



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

2024

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

YE Fan (*Chairman*)
YE Tao (*Chief Executive Officer*)
LUO Liuyu

Independent Non-Executive Directors

CHEN Guiyi
WANG, Michael Chou
TO Siu Lun

AUTHORISED REPRESENTATIVES

YE Tao
WONG Cheung Ki Johnny
FCPA, FCG (CS, CGP), HKFCG (CS, CGP)

COMPANY SECRETARY

WONG Cheung Ki Johnny
FCPA, FCG (CS, CGP), HKFCG (CS, CGP)

AUDIT COMMITTEE

TO Siu Lun (*Chairman*)
CHEN Guiyi
WANG, Michael Chou

REMUNERATION COMMITTEE

WANG, Michael Chou (*Chairman*)
CHEN Guiyi
TO Siu Lun

NOMINATION COMMITTEE

YE Fan (*Chairman*)
TO Siu Lun
WANG, Michael Chou

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1
Tian An Tech Industry Building
Huangjin Road
Nancheng District, Dongguan
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2404
24th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

AUDITOR

KPMG
Public Interest Entity Auditor registered
in accordance with the Financial
Reporting Council Ordinance
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

HW Lawyers

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

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 six months ended 30 June 2024 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the Period, despite the ongoing macroeconomic challenges, the Company and its subsidiaries (collectively, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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%).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 ("**Share**")).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 continues to implement its proven strategy of focusing on premium brands, and expands its distribution network through new store openings and acquisitions on a single-city-single-store strategy. In the first half of 2024, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The number of stores operated by the Group (including a joint venture) in the first half of 2024 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the Group's loans and borrowings amounted to approximately RMB1,391.6 million (of which approximately RMB1,020.7 million bore interest at fixed rates), 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. There were no material change in the Company's funding and treasury policies and objectives in terms of the manner in which treasury activities are conducted from the information disclosed in the Company's 2023 Annual Report. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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 approximately 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CORPORATE GOVERNANCE

The Company met the applicable code provisions set out in Part 2 of the Corporate Governance Code in Appendix C1 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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.

REVIEW BY AUDIT COMMITTEE AND EXTERNAL AUDITOR

The interim results, this report and the Company's interim results 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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which (a) were notified to the Company and the Stock Exchange pursuant to divisions 7 to 9 of Part XV of the SFO; (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Shares	Number of underlying Shares ⁽³⁾	Approximate percentage of shareholding ⁽²⁾
YE Fan ⁽¹⁾	Interest of controlled corporation	703,916,000	–	52.29%
YE Tao	Beneficial owner	2,000,000	2,000,000	0.30%
LUO Liuyu	Beneficial owner	48,000	415,000	0.03%
CHEN Guiyi	Beneficial owner	750,000	250,000	0.07%
WANG, Michael Chou	Beneficial owner	188,000	500,000	0.05%

OTHER INFORMATION

Notes:

- (1) Mr. YE Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited (“**Apex Holdings**”) is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited (“**Apex Sail**”). Apex Sail directly holds 703,916,000 Shares as of 30 June 2024. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares held by Apex Sail.
- (2) The percentage is calculated based on the total number of issued Shares as at 30 June 2024, being 1,346,247,201.
- (3) Representing the Directors’ interests in share options granted by the Company. More information is set out in “Share Option Scheme” below.

Save as disclosed above, as of 30 June 2024, none of the Directors and chief executives had any interests or short positions in the shares, or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS OF DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Other than the Company’s share option scheme (the “**SOS**” or “**Share Option Scheme**”) and share options granted thereunder, during the Period, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had any such person exercised any such right during the Period.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' OR OTHER PERSONS INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the register maintained by the Company pursuant to Section 336 of the SFO shows that the following persons (other than the Directors or chief executives of the Company) had notified the Company of relevant interests and short positions in the shares of the Company:

Name	Capacity	Number of Shares	Approximate percentage of shareholding ⁽¹⁾
Substantial shareholders			
Apex Sail ⁽²⁾	Beneficial owner	703,916,000 (L)	52.29%
Apex Holdings ⁽²⁾	Interest in controlled corporation	703,916,000 (L)	52.29%
IQ EQ (Switzerland) Limited ⁽²⁾	Trustee	703,916,000 (L)	52.29%
HU Huanran ⁽³⁾	Interest of spouse	703,916,000 (L)	52.29%
Other persons			
FIL Limited ⁽⁴⁾	Interest in controlled corporation	121,772,260 (L)	9.05%
Pandanus Partners L.P. ⁽⁴⁾	Interest in controlled corporation	121,772,260 (L)	9.05%
Pandanus Associates Inc. ⁽⁴⁾	Interest in controlled corporation	121,772,260 (L)	9.05%
Fidelity Funds	Beneficial owner	95,108,000 (L)	7.06%
Brown Brothers Harriman & Co.	Approved lending agent	94,531,848 (L)	7.02%
Aikya Investment Management Limited	Investment manager	94,531,848 (P)	7.02%
		70,424,150 (L)	5.23%

OTHER INFORMATION

Notes:

- (1) The percentage is calculated based on the total number of issued Shares as at 30 June 2024, being 1,346,247,201. (L) denotes long position, (P) denotes lending pool.
- (2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by IQ EQ (Switzerland) Limited as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. YE Fan as the settlor. The Ye brothers and certain of their family members are the discretionary objects of the Ye Family Trust.
- (3) Mr. YE Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail. Mr. YE Fan's spouse, Ms. HU Huanran, is deemed to be interested in such shareholding interests of Mr. YE Fan by virtue of the SFO.
- (4) Based on the notification provided to the Company:

Pandanus Associates Inc. 100%-controlled Pandanus Partners L.P., who in turn, controlled 40.44% of FIL Limited.

FIL Limited 100%-controlled FIL Financial Services Holdings Limited ("**FIL-FSHL**"). FIL-FSHL had indirect interest in 121,772,260 Shares. FIL-FSHL 100%-controlled FIL Responsible Entity (Australia) Limited (with indirect interest in 78,000 Shares). FIL-FSHL 100%-controlled FIL Investment Management (Hong Kong) Limited (with direct interest in 33,072,000 Shares). FIL-FSHL 100%-controlled FIL Investment Management (Singapore) Limited (with direct interest in 109,638,260 Shares and indirect interest in 160,000 Shares). FIL-FSHL 100%-controlled FIL Fund Management Limited (with indirect interest in 98,098,000 Shares). FIL-FSHL 100%-controlled FIL Holdings (UK) Limited ("**FIL-UK**") (with indirect interest in 22,538,260 Shares). FIL-UK 100%-controlled FIL Investment Services (UK) Limited (with indirect interest in 10,404,260 Shares and direct interest in 12,134,000 Shares) and 100%-controlled FIL Investments International (with indirect interest in 7,410,260 Shares). FIL-FSHL 82%-controlled 483A Bay Street Holdings LP (which 100%-controlled BlueJay Lux 1 S.a.r.l.). BlueJay Lux 1 S.a.r.l. 100%-controlled Fidelity Investments Canada ULC (with indirect interest in 106,000 Shares).

FIL Limited 100%-controlled FIL Holdings (Luxembourg) S.A., which in turn 100%-controlled FIL Investment Management (Luxembourg) S.A. (with indirect interest in 98,098,000 Shares) and 100%-controlled FIL (Luxembourg) S.A. (with indirect interest in 510,000 Shares).

FIL Limited 100%-controlled FIL Asia Holdings Pte Limited, which in turn 100%-controlled FIL Japan Holdings KK. FIL Japan Holdings KK 100%-controlled FIL Investments (Japan) Limited (with indirect interest in 442,000 Shares).

Such interests included interests in 670,260 listed derivatives – convertible instruments.

Save as disclosed herein, the Company had not been notified of any substantial shareholder or other person (other than the Directors and chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded as at 30 June 2024 in the register to be kept by the Company under Section 336 of the SFO or was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

SHARE OPTION SCHEME

The SOS was adopted with the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Company considered that the SOS, with its broadened basis of participation, enabled the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Pursuant to the SOS, the Company might, at their discretion, invite full-time or part-time employees of the Group, including Directors and subsidiaries of the Company, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options (“**Option**”) to subscribe for Shares. The exercise price of the Option was to be determined by the Board but in any event cannot fall below the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the Option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares. The SOS was in force for a period of 10 years commencing on 13 November 2013 and expired in 2023. The Options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which Options might be granted under the SOS was not permitted to exceed 10% of the Shares in issue on the date of the listing of the Company on 5 December 2013 without prior approval from the Shareholders. No Option might be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the Options previously granted to him and the said Option exceeding 1% of the number of Shares issued and issuable under all the Options which might be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee. Options granted under the SOS must be taken up within 21 days of the date of grant, upon payment of HK\$1.00 per grant.

OTHER INFORMATION

Further information of the outstanding Options during the Period is set out below:

Name of grantees	Date of grant	Exercise price (HK\$)	Outstanding as of 1 January 2024	During the Period				Outstanding as of 30 June 2024	Exercise period
				Granted	Exercised	Cancelled	Lapsed		
Directors									
YE Tao	04.01.2018	2.58	500,000	-	-	-	-	500,000	04.01.2018-03.01.2028
		2.58	500,000	-	-	-	-	500,000	04.01.2019-03.01.2028
		2.58	500,000	-	-	-	-	500,000	04.01.2020-03.01.2028
		2.58	500,000	-	-	-	-	500,000	04.01.2021-03.01.2028
LUO Liyu	04.01.2018	2.58	75,000	-	-	-	-	75,000	04.01.2021-03.01.2028
		18.07.2019	6.00	42,500	-	-	-	42,500	18.07.2021-17.07.2029
	25.05.2022	6.00	57,500	-	-	-	-	57,500	18.07.2022-17.07.2029
		26.20	60,000	-	-	-	-	60,000	25.05.2022-24.05.2032
		26.20	60,000	-	-	-	-	60,000	25.05.2023-24.05.2032
		26.20	60,000	-	-	-	-	60,000	25.05.2024-24.05.2032
	26.20	60,000	-	-	-	-	60,000	25.05.2025-24.05.2032	
		18.07.2019	6.00	250,000	-	-	-	250,000	18.07.2022-17.07.2029
WANG, Michael Chou	18.07.2019	6.00	250,000	-	-	-	-	250,000	18.07.2021-17.07.2029
		6.00	250,000	-	-	-	-	250,000	18.07.2022-17.07.2029
Subtotal			3,165,000	-	-	-		3,165,000	

OTHER INFORMATION

Name of grantees	Date of grant	Exercise price (HK\$)	Outstanding as of 1 January 2024	During the Period				Outstanding as of 30 June 2024	Exercise period
				Granted	Exercised	Cancelled	Lapsed		
Employees									
Employee(s) (not a director/ chief executive of the Company), being a "Five highest paid individual(s)"	04.01.2018	2.58	75,000	-	-	-	-	75,000	04.01.2021-03.01.2028
	18.07.2019	6.00	250,000	-	-	-	-	250,000	18.07.2019-17.07.2029
		6.00	262,500	-	-	-	-	262,500	18.07.2020-17.07.2029
		6.00	262,500	-	-	-	-	262,500	18.07.2021-17.07.2029
		6.00	262,500	-	-	-	-	262,500	18.07.2022-17.07.2029
	16.01.2020	10.8	375,000	-	-	-	-	375,000	16.01.2020-15.01.2030
		10.8	375,000	-	-	-	-	375,000	16.01.2021-15.01.2030
		10.8	375,000	-	-	-	-	375,000	16.01.2022-15.01.2030
		10.8	375,000	-	-	-	-	375,000	16.01.2023-15.01.2030
	25.05.2022	26.2	105,000	-	-	-	-	105,000	25.05.2022-24.05.2032
		26.2	105,000	-	-	-	-	105,000	25.05.2023-24.05.2032
		26.2	105,000	-	-	-	-	105,000	25.05.2024-24.05.2032
		26.2	105,000	-	-	-	-	105,000	25.05.2025-24.05.2032

OTHER INFORMATION

Name of grantees	Date of grant	Exercise price (HK\$)	Outstanding as of 1 January 2024	During the Period				Outstanding as of 30 June 2024	Exercise period
				Granted	Exercised	Cancelled	Lapsed		
Other senior management (Not being a Director, chief executive or a five highest paid individuals)	04.01.2018	2.58	7,500	-	-	-	-	7,500	04.01.2018-03.01.2028
		2.58	157,500	-	-	-	-	157,500	04.01.2019-03.01.2028
		2.58	157,500	-	-	-	-	157,500	04.01.2020-03.01.2028
		2.58	157,500	-	-	-	-	157,500	04.01.2021-03.01.2028
	18.07.2019	6.00	288,750	-	-	-	-	288,750	18.07.2019-17.07.2029
		6.00	303,750	-	-	-	-	303,750	18.07.2020-17.07.2029
		6.00	303,750	-	-	-	-	303,750	18.07.2021-17.07.2029
		6.00	303,750	-	-	-	-	303,750	18.07.2022-17.07.2029
	25.05.2022	26.2	112,500	-	-	-	-	112,500	25.05.2022-24.05.2032
		26.2	112,500	-	-	-	-	112,500	25.05.2023-24.05.2032
		26.2	112,500	-	-	-	-	112,500	25.05.2024-24.05.2032
		26.2	112,500	-	-	-	-	112,500	25.05.2025-24.05.2032

OTHER INFORMATION

Name of grantees	Date of grant	Exercise price (HK\$)	Outstanding as of 1 January 2024	During the Period				Outstanding as of 30 June 2024	Exercise period	
				Granted	Exercised	Cancelled	Lapsed			
Other employees	04.01.2018	2.58	75,000	-	-	-	-	75,000	04.01.2020-03.01.2028	
		2.58	117,500	-	-	-	-	117,500	04.01.2021-03.01.2028	
	18.07.2019	6.00	48,750	-	-	-	-	48,750	18.07.2019-17.07.2029	
		6.00	48,750	-	-	-	-	48,750	18.07.2020-17.07.2029	
		6.00	163,750	-	-	-	-	163,750	18.07.2021-17.07.2029	
		6.00	175,000	-	-	-	-	175,000	18.07.2022-17.07.2029	
	16.01.2020	10.8	62,500	-	-	-	(2,500)	60,000	16.01.2021-15.01.2030	
		10.8	65,000	-	-	-	(2,500)	62,500	16.01.2022-15.01.2030	
		10.8	70,000	-	-	-	(2,500)	67,500	16.01.2023-15.01.2030	
	25.05.2022	26.2	1,613,000	-	-	-	(14,500)	1,598,500	25.05.2022-24.05.2032	
		26.2	1,613,000	-	-	-	(14,500)	1,598,500	25.05.2023-24.05.2032	
		26.2	1,613,000	-	-	-	(14,500)	1,598,500	25.05.2024-24.05.2032	
		26.2	1,613,000	-	-	-	(14,500)	1,598,500	25.05.2025-24.05.2032	
	Subtotal (All employees, not being a director, chief executive, senior management or a five highest paid individual)			7,278,250	-	-	-	(65,500)	7,212,750	
	Total			15,605,750^(a)	-	-	-	(65,500)	15,540,250^(a)	

OTHER INFORMATION

Notes:

1. The term of the SOS ended prior to the Period, and no further Options were available for grant thereunder throughout the Period.
2. A consideration of HK\$1 was payable by each grantee upon acceptance of the Option.
3. The Options are subject to a vesting period from the date of grant to the date immediately before the commencement of the exercise period. The vesting period and exercise period is also subject to earlier cancellation, lapse or termination in accordance with the SOS.
4. Representing approximately 1.16% of the total issued Shares as of the beginning of the Period.
5. Representing approximately 1.15% of the total issued Shares as of the end of the Period.

THE CONVERTIBLE BONDS DUE 2027

In January 2022, Sail Vantage Limited (“**CB Issuer**”, a wholly-owned subsidiary of the Company) issued the Convertible Bonds to professional investors (as defined in Chapter 37 of the Listing Rules) with an initial aggregate principal amount of HK\$2,750 million. The Company has agreed to guarantee payment of all sums payable by the CB Issuer in relation to the Convertible Bonds. The closing price of the Shares as quoted on the Stock Exchange on 5 January 2022 (the date on which the initial conversion price was fixed) was HK\$39.35 per Share. The net price based on the net proceeds was approximately HK\$45.72 per Share assuming full conversion at the initial conversion price. All proceeds were utilised prior to the Period. 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.

OTHER INFORMATION

The conversion price of the Convertible Bonds was HK\$44.7582 per Share during the Period. Subsequently and with effect from 9 August 2024, the conversion price has been adjusted to HK\$44.1764 per Share (subject to adjustments) pursuant to the terms and conditions of the Convertible Bonds.

An analysis of the Share price at which it would be equally financially advantageous for the holders of the Convertible Bonds to convert or redeem the Convertible Bonds based on their implied internal rate of return at a range of dates in the future is set out below, for illustrative purpose only:

Relevant date and event	Share price of the Company at the relevant date
13 January 2025 (i.e. the date when the CB Issuer will, at the option of the holder of Convertible Bonds, redeem such bonds at 106.9428% of their principal amount)	106.9428% of the then adjusted conversion price (subject to adjustments) of the Convertible Bonds
13 January 2027 (i.e. the maturity date when the CB Issuer will redeem the Convertible Bonds at 111.8370% of their principal amount)	111.8370% of the then adjusted conversion price (subject to adjustments) of the Convertible Bonds

During the Period, an aggregate principal amount of HK\$636 million (including approximately HK\$84 million in January and HK\$552 million in June) of the Convertible Bonds were repurchased (and these repurchased Convertible Bonds have been canceled as of the date of this report) in accordance with the terms of the Convertible Bonds from sellers sourced from the open market, at the aggregate repurchase price of approximately HK\$642.03 million. These repurchased Convertible Bonds carried rights to convert into 14,209,686 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.

OTHER INFORMATION

The outstanding principal amount of the Convertible Bonds as of the end of the Period and as of the date of this report was 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, round down to the nearest whole number), representing approximately 68.11% of the initial aggregate principal amount of the Convertible Bonds. Assuming that all the outstanding principal amount of the Convertible Bonds were exercised and 42,398,203 Shares were to be issued at the prevailing conversion price of HK\$44.1764 per Share, the shareholding of Apex Sail Limited (the single largest shareholder of the Company as of 30 June 2024) would have been decreased from approximately 52.29% to 50.69% (assuming there being no change other than the allotment of Shares from full conversion). The Company currently does not foresee substantive obstacles on its ability to meet its obligations under the Convertible Bonds as and when they fall due.

The effect of the Group's outstanding convertible bonds was not included in the calculation of diluted loss per share because its effect would have been anti-dilutive.

Please refer to the paragraph headed "Liquidity, financial resources and position" on page 12, and note 17 of the notes to the unaudited interim financial report in this interim report and the Company's 2023 annual report for further information with respect to the Convertible Bonds.

Save as the above, no conversion rights was exercised, and no redemption, purchase or cancellation of the Convertible Bonds by the Company or its subsidiaries took place during the Period.

ISSUE OF SHARES, BONDS AND WARRANTS

There were no issue or placing of shares, bonds or warrants during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this report, 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 Listing Rules) during the Period and until the date of this report. As at 30 June 2024, the Company did not hold any treasury shares.

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, share incentive may be granted to eligible employees based on individual performance. The Group's contributions made to the defined contribution retirement scheme are non-refundable, and forfeited contributions cannot be used by the employer to reduce the existing level of contribution. 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. More information about the remuneration policy of the Group is set out in the 2023 Annual Report. There were no material change to such policy in the Period.

OTHER INFORMATION

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

As disclosed in the prospectus of the Company dated 22 November 2013, 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.

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 net proceeds of approximately HK\$1,012 million, after deducting the relevant placement cost. Set out below is the status and the Company's plan on the use of such net proceeds:

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 use and timeline for utilising the proceeds are 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.

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



Review report to the board of directors of China MeiDong Auto Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 33 to 76 which comprises the consolidated statement of financial position of China MeiDong Auto Holdings Limited as of 30 June 2024 and the related consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

	Note	Six months ended 30 June	
		2024 RMB'000	2023 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

		Six months ended 30 June	
	Note	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

The notes on pages 41 to 76 form part of this interim financial report.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

	<i>Note</i>	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

Approved and authorised for issue by the board of directors on 30 August 2024.

Ye Fan
Director

Ye Tao
Director

The notes on pages 41 to 76 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital			PRC			Exchange reserve RMB'000	Other reserve RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
			redemption RMB'000	reserves RMB'000	reserves RMB'000	statutory reserves RMB'000	Retained earnings RMB'000						
Balance at 1 January 2023	101,688	1,487	986	(9,832)	435,748	3,614,707	208,515	4,275,026	158,754	4,433,780	58,736	4,492,516	
Profit for the period	-	-	-	-	-	38,991	-	38,991	5,736	44,727	-	44,727	
Other comprehensive income for the period	-	-	-	-	-	(3,164)	-	(3,164)	-	-	-	(3,164)	
Total comprehensive income for the period	-	-	-	-	-	38,991	(3,164)	35,827	5,736	41,563	-	41,563	
Capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	2,073	2,073	-	2,073	
Dividends approved in respect of the previous years (Note 18(a))	-	(157,511)	-	-	-	-	-	(157,511)	-	(157,511)	-	(157,511)	
Dividends paid to non-controlling interests (Note 18(a))	-	-	-	-	-	-	-	-	(35,510)	(35,510)	-	(35,510)	
Equity-settled share-based payment (Note 5(b))	-	-	-	9,954	-	-	-	9,954	-	9,954	-	9,954	
Issue of ordinary shares upon exercise of share options	129	7,235	-	(1,895)	-	-	-	5,469	-	5,469	-	5,469	
Issue of new shares, net of issuance expense	5,652	865,339	-	-	-	-	-	871,191	-	871,191	-	871,191	
Conversion of convertible bonds	19	9,479	-	-	-	-	-	8,740	(758)	8,740	-	8,740	
Balance at 30 June 2023 and 1 July 2023	107,688	726,029	986	(1,793)	435,748	3,653,698	(81,617)	207,757	131,053	5,048,686	131,053	5,179,749	
Profit for the period	-	-	-	-	-	101,212	-	101,212	9,841	111,053	-	111,053	
Other comprehensive income for the period	-	-	-	-	-	-	13,279	13,279	-	13,279	-	13,279	
Total comprehensive income for the period	-	-	-	-	-	101,212	13,279	114,491	9,841	124,332	-	124,332	
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	377	377	-	377	
Dividends declared and paid (Note 18(a))	-	(11,712)	-	-	-	-	-	(11,712)	-	(11,712)	-	(11,712)	
Dividends paid to non-controlling interests (Note 18(a))	-	-	-	-	-	-	-	-	(7,986)	(7,986)	-	(7,986)	
Equity-settled share-based payment	-	-	-	4,561	-	-	-	4,561	-	4,561	-	4,561	
Repurchase of convertible bonds (Note 17)	-	-	-	-	-	-	-	(3,781)	-	(3,781)	-	(3,781)	
Appropriation to reserves	-	-	-	-	35,080	(35,080)	-	-	-	-	-	-	
Balance at 31 December 2023	107,688	714,317	986	2,768	470,828	3,719,830	(68,338)	205,976	133,885	5,152,255	133,885	5,286,140	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share redemption RMB'000	Capital			PRC			Non-controlling interests RMB'000	Total equity RMB'000
				Capital reserve RMB'000	Capital reserves RMB'000	statutory reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000		
Balance at 1 January 2024	107,888	714,317	986	2,768	470,828	3,719,830	(68,338)	203,976	5,152,255	133,885	5,286,140
(Loss)/profit for the period	-	-	-	-	-	(26,998)	-	-	(26,998)	4,067	(22,931)
Other comprehensive income for the period	-	-	-	-	-	-	(4,283)	-	(4,283)	-	(4,283)
Total comprehensive income for the period	-	-	-	-	-	(26,998)	(4,283)	-	(31,281)	4,067	(27,214)
Dividends approved in respect of the previous year (Note 18(a))	-	(44,426)	-	-	-	-	-	-	(44,426)	-	(44,426)
Dividends paid to non-controlling interests (Note 18(e))	-	-	-	-	-	-	-	-	-	(16,631)	(16,631)
Equity-settled share-based payment (Note 5(b))	-	-	-	4,434	-	-	-	-	4,434	-	4,434
Repurchase of convertible bonds (Note 17)	-	-	-	-	-	-	-	(17,623)	(17,623)	-	(17,623)
Balance at 30 June 2024	107,888	669,891	986	7,202	470,828	3,692,832	(72,621)	186,353	5,063,859	121,321	5,184,680

The notes on pages 41 to 76 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations		739,032	535,965
Income tax paid		(155,008)	(109,017)
Net cash generated from operating activities		584,024	426,948
Investing activities			
Payment for the purchase of property, plant and equipment		(81,553)	(216,537)
Proceeds from disposal of property, plant and equipment		96,047	140,915
Net decrease/(increase) in fixed deposits with more than three months to maturity when placed	14	322,326	(795,421)
Dividends received from a joint venture		21,008	23,122
Interest received		70,201	15,203
Net cash generated from/(used in) investing activities		428,029	(832,718)
Financing activities			
Capital element of lease rentals paid		(39,462)	(42,021)
Interest element of lease rentals paid		(40,230)	(42,016)
Proceeds from loans and borrowings		3,714,239	6,038,833
Repayment of loans and borrowings		(3,767,485)	(6,247,616)
Net (increase)/decrease in pledged bank deposits	13	(41,237)	5,103
Dividends paid to non-controlling interests	18(a)	(16,631)	(35,510)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Proceeds from exercise of share options		–	5,469
Repurchase of convertible bonds	17	(585,968)	–
Interest paid		(39,976)	(54,232)
Proceeds from issuance of new shares, net of issuance expenses		–	871,191
Changes in interests in subsidiaries without change in control		–	9,000
Capital injection by non-controlling interests		–	2,073
Others		294	204
Net cash (used in)/generated from financing activities		(816,456)	510,478
Net increase in cash and cash equivalents		195,597	104,708
Cash and cash equivalents at 1 January	14	2,361,671	1,635,625
Effect of foreign exchange rate changes		351	5,198
Cash and cash equivalents at 30 June	14	2,557,619	1,745,531

The notes on pages 41 to 76 form part of this interim financial report.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION (continued)

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. KPMG’s independent review report to the Board of Directors is included on pages 31 to 32.

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*

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (continued)

- Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

The amendments to HKAS7 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION (continued)

	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 (<i>note 10</i>)	104,762	32,924
– intangible assets (<i>note 10</i>)	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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION (continued)

- (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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX (continued)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

7 (LOSS)/EARNINGS PER SHARE (continued)

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

10 INTANGIBLE ASSETS AND GOODWILL (continued)

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

11 INVENTORIES

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

	At 30 June 2024 RMB'000	At 31 December 2023 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 RMB'000	2023 RMB'000
Carrying amount of inventories sold	9,739,231	12,976,713
Write-down of inventories	14,977	10,074

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 RMB'000	At 31 December 2023 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 <i>(note 20(c))</i>	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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 PLEDGED BANK DEPOSITS

	At 30 June 2024 RMB'000	At 31 December 2023 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 RMB'000	At 31 December 2023 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 LOANS AND BORROWINGS

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

	At 30 June 2024 RMB'000	At 31 December 2023 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

15 LOANS AND BORROWINGS (continued)

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

	At 30 June 2024 RMB'000	At 31 December 2023 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 RMB'000	At 31 December 2023 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 (note 20(c))	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: RMB1,511,704,000) and certain bills payable were guaranteed by a related party (see note 20(d)) 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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;

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 CONVERTIBLE BONDS (continued)

- 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 CONVERTIBLE BONDS (continued)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 CONVERTIBLE BONDS (continued)

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Dividends (continued)

- (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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (continued)

(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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Equity settled share-based transactions (continued)

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

	Number of Instruments	Vesting conditions	Contractual life of options
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		

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Equity settled share-based transactions (continued)

(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	(65,500)	HK\$25.72	(1,083,500)
Outstanding at the end of the period/year	HK\$15.65	15,540,250	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 (31 December 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 (31 December 2023: 6.71 years).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 COMMITMENTS

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

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

20 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2024, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Ye Fan 葉帆	Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Guangdong Dadong Automotive Group Co., Ltd. (“ Dadong Group ”) 廣東大東汽車集團有限公司	Controlled by the Controlling Shareholder
Dongguan Meidong 東莞美東汽車服務有限公司	Joint venture
Apex Sail	Immediate parent company

Notes: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Recurring transactions

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Management service income:		
– Dongguan Meidong	2,316	2,723

(b) Non-recurring transactions

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Sales of passenger vehicles:		
– Dongguan Meidong	12,418	6,141
Purchases of passenger vehicles:		
– Dongguan Meidong	11,788	13,862

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

At 30 June 2024, the Group had the following balances with related parties:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Other receivables due from:		
– Dongguan Meidong	4,025	2,527
	4,025	2,527
Other payables due to:		
– Dadong Group	2,486	2,124
– Ye Fan	7,238	6,944
	9,724	9,068

- (i) All the amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Guarantees and securities issued by related parties

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
– Ye Fan	1,151,209	1,181,281
– Dadong Group	–	13,300
Guarantees issued by a related party in respect of bills issued by the Group:		
– Ye Fan	162,863	348,369

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) Guarantees issued by the Group

	The Group	
	At	At
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
Guarantees issued by the Group in respect of financial facilities granted to a related party:		
– Dongguan Meidong	80,000	80,000
Guarantees issued by the Group in respect of bank loans and borrowings granted to a related party:		
– Dongguan Meidong	130,000	130,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	5,877	5,921
Equity compensation benefits	675	1,512
	6,552	7,433

Total remuneration is included in staff costs (see note 5(b)).

21 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.