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润东汽车

China Greenland Rundong Auto Group Limited
中國綠地潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1365)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2015

The board (the "**Board**") of directors (the "**Directors**") of China Greenland Rundong Auto Group Limited 中國綠地潤東汽車集團有限公司 (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the six months ended June 30, 2015 (the "**Reporting Period**" or the "**Period Under Review**"), as follows:

FINANCIAL HIGHLIGHTS

For the Reporting Period:

- Revenue decreased by 3.3% to RMB7,340.6 million as compared with the same period of 2014.
- Sales revenue from new automobiles decreased by 5.6% to RMB6,410.7 million as compared with the same period of 2014.
- After-sales revenue increased by 16.6% to RMB929.9 million as compared with the same period of 2014.
- Gross profit decreased by 9.1% to RMB661.7 million as compared with the same period of 2014.
- Profit attributable to owners of the parent dropped by 45.8% to RMB106.7 million as compared with the same period of 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4(a)*	**7,340,581**	7,590,036
Cost of sales	*5(b)*	**(6,678,889)**	(6,862,195)
Gross profit		**661,692**	727,841
Other income and gains, net	*4(b)*	**117,474**	122,326
Selling and distribution costs		**(209,814)**	(181,811)
Administrative expenses		**(207,313)**	(207,321)
Other expenses		**(2,393)**	(6,341)
Finance costs	*6*	**(184,250)**	(170,510)
Profit before tax	*5*	**175,396**	284,184
Income tax expense	*7*	**(66,154)**	(80,952)
Profit for the period		**109,242**	203,232
Profit for the period attributable to:			
Owners of the parent		**106,693**	196,858
Non-controlling interests		**2,549**	6,374
		109,242	203,232
Earnings per share attributable to ordinary equity holders of the parent:			
Basic *(RMB)*	*8*	**0.10**	0.25
Diluted *(RMB)*	*8*	**0.10**	0.24

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**109,242**	203,232
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**351**	(105)
Total comprehensive income for the period, net of tax	**109,593**	203,127
Total comprehensive income for the period attributable to:		
Owners of the parent	**107,044**	196,753
Non-controlling interests	**2,549**	6,374
	109,593	203,127

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2015

	Notes	As at June 30, 2015 RMB'000 (Unaudited)	As at December 31, 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**3,201,204**	2,640,307
Land use rights	10	**476,251**	343,688
Intangible assets		**500,845**	213,702
Deferred tax assets		**1,034**	7,458
Goodwill		**700,724**	207,146
Available-for-sale investments		**152,000**	102,000
Prepayments		**12,820**	436,474
Total non-current assets		**5,044,878**	3,950,775
CURRENT ASSETS			
Inventories	11	**1,806,953**	1,899,654
Trade receivables	12	**229,298**	208,722
Prepayments, deposits and other receivables		**1,773,672**	1,395,302
Cash in transit		**46,490**	60,017
Pledged bank deposits		**1,622,890**	1,922,496
Cash and cash equivalents		**834,671**	1,072,158
Total current assets		**6,313,974**	6,558,349
TOTAL ASSETS		**11,358,852**	10,509,124
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**633,588**	680,944
Deferred tax liabilities		**153,050**	55,486
Total non-current liabilities		**786,638**	736,430

	Notes	As at June 30, 2015 RMB'000 (Unaudited)	As at December 31, 2014 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*14*	**2,638,566**	3,638,877
Other payables and accruals		**1,315,642**	934,840
Interest-bearing bank and other borrowings	*13*	**4,559,520**	3,253,060
Income tax payable		**208,124**	206,314
Total current liabilities		**8,721,852**	8,033,091
NET CURRENT LIABILITIES		**(2,407,878)**	(1,474,742)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,637,000**	2,476,033
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**3**	3
Reserves		**1,759,214**	1,651,004
		1,759,217	1,651,007
Non-controlling interests		**91,145**	88,596
Total equity		**1,850,362**	1,739,603
TOTAL EQUITY AND LIABILITIES		**11,358,852**	10,509,124

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Rundong Auto Group Limited (the "**Company**") was incorporated on January 15, 2014 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on August 12, 2014.

During the period, the Group were principally engaged in the sale and service of motor vehicles.

In the opinion of directors of the Company (the "**Directors**"), the ultimate holding company of the Company is HSBC International Trustee Limited, which is incorporated in the British Virgin Islands ("**BVI**").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at June 30, 2015 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2014.

As at June 30, 2015, the Group had net current liabilities of approximately RMB2,407,878,000. The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the interim condensed consolidated financial statements are prepared on a going concern basis.

2.2 Changes in accounting policies and disclosures

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended December 31, 2014, except for the adoption of amendments effective as at January 1, 2015 below:

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

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments under *Annual Improvements to HKFRSs 2010–2012 Cycle*	Amendments to a number of HKFRS
Amendments under *Annual Improvements to HKFRSs 2011–2013 Cycle*	Amendments to a number of HKFRS

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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

Information about geographical area

Since all of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and all of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the period, no segment information about major customers is presented.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	For the six months ended June 30,	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from the sale of motor vehicles	**6,410,704**	6,792,807
Others	**929,877**	797,229
	7,340,581	7,590,036

(b) Other income and gains, net

	For the six months ended June 30,	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Commission income	**71,141**	93,160
Advertisement support received from motor vehicle manufacturers	**29,229**	16,365
Bank interest income	**10,082**	6,846
Rental income	**2,206**	2,078
Government grants	**1,267**	852
Others	**3,549**	3,025
	117,474	122,326

5. PROFIT BEFORE TAX

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

	For the six months ended June 30, 2015 *RMB'000* (Unaudited)	2014 *RMB'000* (Unaudited)
(a) Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**146,005**	128,891
Equity-settled share option expense	**1,166**	5,848
Other welfare	**44,727**	31,485
	191,898	166,224
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**6,153,709**	6,416,631
Others	**525,180**	445,564
	6,678,889	6,862,195
(c) Other items:		
Depreciation of items of property, plant and equipment	**99,900**	78,239
Amortisation of land use rights	**5,566**	4,339
Amortisation of intangible assets	**10,631**	7,214
Advertisement and business promotion expenses	**31,109**	30,943
Lease expenses	**26,137**	17,497
Bank charges	**6,243**	7,998
(Gain)/loss on disposal of items of property, plant and equipment	**(543)**	4,171

6. FINANCE COSTS

	For the six months ended June 30, 2015 *RMB'000* (Unaudited)	2014 *RMB'000* (Unaudited)
Interest expense on bank borrowings wholly repayable within five years	**172,146**	167,128
Interest expense on other borrowings	**13,902**	11,401
Less: interest capitalised	**(1,798)**	(8,019)
	184,250	170,510

7. TAX

	For the six months ended June 30,	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current Mainland China corporate income tax	**63,493**	73,796
Deferred tax	**2,661**	7,156
Total tax charge for the period	**66,154**	80,952

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

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

The subsidiaries incorporated in Hong Kong are subject to profits tax at the rate of 16.5% (six months ended June 30, 2014: 16.5%) during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate was 25% (six months ended June 30, 2014: 25%) during the period.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of 1,074,474,000 ordinary shares in issue during the six months ended June 30, 2015 (800,000,000 ordinary shares during the six months ended June 30, 2014), as adjusted to reflect the rights issue 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 parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended June 30,	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the earnings per share calculation	**106,693**	196,858
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,074,474,000**	800,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**2,354,064**	8,740,391
	1,076,828,064	808,740,391
Earnings per share		
Basic *(RMB)*	**0.10**	0.25
Diluted *(RMB)*	**0.10**	0.24

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended June 30, 2015, the Group acquired assets at a consideration of RMB701,019,000 (unaudited) (for the six months ended June 30, 2014: RMB631,975,000 (unaudited)).

Assets with a net book value of RMB40,222,000 (unaudited) were disposed of by the Group during the six months ended June 30, 2015 (for the six months ended June 30, 2014: RMB57,794,000 (unaudited)), resulting in a net gain on disposal of RMB543,000 (unaudited) (for the six months ended June 30, 2014: a net loss on disposal of RMB4,171,000 (unaudited)).

Certain of the Group's buildings with an aggregate net book value of RMB41,985,000 and RMB40,306,000 (unaudited), as at December 31, 2014 and June 30, 2015, respectively, do not have building ownership certificates because they were built on land where the Group did not have the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build the relevant buildings on such land, (2) no fines for the use of land will be imposed on the Group, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or confiscating the buildings is relative low.

10. LAND USE RIGHTS

During the six months ended June 30, 2015, the Group acquired land use rights at a consideration of RMB138,129,000 (unaudited) (for the six months ended June 30, 2014: nil (unaudited)). No land use rights are disposed of during both the six months ended June 30, 2014 and 2015.

Included in the Group's land use rights are rights to three parcels of land, with an aggregate net book value of RMB13,925,000 and RMB11,895,000 (unaudited) as at December 31, 2014 and June 30, 2015, respectively, which the Group had not obtained the land use right certificates. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group can build and operate dealership stores on such land, (2) no fines for the use of land will be imposed on the Group, (3) the relevant bureaus will not confiscate the constructions and other facilities built on such land, and (4) the Group will not be required to return the relevant land before public bidding. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land before public bidding is relative low.

Included in the Group's land use rights are rights to five parcels of land, with an aggregate net book value of RMB49,842,000 and RMB49,129,520 (unaudited) as at December 31, 2014 and June 30, 2015, respectively, which the Group did not use for their designated usage. Under the relevant PRC laws and regulations, any change to the usage of land by the land use right holder must be approved by the relevant government authorities. The Group has obtained confirmation letters from the relevant bureaus of land and resources confirming that (1) the Group is the legal land use right holder of the relevant lands with full payment made, (2) the relevant bureaus are aware of the Group's present use of the land as dealership stores, and (3) there will be no fines or additional land grant fees to be imposed by the relevant bureaus and the Group will not be required to return the land to the government. In the opinion of the Directors, the risk of the relevant government authorities imposing a fine on the Group or requiring the Group to return the relevant land is relative low.

11. INVENTORIES

	June 30, 2015 *RMB'000* **(Unaudited)**	December 31, 2014 *RMB'000* (Audited)
Motor vehicles	**1,639,234**	1,743,615
Spare parts and accessories	**167,719**	156,039
	1,806,953	1,899,654

12. TRADE RECEIVABLES

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Trade receivables	**229,298**	208,722
Impairment	**–**	–
	229,298	208,722

The Group's trading terms with its customers are mainly on cash, except for some transactions which are traded on credits. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Within three months	**194,388**	193,451
More than three months but less than one year	**31,096**	13,261
More than one year	**3,814**	2,010
	229,298	208,722

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Neither past due nor impaired	**194,388**	193,451
Less than three months past due	**31,096**	13,261
Three months to one year past due	**3,814**	2,010
	229,298	208,722

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	June 30, 2015 (Unaudited) Effective interest rate *(%)*	*RMB'000*	December 31, 2014 (Audited) Effective interest rate *(%)*	*RMB'000*
Current				
Bank loans	**5.88–10.20**	**4,203,148**	5.88–10.20	3,023,257
Other borrowings	**6.44–10.55**	**356,372**	6.44–10.98	229,803
		4,559,520		3,253,060
Non-current				
Bank loans	**8.00–8.32**	**633,588**	6.44–8.97	680,944
		5,193,108		3,934,004

14. TRADE AND BILLS PAYABLES

	June 30, 2015 *RMB'000* **(Unaudited)**	December 31, 2014 *RMB'000* (Audited)
Trade payables	**90,432**	120,270
Bills payable	**2,548,134**	3,518,607
Trade and bills payables	**2,638,566**	3,638,877

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

	June 30, 2015 *RMB'000* **(Unaudited)**	December 31, 2014 *RMB'000* (Audited)
Within 3 months	**2,008,630**	2,947,251
3 to 6 months	**622,932**	684,769
6 to 12 months	**4,452**	3,033
Over 12 months	**2,552**	3,824
	2,638,566	3,638,877

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

15. SHARE CAPITAL

	June 30, 2015 *RMB'000* **(Unaudited)**	December 31, 2014 *RMB'000* (Audited)
Authorised:		
100,000,000,000 ordinary shares of US$0.0000005 each	**305**	305
Issued and fully paid:		
1,074,474,000 ordinary shares of US$0.0000005 each	**3**	3

16. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(a) The Group had the following transactions with a related party for the six months ended June 30, 2014 and 2015:

	For the six months ended June 30,	
	2015 *RMB'000* **(Unaudited)**	2014 *RMB'000* (Unaudited)
Advance from a shareholder		
Mr. Yang Peng	**77,219**	–
Repayment from a shareholder		
Mr. Yang Peng	**–**	239,597

(b) Outstanding balances with a related party:

Due to a shareholder

	June 30, 2015 *RMB'000* **(Unaudited)**	December 31, 2014 *RMB'000* (Audited)
Mr. Yang Peng	**77,219**	–

Amounts due to a shareholder is interest free, unsecured and will be settled by December 31, 2015.

(c) Compensation of key management personnel:

	For the six months ended June 30,	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,831**	2,531
Pension scheme contributions	**119**	121
Equity-settled share option expense	**–**	22,286
Total compensation paid to key management personnel	**1,950**	24,938

17. EVENTS AFTER THE REPORTING PERIOD

(a) On May 16, 2015, the Company, Greenland Financial Overseas Investment Group Co., Ltd. (the "**Subscriber**") and Rundong Fortune Investment Limited ("**RF**") entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 536,270,747 Subscription Shares, comprising at least 251,942,800 Subscription Ordinary Shares and up to 284,327,947 Subscription Convertible Preference Shares ("**CPS**") of par value US$0.0000005 each in the share capital of the Company at a Subscription Price of HK$2.89 per Subscription Share or an aggregate Subscription Price of HK$1,549,822,459. In connection with the Subscription and in order to facilitate the maintenance of the Public Float Requirement by the Company upon the completion of the Subscription, on May 16, 2015, RF, KKR China Auto Retail Holding Ltd II ("**KKR**") and the Company entered into the Redesignation Agreement, pursuant to which (a) up to 200,073,200 RF Ordinary Shares, subject to the Redesignation Adjustment, will be redesignated into the same number of RF Redesignated Shares; and (b) up to 179,867,600 KKR Ordinary Shares, subject to the Redesignation Adjustment, will be redesignated into the same number of KKR Redesignated Shares upon the completion of the Subscription.

On May 16, 2015, the Company entered into a Management Subscription Agreement with 5 directors and 5 members of senior management personnel (the "**Management Subscribers**"), pursuant to which the Company conditionally agreed to allot and issue and the Management Subscribers conditionally agreed to subscribe for, a total of 80,537,237 Management Subscription Shares at the price of HK$2.89 each pursuant to the terms and conditions of the Management Subscription Agreements.

The board announced that all conditions precedent in respect of the Subscription had been satisfied by the parties to the Subscription Agreement and the completion of the Subscription took place on August 14, 2015 in accordance with the terms of the Subscription Agreement.

(b) On August 17, 2015, the Company collected proceeds of HK$1,549,822,459 from the issue of the Subscription Shares to the Subscriber.

(c) The Subscription was completed on August 14, 2015. Subsequently, the English name and the Chinese name of the Company has been changed from "China Rundong Auto Group Limited" to "China Greenland Rundong Auto Group Limited", and from "中國潤東汽車集團有限公司" to "中國綠地潤東汽車集團有限公司" pursuant to the certificate of incorporation on change of name issued by the Registrar of Companies in the Cayman Islands on August 17, 2015.

Further details are set out in the announcements dated May 17, 2015, August 14, 2015 and August 21, 2015 and the circular dated July 13, 2015 published by the Company in relation to the Subscription (the "**Announcements and Circular**"). Capitalized terms used but not defined herein shall have the same meanings as in the Announcements and Circular.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the first half of 2015, China's macro-economy continued to face considerable downward pressure, leaving limited room for optimistic prediction. According to the National Bureau of Statistics of China, the national gross domestic product (GDP) experienced growth rate of 7.0%, which has decreased by 0.3% compared with the second half of 2014.

Growth of automobile production and sales significantly slowed down in the first half of 2015 compared to the same period last year due to factors including the diminishing demand in domestic market, widespread official price cut by major vehicle companies and fading appeal of new products. During the Period Under Review, the production volume of passenger vehicles was 10.3278 million units, an increase of 6.38% but 5.67% slower compared with the same period of 2014; and sales volume of passenger vehicles was 10.0956 million units, an increase of 4.8% but 6.38% slower compared with the same period of last year.

In the first half of 2015, the domestic automobile market gradually entered the era of "micro-growth", while the luxury automobile market also cooled down. The markets of mainstream luxury brands, including luxury brands which the Group mainly focuses on, and mid- to high-end automobiles were, to a certain extent, affected by the general decelerating domestic market. Overall speaking, the current leading positions of BMW, Audi and Benz in the domestic luxury automobile market were unscathed, while market share of other luxury brands showed slight changes. In addition, the mid- to high-end automobile market has significantly slowed down, while many mid- to high-end brand manufacturers have geared up marketing efforts and market competition among various brands will further intensify.

Notwithstanding the significant slowdown in new automobile sales during the Period Under Review, the automobile after-sales service market and related businesses have recorded rapid growth, driven by the fast growth of car ownership in China which was in turn stimulated by the robust new automobile sales in the previous few years. As at December 31, 2014, car ownership in the PRC reached 154 million units, it is expected that the automobile after-sales services market and related businesses will have enormous business potential due to the gradual increase in average age of cars and steady rise in car ownership.

BUSINESS REVIEW

In the face of the complicated market environment, the Group has insisted in exploring, innovating and implementing multi-faceted measures; taken a proactive stance to cope with the slowdown in market growth; and endeavored to develop new service models during the Period Under Review in order to lay an important foundation for the transformation, upgrade and development of the Group in the future. In view of the changing competition landscape due to the decline in market growth rate, the Company has entered into strategic cooperation with Greenland Holdings Corporation Limited ("**Greenland Holdings**") in the first half of 2015, which strengthened the capital base of the Group and the foundation for the Group's future development. Meanwhile, the Group has continued to optimize its brand mix, maintain geographical advantages and high density network layout, make timely moves to expand our regional network while focusing on prosperous coastal areas in Eastern China; and enhance operation efficiency through strengthening store management and continuously improving ERP system so as to build a solid foundation for the Group's future development.

STRATEGIC INTRODUCTION OF GREENLAND HOLDINGS TO PROMOTE LEAPING DEVELOPMENT OF THE GROUP

Since the second half of 2014, the data on both China's macro-economy and overall development of its automobile industry pointed to slowdown in growth. With sensitive business acumen, the Group's management noticed that, with the decelerating growth, the peak of the automobile industry integration is looming. At the same time, the Group's management is confident to be well prepared for risk management and further development at the moment when asset prices of the relevant industries are at lower level. In view of such, the shareholders and management of the Group have made the critical decision of introducing Greenland Holdings as our new controlling shareholder.

During the Reporting Period, Greenland Financial Overseas Investment Group Co., Ltd ("**Greenland Financial**"), a wholly-owned subsidiary of Greenland Holdings, invested in the Group and became a controlling shareholder of the Company. The Group intends to issue a total of 536,270,747 Shares, and upon the completion of subscription, Greenland Financial will hold 30% voting rights of the Group.

After investing in the Group, Greenland Holdings will support the Group to grow into a leading automobile dealership group in China through various ways, including introducing upstream and downstream strategic partners to the Group, providing or procuring low-cost financing arrangements to increase the credit scale of the Group and expand the financing channel of the Group, and carrying out close cooperation between the Group and the relevant businesses under Greenland Holdings which generate synergistic effect with the Group to achieve win-win results.

More importantly, both parties will embark on in-depth and multi-dimensional cooperation in the areas of mutual marketing efforts, sharing of customer resources, innovation of internet model, investment and financing. In the future, the Group may conduct automobile sales and provide after-sales services to the extra-large customer base of Greenland Holdings. In return, Greenland Holdings can make use of the premium resources of the Group's high-end customer base in luxury automobiles to market its businesses in real estate, finance and other businesses. At the same time, the Group will further expand the markets of new energy, electric and hybrid automobiles with the support of Greenland Holdings. In the financing field, both parties have entered into memorandums of cooperation with respect to automobile financing platform and internet e-commerce, pursuant to which both parties will jointly develop businesses relating to automobile financing and customer data applications as well as promoting the development of automobile financing lease business and automobile financial services business, while Greenland Holdings will also provide support to the Group in areas such as financing costs, credit scale and financing channels.

We believe that the strategic cooperation between the Group and Greenland Holdings has spearheaded the inter-industry cooperation among China's automobile dealers. The cooperation will provide new driving force of business innovation to automobile dealership groups in the era of internet + automobile services, and has broad prospect of cooperation in areas of industry value chain, derivative and innovative business chains.

ACTIVELY PLANNING A DIVERSIFIED SERVICES MODEL

Whether from the perspective of market shares of different models in China's automobile dealership market, or from the development paths of other developed markets, we believe that for a relatively long period of time in the future, authorized operation by automobile manufacturers will continue to be the dominating automobile dealership model, within which, independent authorization will have a larger share for luxury brands while cross authorization will be adopted for other general brands. On the other hand, it is expected that the relationship between automobile manufacturers and dealers will gradually achieve balance because the Group has gradually transformed from overly relying on sales revenue from new automobiles and rebate from manufacturers to a model of diversified income and profits.

First of all, based on the judgment that the authorization model will prevail for a relatively long period of time in the future, during the Reporting Period, the Group has made timely moves to obtain authorization or non-binding letters of intent from automobile manufacturers to open 4 more stores and renovate 3 existing stores. Such initiatives are aimed at bringing in new businesses and strengthening our business presence in key areas and exploring new areas at opportune time. During the Period Under Review, the Group has, for the first time, obtained the authorization to open a new 4S store for BMW in Beijing, indicating that the Group's business has expanded into Northern China for the first time, which lays a solid foundation for the expansion of the Group into areas other than Eastern China.

Furthermore, with the goal of actively developing diversified services model, the Group has made timely move to develop automobile parallel import business and new energy automobile business during the Reporting Period. As an emerging business segment of the Group, parallel import business has already been included in the Group's development plan and the Group has become one of the first batch of pilot companies in Shanghai Free Trade Zone to have engaged in parallel import of automobiles. In order to step up the development of automobile parallel import business, the Group established the Parallel Imported Automobile Trading Department during the Reporting Period. In addition, the Group entered into strategic cooperation agreements with PICC Group and North Star Asian Games Villiage Auto Trade Market, realizing three guarantees on parallel import of automobiles for the Group. In terms of sales channels, the Group has established exhibition centers for parallel imported automobiles in Shanghai Free Trade Zone, Jiangsu Zhangjiagang Free Trade Zone and North Star Asian Games Villiage Auto Trade Market. With further development and expansion of business and in order to give extra convenience and better experience to consumers, the Group will also set up parallel trading company and exhibition center for parallel imported automobiles in Tianjin Free Trade Zone. Meanwhile, the Group established our first 4S store of BJEV in Shanghai in December 2014; during the Period Under Review, the 4S store made significant operational breakthrough with growth rate far higher than dealership stores of other traditional brands. More importantly, the successful opening and operation of such 4S store has laid a solid foundation for the Group in terms of market and talents, thereby providing a solid basis for the Group's future development in new energy automobile business.

ACTIVELY FACING DECLINE IN RESULTS, ENDEAVOURING TO EXPLORE GROWTH POTENTIAL AND MAKING CONTINUOUS EFFORTS IN STRENGTHENING THE COMPETITIVENESS IN KEY AREAS AND KEY BRANDS

The Group's results during the Period Under Review has declined compared with the same period of last year due to the downturn in the automobile market. The management believes that the market recession is only temporary and automobile manufacturers are also adjusting the relevant policies, including cutting prices and making reasonable production arrangements. Meanwhile, the management of the Group has adjusted the pace of purchase of various brands and stores during the Reporting Period in line with the market condition, and has actively developed the new energy automobile business, which at the present stage generates higher profit, and promoted parallel import business in order to ensure sufficient cash flow and profit maximization.

During the Period Under Review, revenue from new automobile sales was RMB6,410 million, representing a 5.6% year-on-year decrease, among which, revenue from sales of luxury and ultra-luxury automobiles reached approximately RMB4,730 million, representing a 3.7% year-on-year decrease. In terms of sales volume, during the Reporting Period, the Group sold a total of 27,319 automobiles, 309 less than 27,628 recorded in the same period of 2014, representing a decrease of 1.1%.

Based on the above data, although the Group experienced relatively large year-on-year decrease in sales of new automobiles, the results of the Period Under Review is similar to the second half of last year. We believe that we are able to hold back the decline due to the following reasons: (1) in the face of the ever-changing market environment, the Group has adjusted the pace of purchase of each stores in accordance with the market changes of different brands and regions in order to secure larger market share and higher revenue of brands and in regions that are developing well, while the pace of purchase in regions and brands where more significant decrease was recorded would be slowed down in a timely manner to relieve the inventory pressure; (2) the Group has actively maintained effective communications with various automobile manufacturers to give timely feedbacks on market information and has, at the same time, reinforced coordinated marketing efforts with manufacturer of different brands and timely introduced marketing strategies tailored to specific regions and clients based on the guiding marketing opinions from manufacturers and the particular conditions of different stores with an aim to enhancing the efficiency of marketing campaigns and reducing marketing costs; and (3) in order to maintain sufficient cash flow of the Group as a whole and maximize profits, the Group has been actively developing new businesses with greater growth potential and higher profitability to compensate the losses from the declining traditional businesses. As mentioned above, during the Period Under Review, the Group has been actively developing new energy automobile and automobile parallel import businesses and managed to achieve significant progress in merely half a year. To take new energy automobile as an example, although the Group has only one new energy automobile 4S store that has only been operating for only half a year, its growth is significant. Therefore, we believe that through continuous investment in new energy automobiles by the Group for a period of time in the future, the growth of new energy automobiles will be more than enough to offset the adverse impact brought by the decline in sales of traditional automobiles market.

Based on the above, we believe that through its multi-faceted measures, the Group's sales of new automobiles are gradually improving.

In addition, the Group has always believed that an intensive business coverage in key areas is beneficial to promoting the coordination between various dealership stores of the Group and also favorable in enhancing the bargaining power, reducing operation costs and improving profitability in the key areas. To further strengthen its strategic deployment in the key markets of prosperous eastern coastal area while striving for a more reasonable brand mix for the Company, the Group has made a strategic step in acquiring 8 stores from various independent third parties in the first half of 2015, including 1 Audi store, 2 BMW stores, 1 Buick store, 1 Chrysler store, 1 FAW-Volkswagen store and 2 Shanghai-Volkswagen stores. Among the above 8 stores, 4 are located in Jiangsu Province and the remaining 4 in Shandong Province. We believe that such selective acquisitions will strengthen the Group's strategic advantages in these provinces and along with the Group's existing networks in such provinces, our brand recognition and customer loyalty could be significantly enhanced. As at June 30, 2015, the Group operated a total of 73 automobile dealership stores, of which 48 are located in Jiangsu Province, 14 in Shandong Province, 7 in Shanghai, 3 in Zhejiang Province and 1 in Anhui Province.

As at June 30, 2015, the distribution of the Group's brands is as follows:

	Brand	**Number of stores**
Luxury and ultra-luxury brands	Maserati and Ferrari	4
	BMW and MINI	26
	Jaguar & Land Rover	7
	Lexus	1
	Cadillac	2
	Audi	4
Mid- to high-end brands	Chrysler, Buick, Hyundai, Ford, Chevrolet, FAW-Volkswagen, Shanghai-Volkswagen, Kia, Dongfeng Honda, GAC-Honda, FAW-Toyota, GAC-Toyota, Toyota, Dongfeng Nissan, Zhengzhou Nissan and BJEV	29
Total		73

More significant contribution from after-sales services

The Group has established a service chain for the whole consumption cycle of automobile, with comprehensive and all-encompassing after-sales service and value-added service capabilities. The after-sales services of the Group include automobile repairs and maintenance, sales of automobile spare parts, accessories and other automobile-related products and extended warranties. In addition, the Group also provided a wide scope of automobile related value-added services, including the provision of financing consultation services for automobile purchase, automobile insurance agency services, financial leasing services and promotion services of second-hand car trading.

As a result of the continuous rise in ownership and revenue contribution of luxury and ultra-luxury automobile, the after-sales service business of the Group recorded a rapid growth. During the Reporting Period, (i) revenue from our after-sales business amounted to approximately RMB930 million, representing a 16.6% year-on-year increase and accounting for 12.7% of the Group's total revenue (for the six months ended June 30, 2014: 10.5%); and (ii) gross profit of our after-sales business amounted to RMB404 million, representing a 14.8% increase compared with the same period in 2014 while gross profit margin of after-sales business was 43.5% (for the six months ended June 30, 2014: 44.1%).

The Group believes that the market demand for after-sales service and value-added service will continue to rise due to the continuous increase in automobile ownership in our key business areas.

Continuously innovating operation model

On the basis of our existing advanced CRM system and efficient ERP management system, the Group has been continuously promoting the construction of information management. Through continuous upgrade of information management level, the Group is now capable of collecting, analyzing and sieving customer data efficiently and precisely as well as developing various tailor-made sales campaigns efficiently based on customer data and market guidance with the combination of high-density network layout, thereby achieving satisfactory sales results with relatively low marketing cost.

Through continuous innovation of operation model, the number of existing customers of the Group has increased from 323,000 as of December 31, 2014 to 399,000 as at June 30, 2015. As at June 30, 2015, our customer database had information of 654,000 customer leads (i.e., potential customers accessed by our marketing platform), increased by 27% compared to 515,000 as at December 31, 2014.

In order to actively respond to the emerging Internet consumption model, the Group has timely established an independent e-commerce team during the Reporting Period. Through building an independent e-commerce team and integrating with the existing information system of the Group, e-commerce has been gradually transformed from mere advertisement display in the beginning to channelling of customer source, upgraded sales and service experience, boosted sales and improved satisfaction level of customers, which in turn helped achieve the Group's full coverage of online and offline sales services. Meanwhile, the establishment of an independent e-commerce team has also laid the foundation and provided a platform for the Group to develop a diversified operation model in the future.

Awards and recognition

During the Reporting Period, the Group was awarded with the honours of "Demonstrative Unit in Creating Hearty Consumption Activities in Jiangsu", "2014 Model Enterprise in the Industry in Xuzhou City" and "19th Ranking among Top 100 Chinese Automobile Dealership Group in 2014" attributing to its outstanding services, which demonstrated the outstanding performance of the Group's automobile dealership business.

Outlook and Strategy

Looking into the second half of 2015, the growth of domestic new automobile sales is expected to slow down under the new normal state of China's economy. Nevertheless, the rapid increase in automobile ownership will lead automobile after-sales market and related businesses into rapid development stage. On the other hand, the idea of "Internet + Automobile" will reform the service model, and the commercial model of online and offline interaction will show enormous commercial potential. We believe that, upon the completion of investment by Greenland Holdings, the Group will have a larger development platform and embrace new development opportunities.

In terms of traditional automobile sales, while insisting in centering on the authorized operation model, the Group will actively develop new automobile sales and after-sales businesses and explore new business without changing the existing operation model. Meanwhile, with a view to maximizing profit through expanding business scale, the Group will grasp the current opportunity offered by the relatively low asset value to seek for opportunities of investment, merger and acquisition through establishing industrial development fund. In order to further optimize brand structure and strengthen our leading positions in target areas, we will continue to focus our brand development efforts on ultra-luxury and luxury brands with model of joint ventures of mid- to high-end mainstream brands as supplement. In terms of geographical development, the Group will place its priority on strengthening its business presence in prosperous coastal areas in Eastern China while generating synergistic effects by following geographical layout of Greenland Holdings, thereby building up an intensive service network and laying the foundation of dealership network for the development of new businesses.

In the meantime, the Group will leverage on the superior resources of Greenland Holdings to further implement the strategic cooperation memorandum signed by Greenland Financial, Zhongyi E-Commerce (Shanghai) Limited (眾益電子商務(上海)有限公司) and the Group as well as actively developing the related business. First of all, all parties will jointly promote the development of automobile financial leasing business and automobile financial services business; Greenland Financial will also provide support to the Company in areas such as financing costs, credit and financing channels. Secondly, subject to the national laws, policies and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the parties will establish a strategic cooperative relationship in e-commerce business and draw on the superior resources of each party to promote multi-dimensional, all-faceted and all-encompassing cooperation. In addition, with the support of the Greenland Holdings, we will further expand the new energy automobile, electric automobile and hybrid automobile markets, develop the sales and after-sales services businesses of new energy automobiles and expand the sales network in accordance with the network layout of new energy automobile manufacturers and supporting policies implemented by local governments.

Moreover, with the continuous rise in automobile ownership, after-sales and automobile related value-added services will always be one of the focuses of our future business development given the sustaining income, relatively high profitability, relatively huge growth potential and capability of sustainable development offered by such businesses. We will continue to take advantage of our strong capability in customer management, leading positions in regional markets and our established platforms and marketing channels to pursue continuous development of a variety of automobile related value-added services, including second-hand car trading services, extended warranties services, neighbourhood fast repair services as well as automobile purchase financing consultation, financial leasing and insurance agency.

In order to further improve our operational capability and maintain strong market competitiveness, the Group will, as always, strengthen its staff training programs. We will further improve our information management ability and management capability, optimize performance incentive measures, improve operation and management efficiency and effectively reduce management costs through effective staff assessment with informatised measures.

We believe that through the strategic cooperation with Greenland Holdings, continuous expansion of scale, improvement of operation and development of innovative businesses, the Group will realize its goal of expanding the scale of automobile financial business with automobile sales and services as its core through capital operation, production and financing integration and internet innovation.

FINANCIAL REVIEW

Revenue

For the Period Under Review, we recorded revenue of RMB7,340.6 million, representing a decrease of approximately 3.3% compared to the same period in 2014. The decrease was primarily attributable to the continuous downturn of China's macro-economy as a whole which leaves limited room for optimistic forecast, a lack of consumer confidence, a substantial number of consumers putting off spending which resulted in decrease in market demand, widespread official price cut by major vehicle companies, the fading appeal of new automobiles and intensifying competition among dealers; revenue from automobile sales decreased by RMB382.1 million or 5.6% as compared with the same period in 2014.

The table below sets out the Group's revenue for the Reporting Periods and the corresponding period in 2014.

	Unaudited For six months ended June 30, 2015		Unaudited For six months ended June 30, 2014		1H2015 VS. 1H2014
Revenue Source	**Revenue**	**Contribution**	Revenue	Contribution	Change
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
New automobile sales	**6,410,704**	**87.3**	6,792,807	89.5	(5.6)
After-sales business	**929,877**	**12.7**	797,229	10.5	16.6
Total	**7,340,581**	**100**	7,590,036	100	(3.3)

Revenue from the sales of automobiles decreased by RMB382.1 million during the Period Under Review compared to the same period in 2014, mainly attributable to the year-on-year decrease in sales revenue from new automobiles of the Group during the Reporting Period as a result of the continuous downturn of China's economy as a whole, widespread official price cut by major vehicle companies and fading appeal of new automobiles which dampened market demand. Automobile sales accounted for 87.3% of our revenue during the Period Under Review. Revenue generated from the sales of luxury and ultra-luxury brands and mid- to high-end market brands accounted for approximately 73.8% (for the six months ended June 30, 2014: 72.3%) and 26.2% (for the six months ended June 30, 2014: 27.7%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 16.6% from RMB797.2 million for the six months ended June 30, 2014 to RMB929.9 million for the same period in 2015. In general, the continuous increase of the Group's after-sales revenue was attributable to the increase in car ownership among the customer base of luxury and ultra-luxury automobiles and the continuous increase in contribution from such sector. Specifically, the increase in revenue from our after-sales and other service businesses was attributable to (i) our newly established stores which continuously meet the targets on after-sales and other services; (ii) our increased focus on servicing luxury and ultra-luxury automobiles, for which we generally charge higher price than for mid- to high-end automobiles; and (iii) the further increase in proportion of revenue attributable to after-sales business, up from 10.5% for the same period last year to 12.7% during the Reporting Period.

Cost of sales and services

Our cost of sales and services for the six months ended June 30, 2015 decreased by 2.7%, from RMB6,862.2 million for the same period in 2014 to RMB6,678.9 million, and such decrease was in line with a decline in sales throughout the Period Under Review.

The cost of sales and services attributable to our automobile sales business amounted to RMB6,153.7 million for the Period Under Review, representing a decrease of RMB262.9 million, or 4.1%, from the same period in 2014. The cost of sales attributable to our after-sales business amounted to RMB525.2 million for the six months ended June 30, 2015, representing an increase of RMB79.6 million, or 17.9%, from the same period in 2014.

Gross profit and gross profit margin

Gross profit for the Period Under Review was RMB661.7 million, representing a decrease of RMB66.1 million, or 9.1%, from the same period in 2014. Gross profit from automobile sales decreased by 31.7% from RMB376.2 million for the six months ended June 30, 2014 to RMB257.0 million for the same period in 2015, of which RMB198.0 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 15.2% from RMB351.2 million for the six months ended June 30, 2014 to RMB404.7 million for the same period in 2015. Automobile sales and after-sales businesses contributed 38.9% and 61.1%, respectively, to our total gross profit for the Period Under Review.

Gross profit margin for the six months ended June 30, 2015 was 9.0%, lower than the gross profit margin of 9.6% in the same period in 2014, of which the gross profit margin of automobile sales was 4.0%, compared to 5.5% of the same period in 2014, and that of after-sales business was 43.5% compared to 44.1% of the same period in 2014. The decrease in gross profit margin was mainly attributable to falling demand in the new automobile sales market, widespread official price cut by major vehicle companies and intensifying competition among dealers, which dragged down the profitability of the whole industry.

Other income and net gains

Other income and net gains decreased slightly from RMB122.3 million from the six months ended June 30, 2014 to RMB117.5 million for the same period in 2015, yet partially offset by a decrease in our commission income from RMB93.2 million for the six months ended June 30, 2014 to RMB71.1 million for the same period of 2015 and an increase in the advertisement support received from automobile manufacturers from RMB16.4 million for the six months ended June 30, 2014 to RMB29.3 million for the same period of 2015. The decrease in commission income was mainly due to shrinking commission of related services due to the decline of the new automobile sales business.

Profit from operations

As a result of the foregoing, our profit from operations decreased by 38.3% from RMB284.2 million for the six months ended June 30, 2014 to RMB175.4 million in the same period of 2015.

Profit for the Reporting Period

As a result of the cumulative effect of the foregoing, our profit decreased by 46.3% from RMB203.2 million for the six months ended June 30, 2014 to RMB109.2 million in the same period of 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at June 30, 2015, our cash and cash equivalents amounted to RMB834.7 million, representing a decrease of 22.2% from RMB1,072.2 million as at December 31, 2014.

Our primary uses of cash were payment for purchases of new automobiles, spare parts and automobile accessories, and funding of working capital and daily operating expenses. We financed our liquidity requirements through a combination of bank loans and other borrowings and cash flows generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the Reporting Period, net cash used in our operating activities, net cash used in our investing activities, and net cash generated from our financing activities were RMB720.5 million (for the six months ended June 30, 2014: RMB456.4 million of net cash generated from our operating activities), RMB181.6 million (for the six months ended June 30, 2014: RMB659.4 million), and RMB664.2 million (for the six months ended June 30, 2014: RMB317.1 million of net cash generated from our financing activities), respectively.

Net current liabilities

We had net current liabilities of RMB2,407.9 million as at June 30, 2015 compared with net current liabilities of RMB1,474.7 million as at December 31, 2014. This increase was mainly due to the acquisition of 8 stores during the Reporting Period which incurred current liabilities of their own and the repayment of long-term borrowings due for payment with a portion of cash generated from operating activities. As at June 30, 2015, we had unutilized bank facilities available for use of approximately RMB1,750.3 million. Our directors believe that with the loan facilities available for use, the expected acquisition of long-term financing tools from the capital market and the rising sales from our relatively new dealership stores, our liquidity position will improve in the future.

Capital expenditure

Our capital expenditures primarily comprise expenditures on property, plant and equipment, land use rights and intangible assets. During the Period Under Review, our total capital expenditure was RMB209.8 million (for the six months ended June 30, 2014: RMB719.8 million).

Inventory

Our inventory primarily consisted of new automobiles and, to a lesser extent, spare parts, accessories and original brand merchandise. Each of our automobile dealership stores has dedicated staff to manage their orders for new automobiles and after-sales products.

Our inventory decreased by 4.9% from RMB1,899.7 million as at December 31, 2014 to RMB1,807.0 million as at June 30, 2015, primarily due to the slowdown in pace of purchase by the Group in line with the flagging market demand to reduce inventory level. Our average inventory turnover days in the Period Under Review increased to 49.9 days from 47.3 days in the same period in 2014.

Bank loans and other borrowings

As at June 30, 2015, the Group's available and unutilized banking facilities amounted to approximately RMB1,750.3 million (December 31, 2014: RMB1,768.4 million).

Our bank loans and other borrowings as at June 30, 2015 were RMB5,193.1 million, representing an increase of RMB1,259.1 million from RMB3,934.0 million as at December 31, 2014. The additional loans were mainly used to meet the demand for working capital.

Interest rate risk and foreign exchange rate risk

The Group currently has not used any derivatives to hedge interest rate risk. The Group's businesses are operated in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's assets and liabilities denominated in US$ and HK$ are mainly held by certain subsidiaries incorporated outside Mainland China which have US$ as their functional currencies.

The Group did not have any material foreign currency transactions in Mainland China during the Period Under Review, thus the Group had minimal exposure of foreign exchange rate risk. We did not use any derivative financial instruments to hedge our exposure to the foreign exchange rate risk during the Period Under Review.

Gearing ratio

Our gearing ratio (as defined as total interest-bearing bank and other borrowings divided by total equity as at the respective period-end dates and multiplied by 100%) as at June 30, 2015 was 280.7% (December 31, 2014: 226.1%).

Human resources

As at June 30, 2015, the Group had approximately 5,093 employees (December 31, 2014: 4,400). Total staff costs for the Period Under Review, Directors' remuneration excluded, were approximately RMB191.9 million (for the six months ended June 30, 2014: RMB166.2 million).

The Group attaches great importance to the recruitment and training of quality personnel. We implement remuneration policy, bonus and long-term incentive schemes with reference to the performance of the Group and individual employees. The Group also provides insurance, medical, retirement funds and other benefits to employees to sustain competitiveness of the Group.

Contingent liabilities

As at June 30, 2015, we did not have any material contingent liabilities or guarantees. As at June 30, 2015, save as otherwise disclosed in the prospectus, and apart from intra-group liabilities, we did not have any bank overdrafts or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities, or debt securities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings against us. If we were involved in such material legal proceedings, we would record any loss or contingency when a loss is likely to be incurred and the amount of the loss can be reasonably estimated based on data then available.

Pledge of the Group's assets

The Group pledged its assets as securities for bank loans, other borrowings and banking facilities which were used to finance daily business operation. As at June 30, 2015, the pledged assets of the Group amounted to approximately RMB2,153.5 million.

CHANGES SINCE DECEMBER 31, 2014

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or the information disclosed under Management Discussion and Analysis in the annual report for the year ended December 31, 2014.

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

Save as disclosed in "Management Discussion and Analysis" in this announcement, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended June 30, 2015 and on or before the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. Throughout the six months ended June 30, 2015, the Company has fully complied with the code provisions set out in the CG Code, except for the deviations from code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Yang Peng as both the chairman and the president (an equivalent position to a chief executive officer) of the Company. The Board believes that vesting the roles of the chairman and president of the Company in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors. The Board shall review the structure and composition of the Board from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2015.

The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

INTERIM DIVIDEND

The Board resolved not to declare any payment of interim dividend for the six months ended June 30, 2015 (for the six months ended June 30, 2014: Nil).

AUDIT COMMITTEE REVIEW

Pursuant to the requirement of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising two independent non-executive Directors, being Mr. Lee Conway Kong Wai (chairman) and Mr. Peng Zhenhuai, and one non-executive Director, being Mr. Yan Sujian.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial statements of the Group for the Period Under Review.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rundong.com.cn). The interim report of the Company for the Period Under Review will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board
China Greenland Rundong Auto Group Limited
Yang Peng
Chairman

Hong Kong, August 30, 2015

As at the date of this announcement, the executive directors are Mr. Yang Peng, Mr. Liu Dongli, Mr. Zhao Zhongjie and Mr. Liu Jian; the non-executive directors are Mr. Li Wei, Mr. Wu Zhengkui, Mr. Zhao Fu and Mr. Yan Sujian; and the independent non-executive directors are Mr. Peng Zhenhuai, Mr. Mei Jianping, Mr. Lee Conway Kong Wai and Mr. Xiao Zhengsan.