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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1268)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- For the Period, revenue amounted to RMB10,655.9 million, representing a decrease of 24.4% as compared to the same period in 2023.
- Gross profit for the Period amounted to RMB806.4 million, representing a decrease of 19.4% as compared to the same period in 2023. Gross profit margin for the Period was 7.6%.
- During the Period, the Group recognized a non-cash impairment of goodwill and intangible assets-car dealership of RMB151.3 million in total.
- During the Period, the Group recognized a non-cash amortized cost of RMB76.8 million in respect of the acquisition of Starchase, and an amortized interest cost on convertible bonds of RMB50.6 million.
- Loss for the Period was RMB22.9 million.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China MeiDong Auto Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2024 (the "**Period**" or the "**Reporting Period**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**10,655,863**	14,088,673
Cost of sales	*5*	**(9,849,442)**	(13,087,582)
Gross profit		**806,421**	1,001,091
Other revenue and other net income	*4*	**105,799**	123,446
Distribution costs		**(295,440)**	(382,043)
Administrative expenses		**(324,395)**	(400,643)
Provision for impairment losses on goodwill and intangible assets	*5(c)*	**(151,304)**	(37,198)
Profit from operations		**141,081**	304,653
Finance costs	*5(a)*	**(131,035)**	(149,293)
Share of profits of a joint venture		**8,287**	10,801
Profit before taxation	*5*	**18,333**	166,161
Income tax	*6*	**(41,264)**	(121,434)
(Loss)/profit for the period		**(22,931)**	44,727
Other comprehensive income for the period (after tax):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**(3,503)**	(6,069)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(780)**	2,905
Other comprehensive income for the period		**(4,283)**	(3,164)
(Loss)/profit and total comprehensive income for the period		**(27,214)**	41,563

	Note	Six months ended 30 June 2024 RMB'000	2023 RMB'000
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(26,998)**	38,991
Non-controlling interests		**4,067**	5,736
(Loss)/profit for the period		**(22,931)**	44,727
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(31,281)**	35,827
Non-controlling interests		**4,067**	5,736
Total comprehensive income for the period		**(27,214)**	41,563
(Loss)/earnings per share			
Basic *(RMB cents)*	*7(a)*	**(2.01)**	2.91
Diluted *(RMB cents)*	*7(b)*	**(2.01)**	2.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

	Note	**At 30 June 2024** *RMB'000*	At 31 December 2023 *RMB'000*
Non-current assets			
Property, plant and equipment	*8*	**1,568,327**	1,708,135
Right-of-use assets	*9*	**1,631,004**	1,660,705
Intangible assets	*10*	**3,139,816**	3,276,866
Goodwill	*10*	**856,231**	960,993
Interest in a joint venture		**23,598**	36,319
Other non-current assets		**70,742**	71,323
Deferred tax assets		**140,439**	133,392
		7,430,157	7,847,733
Current assets			
Inventories	*11*	**1,396,588**	960,042
Trade and other receivables	*12*	**1,492,289**	1,517,512
Pledged bank deposits	*13*	**1,146,182**	971,543
Fixed deposits with more than three months to maturity when placed	*14*	**239,579**	561,905
Cash and cash equivalents	*14*	**2,557,619**	2,361,671
		6,832,257	6,372,673
Current liabilities			
Loans and borrowings	*15*	**981,991**	1,244,939
Trade and other payables	*16*	**3,722,158**	2,907,049
Convertible bonds	*17*	**1,693,734**	–
Income tax payables		**83,566**	124,990
Lease liabilities		**176,149**	170,396
		6,657,598	4,447,374
Net current assets		**174,659**	1,925,299
Total assets less current liabilities		**7,604,816**	9,773,032

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Loans and borrowings	*15*	**409,600**	199,500
Convertible bonds	*17*	**–**	2,206,781
Deferred tax liabilities		**802,120**	867,393
Lease liabilities		**1,208,416**	1,213,218
		2,420,136	4,486,892
NET ASSETS		**5,184,680**	5,286,140
EQUITY			
Share capital	*18*	**107,888**	107,888
Reserves		**4,955,471**	5,044,367
Total equity attributable to equity shareholders of the Company		**5,063,359**	5,152,255
Non-controlling interests		**121,321**	133,885
TOTAL EQUITY		**5,184,680**	5,286,140

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 30 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any change in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

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

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

The amendments to HKAS 7 introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of passenger vehicles	**8,569,387**	12,126,498
– After-sales and mortgage facilitation services	**2,086,476**	1,962,175
	10,655,863	14,088,673

All revenue was recognised at a point in time.

(b) Segment reporting

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

(i) Information about geographical area

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

(ii) Information about major customers

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

4 OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Other revenue		
Commission income	**43,954**	41,187
Bank interest income	**55,745**	51,436
Management service income	**2,316**	2,723
	102,015	95,346

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Other net income		
Net (loss)/gain on disposal of property, plant and equipment	**(5,863)**	19,761
Net foreign exchange (loss)/gain	**(9,173)**	5,569
Gain on repurchase of convertible bonds *(note 17)*	**11,227**	–
Others	**7,593**	2,770
	3,784	28,100
	105,799	123,446

5 PROFIT BEFORE TAXATION

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

			Six months ended 30 June	
			2024	2023
			RMB'000	*RMB'000*
(a)	**Finance costs:**			
	Interest on:			
	– loans and borrowings		**33,033**	47,588
	– convertible bonds		**50,608**	53,241
	– lease liabilities		**40,230**	42,016
	Total interest expense		**123,871**	142,845
	Other finance costs		**7,164**	6,448
	Total finance costs		**131,035**	149,293
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**315,776**	400,777
	Equity settled share-based payment expenses	*(i)*	**4,434**	9,954
	Contributions to defined contribution retirement plans	*(ii)*	**13,998**	16,137
			334,208	426,868

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
(c) Other items:		
Cost of inventories	**9,739,231**	12,976,713
Write-down of inventories	**14,977**	10,074
Depreciation charge		
– owned property, plant and equipment	**119,294**	125,624
– right-of-use assets	**72,038**	72,360
Impairment losses		
– goodwill *(note 10)*	**104,762**	32,924
– intangible assets *(note 10)*	**46,542**	4,274
Amortisation of intangible assets	**90,507**	91,287
Lease expenses	**4,277**	3,853
Net foreign exchange loss/(gain)	**9,173**	(5,569)
Losses on legal dispute cases	**–**	18,598

(i) The Group recognised an expense of RMB4,434,000 for the six months ended 30 June 2024 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (six months ended 30 June 2023: RMB9,954,000) (see note 18(b)).

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

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

The Group's contributions made to the defined contribution retirement scheme are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the schemes.

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

6 INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax:		
Provision for PRC income tax for the period	**113,583**	99,175
Deferred tax:		
(Reversal)/origination of temporary differences	**(72,319)**	22,259
	41,264	121,434

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

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

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

One subsidiary of the Group enjoys preferential Corporate Income Tax rates which is lower than 25% as it operated in designated areas with preferential CIT policies in the PRC.

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

(ii) Since the Company obtained certificate of resident status and became a resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". Under such arrangement, dividend distributions out of earnings of PRC enterprises imposed a withholding tax at 5% during the period ended 30 June 2024.

The Group distributed dividend out of earnings of PRC subsidiaries of RMB619.3 million during the period ended 30 June 2024 which realized corresponding deferred tax liabilities of RMB31.0 million.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2024 is based on the loss attributable to equity shareholders of the Company of RMB26,998,000 (six months ended 30 June 2023: profit of RMB38,991,000) and the weighted average of 1,346,247,000 ordinary shares in issue (six months ended 30 June 2023: 1,339,224,000 ordinary shares) during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2024	**2023**
Issued ordinary shares at 1 January	**1,346,247,000**	1,276,572,000
Effect of exercise of share options	**–**	933,000
Effect of new shares issued	**–**	61,613,000
Effect of conversion of convertible bonds	**–**	106,000
Weighted average number of ordinary shares at 30 June	**1,346,247,000**	1,339,224,000

(b) Diluted (loss)/earnings per share

For the six months ended 30 June 2024, the effect of share options issued under employee share option scheme and the Group's outstanding convertible bonds were not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Therefore, diluted loss per share is equal to basic loss per share for the six months ended 30 June 2024.

For the six months ended 30 June 2023, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB38,991,000 and the weighted average of 1,344,510,000 ordinary shares after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the period ended 30 June 2023.

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June 2023
Weighted average number of ordinary shares at 30 June	1,339,224,000
Effect of deemed issue of shares under the employee share option scheme	5,286,000
Weighted average number of ordinary shares (diluted) at 30 June	1,344,510,000

The calculation of diluted earnings per share for the six months ended 30 June 2023 does not assume the conversion of the Group's outstanding convertible bonds since the effect of its exercise would have been anti-dilutive.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with original costs of RMB81,396,000 (six months ended 30 June 2023: RMB216,849,000). Items of property, plant and equipment with a net book value of RMB101,910,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB121,153,000), resulting in a loss on disposal of RMB5,863,000 (six months ended 30 June 2023: gain of RMB19,761,000).

9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group entered into a number of new tenancy agreements and therefore recognised additions to right-of-use assets of RMB62,423,000 (six months ended 30 June 2023: RMB24,502,000).

10 INTANGIBLE ASSETS AND GOODWILL

(i) Intangible assets – car dealership and goodwill

The car dealerships arise from prior business combinations and relate to the Group's relationship with the automobile manufacturers with an estimated useful life of 20 years, which was estimated by management with reference to the valuation reports prepared by the external valuers engaged by the Group. The fair value of the car dealerships as at the acquisition date was determined by using the multiple-period excess earning method.

(ii) Impairment testing of intangible assets – car dealership and/or goodwill

Having considered the impacts of macroeconomic environment changes, the intense competition in the automobile dealership industry and the recent development in customer demand observed in the Chinese automobile market, the Group's management performed an impairment assessment, assisted by an external valuer, to determine the recoverable amounts of the cash generated units (CGUs) containing intangible assets-car dealerships and/or goodwill as at 30 June 2024. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of intangible assets– car dealerships. Based on the management's assessment result, the Group recognised an impairment loss of goodwill and intangible assets– car dealerships of RMB104,762,000 and RMB46,542,000 respectively for certain underperforming CGUs during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB32,924,000 and Nil). Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

The recoverable amounts of CGUs have been determined based on the higher of its fair value less costs to sell and value in use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 2.2% (six months ended 2023: 2.5%), which is consistent with the forecasts included in industry reports. The pre-tax discount rates applied to the impairment test were within a range from 14.6% to 15.3% (six months ended 2023: 17.3% to 17.7%) which reflected current market assessment of the time value of money and the risk specific to these CGUs.

11 INVENTORIES

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

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Motor vehicles	**1,213,724**	768,366
Others	**182,864**	191,676
	1,396,588	960,042

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**9,739,231**	12,976,713
Write-down of inventories	**14,977**	10,074

12 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Within 3 month	**248,125**	274,056
Over 3 months	**1,023**	2,329
Trade debtors	**249,148**	276,385
Prepayments	**414,652**	260,061
Other receivables and deposits	**824,464**	978,539
Amounts due from third parties	**1,488,264**	1,514,985
Amounts due from related parties	**4,025**	2,527
Trade and other receivables	**1,492,289**	1,517,512

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

13 PLEDGED BANK DEPOSITS

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Restricted bank deposits pledged in respect of loans and borrowings	**67,111**	25,874
Restricted bank deposits pledged in respect of bills payable	**1,079,071**	945,669
	1,146,182	971,543

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

14 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS WITH BANKS

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Fixed deposits with banks with more than three months to maturity when placed	**239,579**	561,905
Cash at banks and in hand	**2,557,619**	2,361,671

15 LOANS AND BORROWINGS

(a) As of the end of the reporting period, loans and borrowings were repayable as follows:

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Within 1 year or on demand	**981,991**	1,244,939
After 1 year but within 2 years	**133,800**	142,800
After 2 years but within 5 years	**275,800**	56,700
	409,600	199,500
	1,391,591	1,444,439

(b) As of the end of the reporting period, loans and borrowings were secured as follows:

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Secured bank loans (i)	**1,335,576**	1,400,950
Secured borrowings from other financial institutions (i)	**56,015**	43,489
	1,391,591	1,444,439

(i) As of the end of the reporting period, loans and borrowings were secured by property, plant and equipment, right-of-use assets, inventories, trade and other receivables and pledged banks deposits of the Group and certain loans and borrowings were also guaranteed by related parties.

16 TRADE AND OTHER PAYABLES

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

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Within 3 months	**2,558,039**	1,632,154
Over 3 months but within 6 months	**63,878**	73,726
Total trade payables and bills payable (i)	**2,621,917**	1,705,880
Payable for legal dispute cases settlement	**–**	40,000
Contract liabilities	**800,208**	831,076
Other payables and accruals	**290,309**	321,025
Amounts due to third parties	**3,712,434**	2,897,981
Amounts due to related parties	**9,724**	9,068
Trade and other payables	**3,722,158**	2,907,049

(i) As at 30 June 2024, total bills payable amounted to RMB2,440,194,000 (31 December 2023: RMB1,109,338,000) and certain bills payable were guaranteed by a related party or secured by inventories, trade and other receivables and pledged banks deposits.

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

17 CONVERTIBLE BONDS

On 14 January 2022, pursuant to a subscription agreement dated 6 January 2022 (the "**Subscription Agreement**"), Sail Vantage Limited, a subsidiary of the Company, issued zero coupon guaranteed convertible bonds ("**the Convertible Bonds**") with an aggregate principal amount of HK$2,750,000,000 (equivalent to approximately RMB2,248,263,000) and received cash after deduction of transaction costs of HK$2,689,517,000 (equivalent to approximately RMB2,198,814,000). Pursuant to the terms of the Convertible Bonds, the Convertible Bonds will be due in January 2027 and are guaranteed by the Company.

The Convertible Bonds may be converted into shares of the Company pursuant to the terms and conditions of the Convertible Bonds. The rights of the bondholders to convert the Convertible Bonds into ordinary shares are as follows:

- subject to redemption options pursuant to the terms and conditions of the Convertible Bonds, conversion rights are exercisable at any time from 23 February 2022 to 3 January 2027 (both days inclusive) at the bondholders' option;

- the bond holders could convert part of or the entire outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HK$46.75 per share, subject to the terms and conditions of the Convertible Bonds;

- with effect from 5 August 2022, the conversion price has been adjusted to HK$45.4881 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcement issued by the Company dated 5 August 2022;

- with effect from 4 August 2023, the conversion price has been adjusted to HK$44.7582 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcement issued by the Company dated 4 August 2023;

- the number of ordinary shares to be issued on exercise of a conversion right shall be determined by dividing the principal amount of the Convertible Bonds to be converted by the conversion price in effect on the relevant conversion date.

Pursuant to the terms and conditions of the Convertible Bonds, the issuer will, at the option of the bondholder of the Convertible Bonds, redeem all or some only of such bondholder's convertible bonds on 13 January 2025 (the "**Put Option Date**") at 106.9428 per cent of their principal amount.

Convertible bonds issued by the Group denominated in HK$ that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of convertible bonds instruments is initially recognised at fair value using prevailing market rate of interest for similar non-convertible debt instruments. The remainder of the proceeds is allocated to the conversion option as the equity component.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. Interest is recognised in profit or loss. The equity component is recognised in other reserve until either the convertible bonds are converted, repurchased or redeemed.

If the bonds are converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

When the Group extinguishes the bonds before maturity through an early repurchase in which the original conversion privileges are unchanged, the Group allocates consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognised in profit or loss and in equity, respectively.

The movements of the components of the Convertible Bonds during current period are set out below:

	Liability component (At amortised cost)	**Equity component (Residual amount)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	2,274,932	208,515	2,483,447
Interest charge	108,741	–	108,741
Conversion	(8,740)	(758)	(9,498)
Repurchase	(202,053)	(3,781)	(205,834)
Exchange adjustment	33,901	–	33,901
At 31 December 2023 and 1 January 2024	2,206,781	203,976	2,410,757
Interest charge *(note 5(a))*	50,608	–	50,608
Repurchase (i)	(579,606)	(17,623)	(597,229)
Exchange adjustment	15,951	–	15,951
At 30 June 2024 (ii)	1,693,734	186,353	1,880,087

(i) Repurchase of convertible bonds

During the six months ended 30 June 2024, an aggregate principal amount of HK$636,000,000 of Convertible bonds have been repurchased by the Group. The gross consideration paid was HK$642,030,000 (equivalent to RMB585,968,000), of which RMB568,330,000 and RMB17,638,000 was allocated to the liability and equity components of the convertible bonds at the date of such transaction, with resulting gain of RMB11,227,000 recognised in other net income.

The aggregate outstanding principal amount of the Convertible Bonds is HK$1,873 million as of 30 June 2024.

(ii) Reclassification of convertible bonds from non-current to current liability

As at 30 June 2024, the Convertible Bonds were reclassified from non-current to current liability, as the Group will, at the option of holder of any Convertible Bonds, redeem all or some of such holders' Convertible Bonds on 13 January 2025 at 106.9428 per cent of their principle amount.

18 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interim dividend declared after the interim period, of RMB nil per ordinary share (six months ended 30 June 2023: RMB0.0087 per ordinary share)	**–**	11,697

No interim dividend was declared after the end of reporting period of six months ended 30 June 2024.The interim dividend proposed after 30 June 2023 was not recognised as a liability at the end of that reporting period.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.0330 per ordinary share (six months ended 30 June 2023: RMB0.1170 per ordinary share)	**44,426**	157,511

(iii) Other dividends

During the six months ended 30 June 2024, subsidiaries of the Group declared and paid dividends to its shareholders, among which RMB16,631,000 (six months ended 30 June 2023: RMB35,510,000) was paid to non-controlling shareholders.

(b) Equity settled share-based transactions

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

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– On 20 January 2014	4,150,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
– On 4 January 2018	4,150,000	25% on 4 January 2018 25% on 4 January 2019 25% on 4 January 2020 25% on 4 January 2021	10.00 years
– On 18 July 2019	3,230,000	25% on 18 July 2019 25% on 18 July 2020 25% on 18 July 2021 25% on 18 July 2022	10.00 years
– On 25 May 2022	240,000	25% on 25 May 2022 25% on 25 May 2023 25% on 25 May 2024 25% on 25 May 2025	10.00 years
Options granted to employees:			
– On 20 January 2014	7,250,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
– On 4 January 2018	7,830,000	25% on 4 January 2018 25% on 4 January 2019 25% on 4 January 2020 25% on 4 January 2021	10.00 years
– On 18 July 2019	6,470,000	25% on 18 July 2019 25% on 18 July 2020 25% on 18 July 2021 25% on 18 July 2022	10.00 years
– On 16 January 2020	1,940,000	25% on 16 January 2020 25% on 16 January 2021 25% on 16 January 2022 25% on 16 January 2023	10.00 years
– On 25 May 2022	8,661,000	25% on 25 May 2022 25% on 25 May 2023 25% on 25 May 2024 25% on 25 May 2025	10.00 years
Total share options granted	43,921,000		

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

	At 30 June 2024		At 31 December 2023	
	Exercise price	***Number of options***	*Exercise price*	*Number of options*
Outstanding at the beginning of the period/year	**HK$15.69**	**15,605,750**	HK$15.37	18,144,250
Exercised during the period/year	**–**	**–**	HK$4.26	(1,455,000)
Forfeited during the period/year	**HK$24.44**	**(23,500)**	HK$25.72	(1,083,500)
Outstanding at the end of the period/year	**HK$15.65**	**15,582,250**	HK$15.69	15,605,750
Exercisable at the end of the period/year	**HK$14.21**	**13,664,250**	HK$12.33	11,824,750

The options outstanding at 30 June 2024 are under an exercise price of HK$2.58, HK$6.00, HK$10.80 or HK$26.20, respectively (six months ended 30 June 2023: HK$2.58, HK$6.00, HK$10.80 or HK$26.20, respectively) and a weighted average remaining contractual life of 6.20 years (six months ended 30 June 2023: 7.26 years).

19 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
Contracted for	**15**	441

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Adjustment of conversion price of Convertible Bonds

With effect from 9 August 2024, the conversion price has been adjusted to HK$44.1764 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcement issued by the Company dated 9 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, domestic purchasing power and sentiment remained poor as a result of the worsening macroeconomic environment. Coupled with the slow and lagging adjustments from the supply side, the passenger vehicle market has seen an expanding gap between consumer demand and manufacturer supply. To reduce inventory risks and alleviate cash flow pressure, various car dealers attempted to boost sales through price concession. Yet, despite overall car sales recording a modest increase during the Period, the sales of premium passenger vehicles continued to decline given its higher price point and differentiated position. According to the data released by China Passenger Car Association ("**CPCA**"), domestic passenger vehicle sales for the Period reached 9.84 million units, representing a year-on-year increase of 3.2%; however, sales of premium vehicles only amounted to 1.33 million units, representing a year-on-year decrease of 5.6%. The increase in overall sales unit has also deflected the problem of fierce price competition and worsening margins among car dealerships, which has put notable operational and margin pressure on all market players. With such operating environment, that has led to a considerable number of peers exiting the market. Specifically, according to the data from CPCA, over 8,000 4S stores closed down between 2020 and 2023 in China, with at least another 2,000 closures expected in 2024. Hence, instead of pursuing scale expansion and financial growth in the past, the industry now places a much stronger emphasis on cost control, cash flow management, operational efficiency, and survival.

While the market for internal combustion engine vehicles continued to see significant challenges, the new energy vehicle market also did not paint a better prospect for car dealers, particularly due to its increasingly competitive landscape and dynamic pricing. According to the data from CPCA, the total retail sales of new energy passenger vehicles reached 4.11 million units for the Period, marking a 33.2% year-on-year increase when compared to last year. The rise in sales unit also supported a climbing penetration rate, with new energy vehicles hitting 41.8% in market share. However, despite the perceived strong growth, intense competition persisted among emerging brands, with the participation of traditional vehicle manufacturers further complicating the situation. As the number of market participants increased, some brands had to adjust their prices during the Period to maintain competitiveness and market share. At a time when many were operating at a loss, this downward revision has further squeezed profit margins for both car manufacturers and dealers. To add further uncertainties to the dealership business, there was also a diverging distribution model from car manufacturers. From previously focusing on direct sales only, some emerging brands were also exploring the possibility of a dual-channel model that combines direct sales and dealership distribution.

All in all, there is no doubt that the trend towards new energy vehicles seems irreversible. But as the market landscape continues to evolve, it remains to be seen what would be the best way, through what brands, and by what business model car dealerships should use to embrace the transition to an increasingly new energy vehicle market.

BUSINESS AND FINANCIAL REVIEW

During the Period, despite the ongoing macroeconomic challenges, the Group continued to maintain high operational efficiency, as reflected in its continuous pursuit of fast inventory turnover to reduce operational risks and business uncertainties. Although there was a further decline in gross profit margin from new car sales, the Group was able to maintain a healthy inventory turnover of approximately 19 days, which ensured a fast cash conversion. Specifically, the year-on-year increase of 7 days in inventory turnover was only as a result of the centralized procurement of new vehicles at the end of June 2024, highlighting the Group's dedication to efficiency. On the other hand, the Group saw a solid revenue growth and stable gross profit margin performance for its after-sales and mortgage facilitation services. Although there was an increase in the provision for impairment losses on goodwill and intangible assets during the Period, supported by its stringent cost control, operating expenses (including distribution costs, administrative expenses, and finance costs) also decreased by approximately 19.4% year-on-year, with absorption rate further rising from approximately 101.4% last year to approximately 138.2% this year, laying a solid foundation for future recovery.

Revenue

The Group recorded a revenue of approximately RMB10,655.9 million for the Period (first half of 2023: approximately RMB14,088.7 million), representing a year-on-year decrease of approximately 24.4%. In particular, revenue from sales of new passenger vehicles decreased by approximately 29.3% year-on-year to approximately RMB8,569.4 million (first half of 2023: approximately RMB12,126.5 million), accounting for approximately 80.4% (first half of 2023: approximately 86.1%) of total revenue. Revenue from after-sales and mortgage facilitation services increased by approximately 6.3% year-on-year to approximately RMB2,086.5 million (first half of 2023: approximately RMB1,962.2 million), accounting for approximately 19.6% (first half of 2023: approximately 13.9%) of total revenue.

Cost of Sales

Cost of sales decreased by approximately 24.7% from approximately RMB13,087.6 million in the first half of 2023 to approximately RMB9,849.4 million for the Period. The decrease was mainly due to the decrease in revenue from sales of new passenger vehicles, which resulted in a year-on-year decrease of approximately 25.6% in the cost of sales of new passenger vehicles business.

Gross Profit

During the Period, gross profit decreased by approximately 19.4% from approximately RMB1,001.1 million in the first half of 2023 to approximately RMB806.4 million. Overall gross profit margin increased by 0.5 percentage points to approximately 7.6% (first half of 2023: approximately 7.1%), of which gross profit margin of sales of new passenger vehicles decreased by 5.3 percentage points to approximately -5.1% for the Period (first half of 2023: approximately 0.2%), as the Group's business was impacted by weak demand and continued prices fall. Meanwhile, gross profit margin of after-sales and mortgage facilitation services increased by 9.7 percentage points to approximately 59.8% during the Period (first half of 2023: approximately 50.1%).

Costs and Expenses

During the Period, the Group incurred the following additional non-cash expenses in relation to the acquisition of seven Porsche stores (through the acquisition of Starchase Motorsports Limited) completed in 2022 and its associated financing: (1) amortized interest expenses of approximately RMB50.6 million (first half of 2023: approximately RMB53.2 million) for the liability portion of the HK$2,750,000,000 zero-coupon guaranteed convertible bonds due 2027 issued by Sail Vantage Limited (a wholly-owned subsidiary of the Company) and guaranteed by the Company (the "**Convertible Bonds**") using effective interest method; and (2) amortized cost for the relevant land use and dealership rights of approximately RMB76.8 million (first half of 2023: approximately RMB76.8 million), which was recorded under administrative expenses. In addition, taking into account the macroeconomic environment in the Period, weak spending power domestically, the imbalance between supply and demand of passenger vehicles, and promotion models of automobile dealers in China, the Company conducted impairment test with the assistance of an external valuer, an impairment of goodwill and intangible assets-car dealership rights amounted to approximately RMB104.8 million and RMB46.5 million were incurred during the Period, respectively (first half of 2023: approximately RMB32.9 million and RMB4.3 million).

Overall, the Group has maintained its prudent cost control, with operating expenses (distribution costs, administrative expenses, and finance costs). In particular, distribution costs decreased by approximately 22.7% year-on-year to approximately RMB295.4 million (first half of 2023: approximately RMB382.0 million), accounting for 2.8% of total revenue (first half of 2023: 2.7%). Administrative expenses decreased by approximately 19.0% year-on-year to approximately RMB324.4 million (first half of 2023: approximately RMB400.6 million), accounting for 3.0% of total revenue (first half of 2023: 2.8%). Finance costs decreased by approximately 12.2% year-on-year to approximately RMB131.0 million (first half of 2023: approximately RMB149.3 million), accounting for 1.2% of total revenue (first half of 2023: 1.1%).

Taxation

During the Period, the Group's income tax expenses amounted to approximately RMB41.3 million, representing a decrease of approximately 66.0% as compared to approximately RMB121.4 million for the same period of last year. The decrease in income tax expenses was mainly due to the decrease in profit before tax, along with the absence of withholding tax on dividend in respect of dividends paid to foreign controlling company by domestic subsidiaries during the Period (first half of 2023: approximately RMB52.5 million).

Loss for the Period and Loss attributable to Shareholders for the Period

During the Period, due to the weakened demand for premium passenger vehicles, growing market competition, deteriorating new car sales margin, along with the aforesaid non-operating expenses, the Group recorded a loss of approximately RMB22.9 million (first half of 2023: profit of approximately RMB44.7 million). Profit margin for the Period was -0.2%, representing a decrease of 0.5 percentage points as compared to the same period of last year. The profit attributable to shareholders was approximately RMB39.0 million for the same period of last year, and a loss attributable to equity shareholders of the Company of approximately RMB27.0 million was recorded during the Period. The Company would like to clarify that, in the announcement of the Company dated 27 August 2024 in relation to profit warning of the Group for the Period, the said profit attributable to equity shareholders for the 2023 Interim Period should be approximately RMB39.0 million (instead of RMB44.7 million as incorrectly stated therein). Save as the aforesaid, the contents of the said announcement remain unchanged.

Dividend

The Board resolved not to declare an interim dividend for the Period (first half of 2023: RMB0.0087 per ordinary share of the Company (the "**Share**")).

Joint Venture

During the Period, share of profit of a joint venture amounted to approximately RMB8.3 million, representing a decrease of approximately 23.3% as compared to RMB10.8 million for the same period of last year.

New Passenger Vehicles Sales

During the Period, overall purchasing power and consumer sentiment were weaker than expected, as a result of the unfavourable macroeconomic condition. Coupled with the lack of real-time supply adjustments, the average vehicle sales price dropped significantly across major premium brands, eventually leading to a notable decline in segment revenue. During the Period, new passenger vehicle sales amounted to approximately RMB8,569.4 million (first half of 2023: approximately RMB12,126.5 million), representing a decrease of approximately 29.3% as compared to the same period of last year. Sales of premium brand vehicles remained the major revenue contributor, accounting for approximately 88.8% of the Group's new passenger vehicle sales. In particular, the sales of new passenger vehicles of Porsche, BMW, and Lexus amounted to approximately RMB3,282.3 million, RMB2,981.7 million, and RMB1,345.2 million respectively, accounting for approximately 38.3%, 34.8%, and 15.7% of total new passenger vehicles sales. In terms of sales volume, benefiting from the Group's efficient operations and low inventory strategy, sales performance remained resilient, with 26,176 new passenger vehicles being sold (first half of 2023: 31,589 units) during the Period. Sales volume of Porsche, BMW, and Lexus was 4,114 units, 10,152 units and 4,789 units, respectively.

After-Sales and Mortgage facilitation Services

Revenue from after-sales and mortgage facilitation services consists principally of spare parts sales, provision of repair and maintenance services, provision of certain other automobile-related services such as vehicle registration services and mortgage facilitation services. During the Period, riding on the Group's expanding customer base, and increased mortgage facilitation services, after-sales and mortgage facilitation services recorded a satisfactory growth despite the ongoing operating challenges. After-sales and mortgage facilitation services revenue reached approximately RMB2,086.5 million, representing an increase of approximately 6.3% as compared to the same period of last year (first half of 2023: approximately RMB1,962.2 million). The total number of vehicles served was 363,739 units, representing a decrease of approximately 5.7% year-on-year. Gross profit margin from after-sales and mortgage facilitation services increased by 9.7 percentage points year-on-year to approximately 59.8% (first half of 2023: approximately 50.1%).

Current Network

The Group continued to implement its proven strategy of focusing on premium brands, and expand its distribution network through new store openings and acquisitions on a single-city-single-store strategy. For the Period, the Group had 78 self-operated stores situated in provinces and cities such as Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu, and Anhui, including a joint venture operated by the Group and two after-sales service centers for Tesla.

For the Period, the number of stores operated by the Group was as follows:

Number of stores under operation	**2024**	2023	Change
Porsche	**16**	16	–
BMW	**27**	27	–
Lexus	**20**	20	–
Toyota	**12**	12	–
Audi	**1**	1	–
Tesla after-sales service center	**2**	1	+1
Total	**78**	77	+1

Liquidity, Financial Resources and Position

As at 30 June 2024, the total equity of the Group amounted to approximately RMB5,184.7 million (31 December 2023: approximately RMB5,286.1 million). Current assets amounted to approximately RMB6,832.3 million (31 December 2023: approximately RMB6,372.7 million). The increase in current assets was mainly due to the increase in inventories of approximately RMB436.5 million, as a result of the centralized procurement of new vehicles at the end of the Period. Current liabilities amounted to approximately RMB6,657.6 million (31 December 2023: approximately RMB4,447.4 million). The increase in current liabilities was mainly due to the reclassification of convertible bonds from non-current liabilities to current liabilities, as the holders of the convertible bonds may exercise, in whole or in part, their right of early redemption on 13 January 2025. Net current assets amounted to approximately RMB174.7 million (31 December 2023: approximately RMB1,925.3 million). Despite the significant decrease in net current assets, its level is expected to improve given the Group's consistent ability to generate sustainable cash flow from its operations, including after-sales and mortgage facilitation services.

As at 30 June 2024, the Group's loans and borrowings amounted to approximately RMB1,391.6 million, representing a decrease of approximately 3.7% as compared to approximately RMB1,444.4 million as of 31 December 2023. Of which, short-term loans and borrowings as at 30 June 2024 amounted to approximately RMB982.0 million; long-term loans and borrowings amounted to approximately RMB409.6 million, and convertible bonds amounted to RMB1,693.7 million (31 December 2023: approximately RMB2,206.8 million). The gearing ratio (being the sum of loans and borrowings, convertible bonds and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 88.3% as at 30 June 2024 (31 December 2023: approximately 97.7%).

As at 30 June 2024, cash and cash equivalents, fixed deposits with more than three months to maturity when placed, and pledged bank deposits amounted to approximately RMB3,943.4 million in aggregate. Most of the cash and cash equivalents, fixed deposits with more than three months to maturity when placed, and pledged bank deposits were denominated in Renminbi, USD, and Hong Kong dollars. Apart from part of the cash and cash equivalents that are denominated in USD and Renminbi in overseas companies, the Group's business operations are principally located in China and a majority of its transactions are denominated in Renminbi. Therefore, the Group expects that foreign exchange risks will have a limited effect on the Group, and are unlikely to have any material adverse effect on its normal operations. During the Period, the Group did not employ any significant financial instruments such as forward foreign exchange contracts, nor did it employ any financial instruments for hedging purposes. The management of the Company will closely monitor foreign exchange risks, and will consider hedging significant foreign exchange risks when necessary or appropriate.

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

Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

The Group did not hold any significant investments as of 30 June 2024, and did not make any material acquisitions nor disposals of subsidiaries, associates, or joint ventures during the Period. There were no future plans for material investments or capital assets which have been approved by the Board as of the date of this announcement.

Pledged Assets of the Group

As at 30 June 2024, the Group pledged property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and pledged bank deposits of RMB191.6 million in aggregate (31 December 2023: approximately RMB229.5 million) to secure certain loans and borrowings.

PROSPECTS

Looking ahead to the second half of 2024, it could be too quick for domestic consumption to recover, and the automobile manufacturing and sales industry is expected to see sustained and fierce competition from existing players. To proactively manage the uncertainties ahead, the Group will strive to maintain its efficient turnover, focusing on improving the profitability of its new passenger car sales, after-sales and mortgage facilitation services businesses, and at the same time, maintaining a low inventory level to mitigate the risk of incurring larger future losses. Meanwhile, considering the Group's stores are of relatively young age in general, the Group will actively expand its after-sales and mortgage facilitation services by boosting customer foot traffic and conversion rates, in the hope to improve its absorption rate, thus laying the solid foundation for future operations and financial performance.

In response to the rapid development of new energy vehicles in recent years, the Group will also explore market opportunities using a light-asset and low-risk approach, by focusing on the distribution of new energy models from its existing luxury brands, as well as providing corresponding after-sales and mortgage facilitation services. To maintain its agility in the face of the dynamic market, the Group will also adhere to its prudent and cautious approach by keeping sufficient cash on hand, and utilizing its capital to evaluate potential merger and acquisition opportunities and other future development needs when suitable. The Group will also proactively reduce its debt level by gradually repaying certain loans and convertible bonds, so as to lower its gearing ratio and finance costs, yielding a more streamlined balance sheet that would support the Group's sustainable development.

NON-COMPETITION UNDERTAKING

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

STAFF TRAINING AND DEVELOPMENT

As at 30 June 2024, the Group had a total of 3,674 employees (31 December 2023: 3,805), with the majority based in the PRC. The total staff costs of the Group for the Period amounted to RMB334.2 million (first half of 2023: RMB426.9 million). In addition to offering competitive remuneration packages, discretionary bonuses, and share options which may be granted to eligible employees based on individual performance, the Group leverages its simple, direct, and data-driven corporate culture to serve as one of its key elements in attracting talents. The management team of the Group values the satisfaction of employees, and strives to create a better working environment and career path for all employees.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

As disclosed in the prospectus of the Company dated 22 November 2013 (the "**Prospectus**"), the Company will provide timely updates on the status of rectifications for properties with title defects with respect to owned and leased properties. The Group has no status update on the property title defect for the Period. The Group will promptly announce the progress of the relevant matters in accordance with relevant regulations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities (including treasury shares, as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) during the Period and until the date of this announcement. As at 30 June 2024, the Company did not hold any treasury shares.

USE OF PROCEEDS FROM PLACING AND SUBSCRIPTION

In January 2023, the Company placed 68,000,000 new Shares at the subscription price of HK$15.05 per Share. The Company received a net proceeds of approximately HK$1,012 million, after deducting the relevant placement cost. Set out below is the Company's plan on the use of net proceeds from the said placing and subscription:

Intended use of net proceeds	**Percentage of total net proceeds of such issue** *(approximately)*	**Unutilised proceeds as at 30 June 2024** *(in HK$ million)*
Business expansion (including strategic investments and acquisitions)	50%	506
Working capital and other general corporate purposes	50%	506
Total	100%	1,012

Note: The net proceeds has not yet been utilised during the Period. The Company intends to utilise the proceeds within three years from the date of allotment. The expected timeline for utilising the proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

CORPORATE GOVERNANCE

The Company met the applicable code provisions set out in Part 2 of the Corporate Governance Code in Appendix C1 of the Listing Rules in force during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the Period.

CONVERTIBLE BONDS DUE 2027

In January 2022, Sail Vantage Limited ("**CB Issuer**", a wholly-owned subsidiary of the Company) issued zero-coupon guaranteed Convertible Bonds due 2027 to professional investors (as defined in Chapter 37 of the Listing Rules) with an aggregate principal amount of HK$2,750,000,000. The Company has agreed to guarantee payment of all sums payable by the CB Issuer in relation to the Convertible Bonds. Listing of the Convertible Bonds commenced on the Stock Exchange on 14 January 2022. Pursuant to the terms and conditions of the Convertible Bonds, the issuer will, at the option of the bondholder of the Convertible Bonds, redeem all or some only of such bondholder's convertible bonds on 13 January 2025 (the "**Put Option Date**") at 106.9428 per cent of their principal amount.

During the Period, an aggregate principal amount of HK$636 million of the Convertible Bonds were repurchased (and these repurchased Convertible Bonds have been canceled as of the date of this announcement). These repurchased Convertible Bonds carried rights to convert into 14,209,686 conversion shares (based on the then prevailing conversion price of HK$44.7582 per share, round down to nearest whole number). The Board is of the view that these repurchases had no material adverse effect on the financial position of the Company.

Following the determination of the exchange rate of the final dividend for the year ended 31 December 2023, the conversion price of the Convertible Bonds has been adjusted from HK$44.7582 per share to HK$44.1764 per share, effective from 9 August 2024, pursuant to the terms and conditions of the Convertible Bonds.

As at the date of this announcement, the outstanding principal amount of the Convertible Bonds is HK$1,873,000,000 (carrying rights to convert into 42,398,203 shares based on the prevailing conversion price of HK$44.1764 per share).

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITOR

The interim results and this announcement have been reviewed by the Audit Committee of the Company.

KPMG, the Group's external auditor, has carried out a review of the interim financial report for the Period in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the Period will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.meidongauto.com in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2024

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. YE Fan *(Chairman)*
Mr. YE Tao *(Chief Executive Officer)*
Ms. LUO Liuyu

Independent Non-executive Directors:
Mr. CHEN Guiyi
Mr. WANG, Michael Chou
Mr. TO Siu Lun

Certain figures in this announcement have been subject to rounding adjustments.

This announcement contains forward-looking statements that reflect the Company's beliefs, plans or expectations about the future. These statements are based on a number of assumptions, current estimates and projections, and are subject to risks, uncertainties and factors which may be beyond control. Actual outcomes may differ. Nothing contained in these statements is, or shall be, relied upon as any assurance as to the future or as any representation or warranty otherwise. Neither the Company nor its directors, staff, agents, advisers or representatives assume any responsibility to update, supplement or correct these statements or to adapt them to future developments.