deposits and other receivables	1,797,166	(4,769)	1,792,397
Non-current liabilities			
Lease liabilities	–	441,832	441,832
Current liabilities			
Other payables and accruals	987,420	(22,544)	964,876
Lease liabilities	–	55,453	55,453
Equity			
Reserves	6,866,308	(22,320)	6,843,988

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

4 Adoption of HKFRS 16 (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	705,737
Discounted using the lessee's incremental borrowing rate at the date of initial application	502,176
Less: short-term leases recognised on a straight-line basis as expense	(4,891)
Lease liabilities recognised as at 1 January 2019	497,285
Of which are:	
Current lease liabilities	55,453
Non-current lease liabilities	441,832
	497,285

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000 (Unaudited)	1 January 2019 RMB'000 (Unaudited)
Properties lease	303,483	322,010
Land lease	139,814	146,277
Total right-of-use assets	443,297	468,287

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

4 Adoption of HKFRS 16 (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

4 Adoption of HKFRS 16 (Continued)

(b) The Group's leasing activities and how these are accounted for

Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment and prepaid land lease payments were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

4 Adoption of HKFRS 16 (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5 Operating segment information

The Group's principal business is the sale of automobiles and provision of after-sales services. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

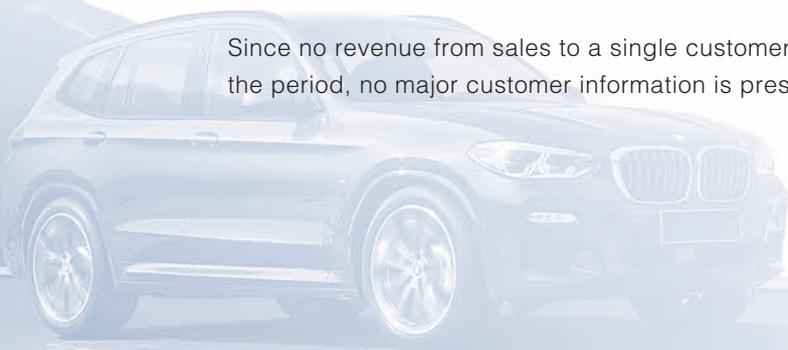
No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since all of the Group's revenue were generated from the sale of automobiles and provision of after-sales services in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical segment information is presented.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the period, no major customer information is presented.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

6 Revenue, other income and gains, net

(a) Revenue

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue from contracts with customers (Note i)		
Revenue from the sale of automobiles	5,048,817	3,999,083
Provision of after-sales services	710,935	606,357
Others	120,152	77,857
Revenue from other sources		
Finance leasing services	11,617	4,060
	5,891,521	4,687,357

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Type of goods or services		
Sale of automobiles and others	5,168,969	4,076,940
Provision of after-sales services	710,935	606,357
	5,879,904	4,683,297
Timing of revenue recognition		
Goods received by the customer at a point in time	5,168,969	4,076,940
Services rendered at a point in time	710,935	606,357
	5,879,904	4,683,297

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

6 Revenue, other income and gains, net (Continued)

(a) Revenue (Continued)

Revenue from contracts with customers

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period.

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue recognised that was included in contract liabilities (classify as “other payables and accruals”) at the beginning of the reporting period		
Sale of automobiles and others	242,830	224,719
Services rendered at a point in time	42,311	28,044
	285,141	252,763

(ii) Performance obligations

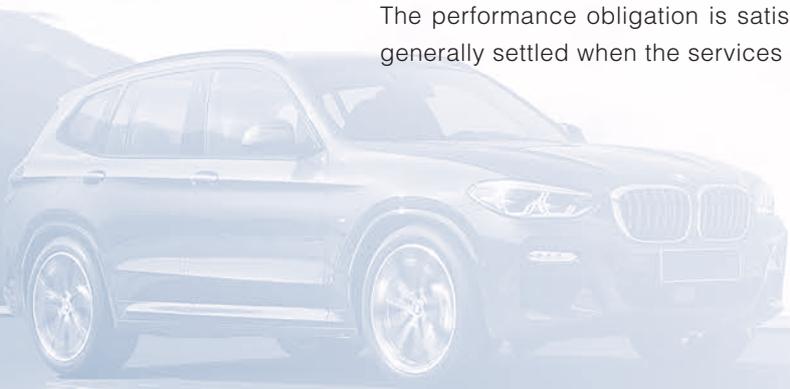
Information about the Group's performance obligations is summarised below:

Sale of automobiles and others

The performance obligation is satisfied upon receipt of goods by the customer and payment in advance is normally required.

Provision of after-sales services

The performance obligation is satisfied upon the services are rendered and the payment is generally settled when the services are rendered.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

6 Revenue, other income and gains, net (Continued)

(b) Other income and gains, net

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Commission income	128,117	147,115
Advertisement support received from motor vehicle manufactures	19,725	21,895
Bank interest income	11,331	11,085
Interest income from loans to an associate (Note i)	22,880	32,389
Interest income from loans to third parties	31,109	–
Gain on disposal of an associate (Note 26)	26,705	–
Gain on disposal of an intangible assets	2,027	–
Loss on disposal of shares in a financial asset at fair value through profit or loss	–	(235,603)
Fair value gain on a financial asset at fair value through profit or loss	–	452,741
Others	4,242	8,808
Total	246,136	438,430

- (i) Represents interest income from loans to Henan Hexie Automobile Aftersales Services Co., Ltd. (河南和諧汽車維修服務有限公司) (the "Independent Aftersales Company"), an associate of the Group for the period ended 30 June 2018, bearing interest in accordance with the benchmark loan interest rate stipulated by the People's Bank of China for the corresponding period.

During the period ended 30 June 2019, the Group entered into an agreement with a purchaser to dispose of 29% of equity interest in the Independent Aftersales Company at a consideration of RMB192,000,000. Subsequent to the completion of the disposal, the Independent Aftersales Company ceased to be an associate of the Group and was accounted for as "Financial assets at fair value through other comprehensive income" as at 30 June 2019 (Note 26).

The amount represents the interest income from the loans to the Independent Aftersales Company as an associate of the Group before the completion of the disposal (Note 26).

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

7 Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
(a) Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	112,493	106,795
Equity-settled share option expense (Note 22)	6,466	18,606
Other welfare	29,236	14,553
	148,195	139,954
(b) Cost of sales and services		
Cost of sales of automobiles	4,849,554	3,848,525
Cost of after-sales services	391,811	317,405
Others	72,569	44,268
	5,313,934	4,210,198
(c) Other items		
Depreciation of property, plant and equipment	78,717	66,019
Depreciation of right-of-use assets	28,024	–
Amortisation of prepaid land lease payments	–	200
Amortisation of intangible assets	2,242	2,297
Loss on disposal of property, plant and equipment	7,368	8,875
Advertisement and business promotion expenses	27,437	25,419
Bank charges	2,093	3,385
Minimum lease payments under operating leases	7,613	23,190
Foreign exchange differences, net	(219)	(391)



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

8 Finance costs, net

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest on bank loans and other loans	40,969	34,331
Interest on lease liabilities	14,563	–
Less: interest capitalised	–	(3,606)
	55,532	30,725

9 Income tax expense

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current Mainland China corporate income tax	74,858	82,832
Deferred tax	(5,237)	561
	69,621	83,393

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the British Virgin Islands (“BVI”) are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. There are no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”), the income tax rate for Mainland China subsidiaries is 25% (2018: 25%).

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

10 Dividend

A final dividend of HK\$0.12 (equivalent to approximately RMB0.11) per ordinary share totaling to approximately HK\$182,552,000 (equivalent to approximately RMB156,079,000) was approved at the annual general meeting on 13 June 2019. The dividend was subsequently paid on 13 August 2019.

The board of directors (the “Board”) of the Company proposed not to declare any interim dividend for the six months ended 30 June 2019.

11 Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares outstanding during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share option scheme.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

11 Earnings per share attributable to ordinary equity holders of the Company (Continued)

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings		
Profit for the period attributable to ordinary equity holders of Company used in the basic earnings per share calculation	286,238	424,424
Shares		
Weighted average number of ordinary shares outstanding during the period used in the basic earnings per share calculation	1,521,791,942	1,536,729,857
Effect of dilution-weighted average number of ordinary shares:		
– Share options	–	23,849,182
	1,521,791,942	1,560,579,039
Basic earnings per share (RMB)	0.19	0.28
Diluted earnings per share (RMB)	0.19	0.27

Diluted earnings per shares for the period ended 30 June 2019 was the same as basic earnings per shares since all potential ordinary shares are anti-dilutive as the conversion of potential ordinary shares in relation to the share options has an anti-dilutive effect to the basic earnings per shares.

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

12 Finance lease receivables

Certain motor vehicles of the Group are leased out under finance leases. All interest rates in the leases are fixed at the contract date over the lease terms.

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Analysed as:		
Current	71,824	50,532
Non-current	106,023	81,528
	177,847	132,060

At 30 June 2019, the future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables 30 June 2019 RMB'000 (Unaudited)	Present value of minimum lease receivables 30 June 2019 RMB'000 (Unaudited)
Finance lease receivables:		
Within one year	88,922	71,824
Later than one year and not later than five years	116,263	106,023
	205,185	177,847
Less: Unearned finance income	27,338	
Present value of minimum lease payment receivables	177,847	



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

13 Inventories

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Automobiles	853,131	992,947
Spare parts and accessories	138,376	131,472
	991,507	1,124,419

At 30 June 2019, certain of the Group's inventories with an aggregate carrying amount of approximately RMB500,195,000 (31 December 2018: RMB596,072,000) were pledged as security for the Group's bank loans and other borrowings (Note 18).

At 30 June 2019, certain of the Group's inventories with an aggregate carrying amount of approximately RMB36,732,000 (31 December 2018: RMB17,997,000) were pledged as security for the Group's bills payable (Note 19).

14 Trade receivables

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Trade receivables	160,139	123,352

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

14 Trade receivables (Continued)

An aged analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 3 months	111,780	108,282
More than 3 months but less than 1 year	48,359	15,070
	160,139	123,352

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

15 Prepayments, deposits and other receivables

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Prepayments to suppliers	469,066	533,680
Prepayments for purchase of items of property, plant and equipment	172,642	269,829
Prepayments for leasing buildings and land	39,405	51,688
Rebate receivables	895,503	822,539
Receivable on the consideration of disposal of an associate (Note 26)	192,000	–
Insurance commission receivable	25,772	25,978
Dividend receivable	–	4,982
Due from Independent Aftersales Company (i)	1,669,793	1,201,274
Due from related parties	2,463	910
Loan to a third party (ii)	260,000	260,000
Others	210,714	229,519
	3,937,358	3,400,399
Less:		
Non-current prepayments for purchase of items of property, plant and equipment	(172,642)	(269,829)
Non-current prepayments for leasing buildings and land	(39,405)	(51,688)
Non-current loans to third parties (ii)	(260,000)	(260,000)
Non-current loans to and due from Independent Aftersales Company (i)	(1,411,716)	(1,021,716)
Non-current portion	(1,883,763)	(1,603,233)
Current portion	2,053,595	1,797,166

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

15 Prepayments, deposits and other receivables (Continued)

Notes:

- (i) As of 31 December 2018, the Group had advances due from Independent Aftersales Company, an associate of the Group, with an amount of approximately RMB1,201,274,000, over which approximately RMB179,558,000 was included in the current assets.

As of 30 June 2019, the Group had balances due from the Independent Aftersales Company with an amount of approximately RMB1,669,793,000 (including the loan to the Independent Aftersales Company of RMB390,000,000), over which approximately RMB258,077,000 was included in the current assets.

- (ii) As at 31 December 2018, the balance represents a secured loan granted to a third party with an amount of RMB260,000,000 bearing fixed interest rate of 9.5% per annum with a maturity period of two years.

As at 30 June 2019, the balances represent the secured loan to a third party with an amount of RMB260,000,000 bearing interest in accordance with the benchmark loan interest rate stipulated by the People's Bank of China for the corresponding period and have no fixed repayment terms.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

16 Financial assets at fair value through profit or loss

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-current		
Financial assets at fair value through profit or loss		
– Unlisted equity investment in Future Mobility Corporation Limited Cayman (“FMC”), at fair value (i)	1,377,410	1,377,410
Current		
Financial assets at fair value through profit or loss		
– Unlisted private fund in the PRC (ii)	83,577	83,577
– Wealth management products (iii)	50,000	84,000
	133,577	167,577
Total	1,510,987	1,544,987

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

16 Financial assets at fair value through profit or loss (Continued)

Notes:

- (i) The unlisted equity investment represented investment in FMC and was mandatorily classified as financial assets at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. As of 30 June 2019 and 31 December 2018, the Group held 22,250,000 shares in FMC.
- (ii) The above unlisted private fund represented a fund managed by a private fund manager registered and approved by the Asset Management Association of China and is measured at fair value.
- (iii) The above wealth management products were wealth management products issued by banks in the PRC and are redeemable on demand.

17 Financial asset at fair value through other comprehensive income

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-current		
Financial assets at fair value through other comprehensive income		
– Unlisted equity investment in Independent Aftersales Company, at fair value (Note 26)	103,462	–

18 Bank loans and other borrowings

	As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Effective interest rate (%)	Amount RMB'000	Effective interest rate (%)	Amount RMB'000
Current				
Bank loans	4.6–8.5	1,366,859	4.6–7.5	1,281,883
Other borrowings	4.0–8.5	594,280	4.0–8.5	855,721
Total borrowings		1,961,139		2,137,604

All the bank and other borrowings are repayable within one year as at 30 June 2019 (2018: Same).

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

18 Bank loans and other borrowings (Continued)

- (a) Certain of the Group's bank loans and other borrowings are secured and guaranteed by:
- (i) mortgages over the Group's lands included in right-of-use assets situated in Mainland China, which had an aggregate carrying value of approximately RMB10,996,000 as at 30 June 2019 (31 December 2018: prepaid land lease payments of RMB11,097,000);
 - (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB21,904,000 as at 30 June 2019 (31 December 2018: RMB23,165,000);
 - (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB500,195,000 as at 30 June 2019 (31 December 2018: RMB596,072,000).
 - (iv) certain of the Group's bank loans and other borrowings amounting to RMB378,121,000 were guaranteed by the Group's subsidiaries as at 30 June 2019 (31 December 2018: RMB387,639,000);
 - (v) certain of the Group's bank loans amounting to RMB1,179,917,000 were guaranteed by the legal representative of certain subsidiaries of the Company as at 30 June 2019 (31 December 2018: RMB923,930,000).
- (b) Except for the unsecured bank loan which is denominated in the United States dollars, all borrowings are denominated in RMB.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

19 Trade and bills payables

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Trade payables	108,172	99,089
Bills payable	12,013	37,228
Trade and bills payables	120,185	136,317

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

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Within 3 months	100,299	131,304
3 to 6 months	6,842	2,097
6 to 12 months	9,767	1,308
Over 12 months	3,277	1,608
	120,185	136,317

The trade and bills payables are non-interest-bearing.

Certain of the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB36,732,000 as at 30 June 2019 (31 December 2018: RMB17,997,000).

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

20 Share capital

	As at 30 June 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	No. of share at HK\$0.01 each	Equivalent to RMB'000	No. of share at HK\$0.01 each	Equivalent to RMB'000
Ordinary shares	1,521,263,177	12,040	1,527,115,677	12,085

During the six months ended 30 June 2019, the Company repurchased and cancelled 5,852,500 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK\$18,413,850 (approximately RMB15,806,000).

There is no share options exercised during the six months ended 30 June 2019 (Note 22).

21 Lease liabilities

	Unaudited As at 30 June 2019 RMB'000	Unaudited As at 1 January 2019 RMB'000
Total lease liabilities	473,879	497,285
Less: Current portion	(58,761)	(55,453)
Non-current portion	415,118	441,832

The Group leases various office premises, shops and lands under lease agreements. The majority of lease liabilities are denominated in RMB. No arrangement has been entered into for variable lease payments.

During the six months ended 30 June 2019, the Group's operating lease rental payments relating to short-term and low-value leases of approximately RMB7,613,000 have been recognised as expenses and included in "minimum lease payments under operating leases" in the consolidated statements of comprehensive income.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

22 Share option scheme

The Company operates a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 26 June 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, an amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average of the closing prices of the Company’s shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

22 Share option scheme (Continued)

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

	As at 30 June 2019 (Unaudited)		As at 30 June 2018 (Unaudited)	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	3.32	81,791	3.32	84,050
Exercised during the period	–	–	3.00	(759)
Forfeited during the period	–	–	4.80	(400)
At 30 June	3.32	81,791	3.32	82,891

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

As at 30 June 2019 (Unaudited)			As at 30 June 2018 (Unaudited)		
Number of options '000	Exercise price* HK\$ per share	Exercise period	Number of options '000	Exercise price* HK\$ per share	Exercise period
67,191	3.00	1-7-2017 to 28-06-2025	68,291	3.00	1-7-2017 to 28-06-2025
14,600	4.80	1-4-2018 to 28-06-2025	14,600	4.80	1-4-2018 to 28-06-2025
81,791			82,891		

* The exercise price of the share options is subject to adjustments in the case of rights or bonus issues, or similar changes in the Company's share capital.

The fair value of the share options granted on 9 May 2017 and 15 December 2017 was RMB57,250,000 (RMB0.58 each and RMB1.11 each), of which the Group recognised a share option expense of RMB6,466,000 during the six months ended 30 June 2019 (2018: RMB18,606,000).



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

23 Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at each reporting date were as follows:

As at 30 June 2019	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	1,510,987	–	1,510,987
Financial asset at fair value through other comprehensive income	–	–	103,462	103,462
Prepayments and other assets	1,281,716	–	–	1,281,716
Finance lease receivables	177,847	–	–	177,847
Trade receivables	160,139	–	–	160,139
Financial assets included in prepayments, deposits and other receivables	1,584,529	–	–	1,584,529
Pledged and restricted bank deposits	86,833	–	–	86,833
Cash in transit	39,488	–	–	39,488
Cash and bank balances	1,363,500	–	–	1,363,500
	4,694,052	1,510,987	103,462	6,308,501

As at 30 June 2019	Financial liabilities at amortised cost RMB'000
Trade and bills payables	120,185
Financial liabilities included in other payables and accruals	347,780
Lease liabilities	473,879
Bank loans and other borrowings	1,961,139
	2,902,983

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

23 Financial instruments by category (Continued)

The carrying amounts of each of the categories of financial instruments as at each reporting date were as follows:

As at 31 December 2018	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	1,544,987	1,544,987
Prepayments and other assets	1,281,716	–	1,281,716
Finance lease receivables	132,060	–	132,060
Trade receivables	123,352	–	123,352
Financial assets included in prepayments, deposits and other receivables	1,178,227	–	1,178,227
Pledged and restricted bank deposits	74,947	–	74,947
Cash in transit	35,964	–	35,964
Cash and bank balances	1,148,300	–	1,148,300
	3,974,566	1,544,987	5,519,553

As at 31 December 2018	Financial liabilities at amortised cost RMB'000
Trade and bills payables	136,317
Financial liabilities included in other payables and accruals	147,042
Bank loans and other borrowings	2,137,604
	2,420,963

24 Contingent liabilities

As at 30 June 2019 and 31 December 2018, the Group had no significant contingent liabilities.



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

25 Commitments

Capital commitments

Capital commitments of the Group in respect of property and equipment outstanding at each reporting date not provided for in these condensed consolidated interim financial information are as follows:

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Contracted, but not provided for land leases and buildings	159,980	171,420

26 Disposal of 29% equity interest in an associate

On 18 April 2019, the Group entered into an agreement with the purchaser to dispose of 29% of equity interest in Independent Aftersales Company, a 48.8% owned associate of the Group, for a consideration of RMB192,000,000. The associate is engaged in the provision of after-sales services in the PRC.

Upon the completion of the disposal, the Group's equity interest in the associate was reduced from 48.8% to 19.8% and ceased to be an associate of the Group, and the remaining equity interest was accounted for as a FVTOCI which is stated as fair value in the condensed consolidated balance sheet.

Details of net assets disposed of, the fair value of the remaining equity interest and the gain on disposal of the equity interest in the company at the date of disposal were as follows:

	RMB'000
Cash consideration, net of direct expenses	192,000
Fair value of remaining equity interest (Note 17)	103,462
	295,462
Less:	
Carrying amount of previously held 48.8% equity interest before disposal	(268,757)
Gain on disposal of equity interest in an associate (Note 6b)	26,705

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

27 Related party transactions and balances

Mr. Feng Changge is the Chairman and a director of the Company, the Controlling Shareholder and is also considered a related party of the Group.

In addition to the transactions detailed elsewhere in these condensed consolidated interim financial information, the Group had the following transactions with related parties during the period:

(a) Transactions with related parties

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Advances made to Independent Aftersales Company	29,700	75,951
Interest income from Independent Aftersales Company (ii)	22,880	32,389
	52,580	108,340

(b) Balances due from related parties

The Group had the following significant balances with its related parties as at 30 June 2019 and 31 December 2018 respectively.

	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-trade related:		
– Zhengzhou Yongda Heixe Automobile Sales & Services Co., Ltd. (“Yongda Heixe”) (i)	–	910
– Independent Aftersales Company (ii)	–	1,591,274
	–	1,592,184



Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

27 Related party transactions and balances (Continued)

(b) Balances due from related parties (Continued)

- (i) Balance with Yongda Hexie is unsecured and non-interest-bearing and have no fixed repayment terms.
- (ii) As at 31 December 2018, balance with Independent Aftersales Company bear interest in accordance with the benchmark loan interest rate stipulated by the People's Bank of China for the corresponding period and have no fixed repayment terms and guaranteed by a shareholder of the Company.

On 18 April 2019, the Group entered into an agreement with a purchaser to dispose of 29% of equity interest in Independent Aftersales Company. Subsequent to the completion of the disposal, the company ceased to be a related party of the Group as at 30 June 2019 (Note 26).

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short term employee benefits	4,319	4,202
Equity-settled share option expense	6,466	7,064
Post-employee benefits	263	159
Total compensation paid to key management personnel	11,048	11,425

28 Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, pledged bank deposits, cash in transit, trade and bills payables, financial liabilities included in other payables and accruals and bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the finance lease receivables and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease receivables as at 30 June 2019 and 31 December 2018 were assessed to be insignificant.

Notes to Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

28 Fair value and fair value hierarchy of financial instruments (Continued)

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

As at 30 June 2019 (Unaudited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets RMB'000	Significant observable inputs RMB'000	Significant unobservable inputs RMB'000	
Financial assets at fair value through profit or loss:				
Unlisted equity investments	–	–	1,377,410	1,377,410
Unlisted private fund in the PRC	–	83,577	–	83,577
Wealth management products	50,000	–	–	50,000
Financial assets at fair value through other comprehensive income:				
Unlisted equity investments	–	–	103,462	103,462
	50,000	83,577	1,480,872	1,614,449

As at 31 December 2018 (Audited)	Fair value measurement using			Total RMB'000
	Quoted prices in active markets RMB'000	Significant observable inputs RMB'000	Significant unobservable inputs RMB'000	
Financial assets at fair value through profit or loss:				
Unlisted equity investment	–	–	1,377,410	1,377,410
Unlisted private fund in the PRC	–	83,577	–	83,577
Wealth management products	84,000	–	–	84,000
	84,000	83,577	1,377,410	1,544,987

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

There were no transfers among Level 1, 2 and 3 during the period/year.

