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## **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)**

### **2020 ANNUAL RESULTS ANNOUNCEMENT**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the twelve months ended 31 December, 2020 increased to RMB20,207.4 million, a 24.7% growth compared to the same period of 2019
- Gross profit increased by 30.7% with gross profit margin improved to 10.1%
- Profit for the year increased by 38.2% to RMB770.6 million with net profit margin improved to 3.8%
- Profit for the year excluding non operating, non cash one off exchange loss was RMB850.8 million, representing a growth of 52.6% compared to the same period of 2019 and a net profit margin of 4.2%
- Cash generated from operations amounted to RMB1,445.8 million, an increase of 33.0% compared to the same period of 2019
- Proposed final dividend of RMB0.2410 per ordinary share. The interim dividend of RMB0.1451 was paid. Total dividend for the year amounted to RMB0.3861 per ordinary share, representing a dividend payout ratio of 64.0%

#### **RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China MeiDong Auto Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020.

The audited consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures of 2019 are as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in RMB'000)

	<i>Note</i>	<b>2020</b>	2019
<b>Revenue</b>	2	<b>20,207,446</b>	16,210,019
Cost of sales		<u>(18,171,987)</u>	<u>(14,652,389)</u>
Gross profit		<b>2,035,459</b>	1,557,630
Other revenue and other net (loss)/income	3	<b>95,608</b>	153,632
Distribution costs		<b>(546,048)</b>	(492,608)
Administrative expenses		<u>(439,021)</u>	<u>(381,830)</u>
<b>Profit from operations</b>		<b>1,145,998</b>	836,824
Finance costs	4(a)	<b>(136,940)</b>	(123,161)
Share of profits of a joint venture		<u>43,162</u>	<u>43,748</u>
Profit before taxation	4	<b>1,052,220</b>	757,411
Income tax	5(a)	<u>(281,642)</u>	<u>(199,884)</u>
<b>Profit for the year</b>		<b>770,578</b>	557,527
<b>Other comprehensive income for the year</b>		<u>—</u>	<u>—</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>770,578</b></u>	<u>557,527</u>
<b>Profit and total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>750,558</b>	550,811
Non-controlling interests		<u>20,020</u>	<u>6,716</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>770,578</b></u>	<u>557,527</u>
<b>Earnings per share</b>			
Basic ( <i>RMB cents</i> )	6(a)	<b>62.19</b>	47.67
Diluted ( <i>RMB cents</i> )	6(b)	<u><b>61.36</b></u>	<u>47.27</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in RMB'000)

	<i>Note</i>	<b>31 December 2020</b>	31 December 2019
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,119,936</b>	1,035,059
Right-of-use assets		<b>1,286,289</b>	825,776
Intangible assets		<b>61,445</b>	65,308
Interest in a joint venture		<b>56,348</b>	55,140
Other non-current assets		<b>75,301</b>	104,220
Deferred tax assets		<b>61,410</b>	54,472
		<u>2,660,729</u>	<u>2,139,975</u>
<b>Current assets</b>			
Inventories	7	<b>495,302</b>	540,509
Trade and other receivables	8	<b>1,517,716</b>	1,158,815
Pledged bank deposits		<b>558,572</b>	961,729
Cash and cash equivalents		<b>2,538,030</b>	1,123,892
		<u>5,109,620</u>	<u>3,784,945</u>
<b>Current liabilities</b>			
Loans and borrowings		<b>729,225</b>	871,215
Trade and other payables	9	<b>2,081,911</b>	2,132,165
Lease liabilities		<b>121,760</b>	84,694
Income tax payables	5(c)	<b>127,751</b>	92,127
		<u>3,060,647</u>	<u>3,180,201</u>
<b>Net current assets</b>		<u><b>2,048,973</b></u>	<u>604,744</u>
<b>Total assets less current liabilities</b>		<u><b>4,709,702</b></u>	<u>2,744,719</u>

	<i>Note</i>	<b>31 December 2020</b>	31 December 2019
<b>Non-current liabilities</b>			
Loans and borrowings		<b>222,182</b>	240,492
Lease liabilities		<b>1,135,975</b>	726,178
Deferred tax liabilities		<b>6,970</b>	8,701
		<u>1,365,127</u>	<u>975,371</u>
<b>NET ASSETS</b>		<b><u>3,344,575</u></b>	<b><u>1,769,348</u></b>
<b>EQUITY</b>			
Share capital	10(b)	<b>99,245</b>	91,383
Reserves		<b>3,127,421</b>	1,620,204
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,226,666</b>	1,711,587
<b>Non-controlling interests</b>		<b>117,909</b>	57,761
<b>TOTAL EQUITY</b>		<b><u>3,344,575</u></b>	<b><u>1,769,348</u></b>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

(Expressed in RMB'000)

	Note	2020	2019
<b>Operating activities:</b>			
<b>Cash generated from operations</b>		<b>1,445,794</b>	1,087,044
Income tax paid	5(c)	<u>(254,687)</u>	<u>(156,369)</u>
<b>Net cash generated from operating activities</b>		<b>1,191,107</b>	930,675
<b>Investing activities:</b>			
Payment for the purchase of property, plant and equipment		(318,422)	(397,188)
Proceeds from disposal of property, plant and equipment		126,605	116,335
Net cash flow from business combination		—	(14,824)
Prepayment for purchase of right-of-use assets		(17,138)	(31,493)
Dividends received from a joint venture		41,954	32,284
Interest received		22,026	11,080
Other cash flows arising from investing activities		<u>(397)</u>	<u>347</u>
<b>Net cash used in investing activities</b>		<b>(145,372)</b>	(283,459)

	<i>Note</i>	<b>2020</b>	2019
<b>Financing activities:</b>			
Capital element of lease rentals paid		<b>(53,754)</b>	(42,615)
Interest element of lease rentals paid		<b>(69,886)</b>	(53,440)
Proceeds from loans and borrowings		<b>5,666,907</b>	2,627,571
Repayment of loans and borrowings		<b>(5,824,106)</b>	(2,691,085)
Decrease/(Increase) in pledged bank deposits		<b>20,943</b>	(24,195)
Dividends declared and paid to equity shareholders	10(a)	<b>(412,939)</b>	(168,805)
Dividends paid to non-controlling interests	10(a)	<b>(6,726)</b>	(5,821)
Proceeds from exercise of share options		<b>16,110</b>	8,510
Interest paid		<b>(70,923)</b>	(67,215)
Proceeds from changes in interests in subsidiaries without change in control		<b>2,900</b>	—
Acquisition of non-controlling interests		—	(6,000)
Repayment of advances from a related party		—	(50)
Proceeds from placement of new shares, net of placement expense		<b>1,150,058</b>	—
Capital injection by non-controlling interests		<b>30,000</b>	33,000
		<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>		<b>448,584</b>	(390,145)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net increase in cash and cash equivalents</b>		<b>1,494,319</b>	257,071
<b>Cash and cash equivalents at 1 January</b>		<b>1,123,892</b>	866,821
<b>Effect of foreign exchange rate changes</b>		<b>(80,181)</b>	—
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>		<b>2,538,030</b>	1,123,892
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## Notes to the financial statements

### 1 General information

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

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**the Listing Rules**”). Significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain amendments HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group’s interests in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These consolidated financial statements are presented in Renminbi (“**RMB**”) which is the Group’s presentation currency, rounded to the nearest thousands, except for earnings per share information.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Changes in accounting policies**

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, *HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

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 except for the amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

**2 Revenue and segment reporting**

**(a) Revenue**

**(i) Disaggregation of revenue**

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

	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
— Sales of passenger vehicles	<b>17,956,191</b>	14,383,828
— After-sales services	<b>2,251,255</b>	1,826,191
	<b>20,207,446</b>	16,210,019
	<b>20,207,446</b>	16,210,019

All revenue was recognised at a point in time.



**(b) Segment reporting**

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

**(i) Information about geographical area**

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

**(ii) Information about major customers**

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

**3 Other revenue and other net (loss)/income**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Other revenue</b>		
Commission income	118,953	116,284
Interest income	22,293	10,964
Management service income	10,720	11,564
	<u>151,966</u>	<u>138,812</u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Other net (loss)/income</b>		
Net gain on disposal of property, plant and equipment	28,122	16,287
Net foreign exchange loss	(95,541)	(6,778)
Others	11,061	5,311
	<u>(56,358)</u>	<u>14,820</u>
	<u>95,608</u>	<u>153,632</u>

#### 4 Profit before taxation

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

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>(a) Finance costs:</b>			
Interest on			
— loans and borrowings		<b>54,938</b>	52,694
— lease liabilities		<b>69,886</b>	53,440
		<hr/>	<hr/>
Total interest expense		<b>124,824</b>	106,134
Other finance costs	(i)	<b>12,116</b>	17,027
		<hr/>	<hr/>
		<b>136,940</b>	123,161
		<hr/>	<hr/>
<b>(b) Staff costs:</b>			
Salaries, wages and other benefits		<b>668,960</b>	546,122
Equity settled share-based payment expenses	(ii)	<b>10,046</b>	10,558
Contributions to defined contribution retirement plans	(iii)	<b>2,557</b>	28,688
		<hr/>	<hr/>
		<b>681,563</b>	585,368
		<hr/> <hr/>	<hr/> <hr/>

- (i) It represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.
- (ii) The Group recognised an expense of RMB10,046,000 for the year ended 31 December 2020 (2019: RMB10,558,000) in relation to share options granted to certain employees of the Group pursuant to a share option schemes.
- (iii) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF") 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.

Due to the impact of an outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain defined contribution plans during the year.

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

(c) **Other items:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories	18,013,558	14,509,226
Write-down of inventories	—	4,556
Depreciation		
— owned property, plant and equipment	134,983	113,107
— right-of-use assets	89,878	64,817
Amortisation of intangible assets	4,261	4,212
Lease expenses	6,051	9,705
Net foreign exchange loss	95,541	6,778
Auditors' remuneration	<u>5,930</u>	<u>5,600</u>

**5 Income tax in the consolidated statement of comprehensive income**

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax:</b>		
Provision for PRC income tax for the year	290,311	211,179
<b>Deferred tax:</b>		
Origination of temporary differences	<u>(8,669)</u>	<u>(11,295)</u>
	<u>281,642</u>	<u>199,884</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	<u>1,052,220</u>	<u>757,411</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	<b>295,060</b>	197,976
Tax effect of non-deductible expenses	<b>2,316</b>	3,217
Tax effect of non-taxable income on share of profits of a joint venture	<b>(10,791)</b>	(10,937)
Reversal of PRC dividend withholding tax (ii)	—	(6,500)
Effect of PRC dividend withholding tax (iii)	—	16,500
Tax effect of unused tax losses not recognised, net of utilisation of tax losses for which no deferred tax asset was recognised in previous periods	<u><b>(4,943)</b></u>	<u>(372)</u>
Actual tax expense	<u><b>281,642</b></u>	<u><b>199,884</b></u>

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

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

The Group's PRC subsidiaries are subject to income tax at the statutory tax rate of 25%.

- (ii) Under the CIT Law and its relevant regulations, dividends receivable by non-PRC resident enterprises from PRC resident enterprises for earnings accumulated beginning on 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the tax arrangement between the mainland China and Hong Kong Special Administration, Region, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC resident enterprise is entitled to a reduced dividend withholding tax rate of 5%. During the year ended 31 December 2019, the Company and China Meidong Auto (HK) Limited, a wholly owned subsidiary of the Group, became qualified as Hong Kong tax residents and are entitled to a reduced dividend withholding tax rate of 5%. Consequently, the Group reversed PRC dividend withholding tax of RMB4,500,000 in relation to declared dividend distribution out of earnings of PRC subsidiaries of RMB90,000,000 in 2018 with withholding tax previously recognised at a rate of 10%. During the year ended 31 December 2019, the Group also reversed deferred tax liabilities of RMB2,000,000 in relation to over-estimated PRC dividend of RMB20,000,000 in 2018 with withholding tax previously recognised at a rate of 10%.

(iii) In 2019, the PRC dividend withholding tax of RMB16,500,000 was provided against the declared dividend distribution out of earnings of PRC subsidiaries of RMB330,000,000. Accordingly, the Group recognised PRC withholding tax of RMB16,500,000 in income tax payables.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	92,127	37,317
Provision for current income tax for the year	290,311	211,179
Payment during the year	<u>(254,687)</u>	<u>(156,369)</u>
At the end of the year	<u><u>127,751</u></u>	<u><u>92,127</u></u>

## 6 Earnings per share

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB750,558,000 (2019: RMB550,811,000) and the weighted average of 1,206,967,000 ordinary shares in issue (2019: 1,155,404,000 shares) during the year ended 31 December 2020.

*Weighted average number of ordinary shares*

	2020	2019
Issued ordinary shares at 1 January	1,158,169,000	1,153,544,000
Effect of exercise of share options	3,651,000	1,860,000
Effect of placement of new shares	<u>45,147,000</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,206,967,000</u></u>	<u><u>1,155,404,000</u></u>

(b) **Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB750,558,000 (2019: RMB550,811,000) and the weighted average of 1,223,261,000 ordinary shares (2019: 1,165,210,000 ordinary shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option schemes during the year ended 31 December 2020.

*Weighted average number of shares (diluted)*

	2020	2019
Weighted average number of ordinary shares for the year ended 31 December	1,206,967,000	1,155,404,000
Effect of deemed issue of shares under the employee share option schemes	<u>16,294,000</u>	<u>9,806,000</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,223,261,000</u></u>	<u><u>1,165,210,000</u></u>

**7 Inventories**

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Motor vehicles	375,721	431,954
Others	<u>119,581</u>	<u>108,555</u>
	<u><u>495,302</u></u>	<u><u>540,509</u></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Carrying amount of inventories sold	18,013,558	14,509,226
Write-down of inventories	<u>—</u>	<u>4,556</u>

**8 Trade and other receivables**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	129,076	151,831
Prepayments	671,657	350,616
Other receivables and deposits	<u>711,907</u>	<u>649,670</u>
Amounts due from third parties	1,512,640	1,152,117
Amounts due from related parties	<u>5,076</u>	<u>6,698</u>
Trade and other receivables	<u><u>1,517,716</u></u>	<u><u>1,158,815</u></u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, insurance commission receivables from insurance companies and warranty receivables from automobile manufacturers. The mortgage is normally settled within one month directly by major financial institutions. While for the receivables from insurance companies and automobile manufacturers, risk of default is considered low, as these are either reputable companies or with good credit rating. Based on past experience, the Group was of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Normally, the Group does not obtain collateral from customers.

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

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 month	<b>115,010</b>	127,021
1 to 2 months	<b>8,348</b>	10,684
2 to 3 months	<b>1,570</b>	9,316
Over 3 months	<b>4,148</b>	4,810
	<u><b>129,076</b></u>	<u>151,831</u>

## 9 Trade and other payables

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	<b>190,274</b>	151,503
Bills payable	<b>905,771</b>	1,211,847
	<u><b>1,096,045</b></u>	<u>1,363,350</u>
Contract liabilities	<b>763,082</b>	552,777
Other payables and accruals	<b>216,406</b>	208,025
	<u><b>2,075,533</b></u>	<u>2,124,152</u>
Amounts due to third parties	<b>2,075,533</b>	2,124,152
Amounts due to related parties	<b>6,378</b>	8,013
	<u><b>2,081,911</b></u>	<u>2,132,165</u>
Trade and other payables	<b>2,081,911</b>	2,132,165

- (a) All trade and other payables are expected to be settled within one year.
- (b) As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	<b>1,005,784</b>	1,326,106
After 3 months but within 6 months	<b>90,261</b>	37,244
	<b><u>1,096,045</u></b>	<b><u>1,363,350</u></b>

## 10 Capital, reserves and dividends

### (a) Dividends

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Interim dividend for the year, approved and paid during the year, of RMB0.1451 per ordinary share (2019: RMB0.061 per ordinary share)	<b><u>180,435</u></b>	<b><u>70,648</u></b>
	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend proposed after the statement of financial position date of RMB0.241 per ordinary share (2019: RMB0.2 per ordinary share)	<b><u>299,930</u></b>	<b><u>232,049</u></b>

The final dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.2 per ordinary share (2019: RMB0.0849 per ordinary share)	<b>232,504</b>	98,157



**(iii) Other dividends**

During the year ended 31 December 2020, subsidiaries of the Group declared and paid dividends of RMB6,726,000 (2019: RMB5,821,000) in cash to non-controlling interests.

**(b) Share capital**

The share capital of the Group as at 31 December 2020 represented the amount of issued and paid-up capital of the Company with details set out below:

**Authorised:**

		2020		2019		
	<i>Note</i>	<b>Par value HK\$</b>	<b>Number of shares (thousand)</b>	<b>Nominal value of ordinary shares HK\$'000</b>	<b>Number of shares (thousand)</b>	<b>Nominal value of ordinary shares HK\$'000</b>
At 31 December	(i)	<u>0.1</u>	<u>20,000,000</u>	<u>2,000,000</u>	<u>20,000,000</u>	<u>2,000,000</u>

**Ordinary shares, issued and fully paid:**

	<i>Note</i>	<b>Number of ordinary shares (thousand)</b>	<b>Nominal value of ordinary shares HK\$('000)</b>
At 1 January 2019		1,153,544	115,354
Issue of ordinary shares upon exercise of share options		<u>4,625</u>	<u>463</u>
At 31 December 2019 and 1 January 2020		1,158,169	115,817
Issue of ordinary shares upon exercise of share options		5,352	535
Placement of new shares	(ii)	<u>81,000</u>	<u>8,100</u>
At 31 December 2020		<u>1,244,521</u>	<u>124,452</u>
RMB equivalent ('000) at 31 December 2020			<u>99,245</u>
RMB equivalent ('000) at 31 December 2019			<u>91,383</u>

**(i) *Authorised share capital***

The Company was incorporated on 24 February 2012 with an authorised share capital of HK\$10,000,000 divided into 100,000,000 ordinary shares of HK\$0.1 each. Pursuant to a resolution dated 16 October 2013 passed by its sole shareholder, Apex Sail, the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$2,000,000,000 by the creation of 19,900,000,000 new share of HK\$0.1 each.

**(ii) *Placement of new shares***

On 10 June 2020, the Company placed 81,000,000 new ordinary shares at the subscription price of HK\$15.84 per share. The gross proceeds of HK\$1,283,040,000 (equivalent to RMB1,168,849,000), net of direct share placement expenses of HK\$20,627,000 (equivalent to RMB18,791,000), were raised, of which RMB7,379,000 and RMB1,142,679,000 was credited to share capital and share premium account, respectively.

## **11 Non-adjusting events after the reporting period**

**(a) Final dividend**

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 10(a).

**(b) Business acquisition**

Pursuant to equity transfer agreements signed with Zongshen Industrial Group Co., Ltd. and Leqing Chenyou technology development Co., Ltd. in January 2021, Dongguan Meixin, a wholly owned subsidiary of the Group, acquired 100% equity interest in Guangan Zongshen Baotai Automotive Sales and Service Co., Ltd. and Nanjing Tangshan Xiezhong Lexus Automotive Sales and Service Co., Ltd., respectively.

Total cash consideration for the above acquisitions was RMB310,270,000.

The purpose of above business combinations is to broaden the Group's sales network expansion. The acquisitions will be accounted for under the acquisition method. As at the reporting date, the allocation of purchase price to identifiable assets acquired and liabilities assumed of above business combinations at their respective fair values has not been completed.

## MANAGEMENT DISCUSSION AND ANALYSIS

Despite the impact of COVID-19 in the first half of 2020, China's automobile industry recovered quickly after the pandemic, with sales volume recording a strong rebound in the second half, leading to a slight decline for the year. According to the statistics from China Association of Automobile Manufacturers, total sales volume of passenger vehicles in China in 2020 was 20.2 million units, representing a year-on-year (“yoy”) decrease of 6.0%. In particular, sales volume of basic passenger vehicles (sedans) was 9.3 million units, representing a yoy decrease of 9.9%, whereas sales volume of sport utility vehicles (SUVs) was 9.5 million units, representing a yoy increase of 0.7%. Yet, benefiting from consumption upgrade as well as the rather inelastic demand of luxury brands, the luxury vehicle market has maintained a strong growth since April 2020. Based on the statistics from China Passenger Car Association, retail sales of luxury vehicles in December 2020 increased by 26% yoy, significantly higher than that of the overall market. Such growth, driven by the structural change is expected to sustain.

## BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2020 (the “Year”), China MeiDong Auto Holdings Limited (the “Company”), together with its subsidiaries (collectively the “Group”) maintained its growth momentum despite the extreme market environment. During the Year, the Group recorded satisfactory growth across revenue, gross profit, net profit and operating cash flow. Its inventory turnover days also hit a historic low, reflecting the benefits of its efficiency-driven operating strategies.

### Revenue

During the Year, the Group recorded a revenue of approximately RMB20,207.4 million (2019: approximately RMB16,210.0 million), representing an increase of approximately 24.7% yoy. It is mainly attributable to the new store expansion and steady same store sales growth. Revenue from new passenger vehicles sales increased by approximately 24.8% yoy to approximately RMB17,956.2 million (2019: approximately RMB14,383.8 million), accounting for approximately 88.9% (2019: approximately 88.7%) of total revenue. Revenue from after-sales services increased by approximately 23.3% yoy to approximately RMB2,251.3 million (2019: approximately RMB1,826.2 million), accounting for approximately 11.1% (2019: approximately 11.3%) of total revenue.

## **Cost of Sales**

Cost of sales increased by 24.0% from RMB14,652.4 million in 2019 to RMB18,172.0 million for the Year. The increase in cost of goods sold was mainly due to the growth of the Group's two major business operations, namely new passenger vehicles sales and after-sales services. Among which, the cost of sales for new passenger vehicles sales and after-sales services increased by 24.1% and 22.8% respectively.

## **Gross Profit**

During the Year, gross profit increased by approximately 30.7% yoy from approximately RMB1,557.6 million in 2019 to approximately RMB2,035.5 million, driven by the steady growth in total revenue. Overall gross profit margin remained stable, recording a slight increase of 0.5 percentage points to approximately 10.1%. Among which, gross profit margin of new vehicles sales increased significantly by 0.5 percentage point to approximately 5.5% (2019: 5.0%), and that of after-sales services slightly increased by 0.2 percentage points from 46.1% for 2019 to approximately 46.3%.

## **Costs and Expenses**

During the Year, the Group was able to further enhance its operational efficiency. Distribution costs amounted to approximately RMB546.0 million, accounting for 2.7% of total revenue, representing a 0.3 percentage point decrease as compared to the 3.0% for the same period of last year. Administrative expenses amounted to approximately RMB439.0 million, or approximately 2.2% of total revenue, representing a decrease of 0.2 percentage point as compared to the 2.4% for the same period of last year. Meanwhile, finance costs amounted to approximately RMB136.9 million, decreasing by 0.1 percentage point from 0.8% to 0.7% as a percentage of revenue.

## **Taxation**

During the Year, the Group's income tax expenses amounted to approximately RMB281.6 million, representing an increase of approximately 40.9% as compared to approximately RMB199.9 million for the same period of last year. The increase in income tax expenses was mainly due to the increase in profit for the year.

## **Profit for the Year**

The Group achieved considerable revenue and gross profit growth amid the unstable economic environment, and supported by its effective control over expenses, the Group's profit for the Year increased by 38.2% to approximately RMB770.6 million (2019: approximately RMB557.5 million), and profit margin for the Year increased by 0.4 percentage point from approximately 3.4% to approximately 3.8%. However, due to the impact of external factors, the Group incurred a non-operating-related, non-cash one-off exchange loss of approximately RMB80.2 million during the Year. Profit for the year excluding non operating, non cash one off exchange loss was RMB850.8 million, representing a growth of 52.6% compared to the same period of 2019 and a net profit margin of 4.2%

## **Dividend**

The interim dividend for 2020 was RMB0.1451 per ordinary share. The Board of Directors (the “**Board**”) of the Company recommended a final dividend of RMB0.2410 per ordinary share for the year ended 31 December 2020 (2019: RMB0.2 per ordinary share). The dividend paid for the Year was RMB0.3861 (2019: RMB0.2610), with payout ratio for the Year reaching 64.0%, representing a yoy increase of 9.0 percentage points (2019: 55.0%).

## **A Joint Venture**

During the Year, share of profit of a joint venture amounted to approximately RMB43.2 million, representing a slight decrease of approximately 1.1% as compared to approximately RMB43.7 million for the same period of last year.

## **New Passenger Vehicles Sales**

During the Year, through new-store expansion and same store sales growth, revenue of new passenger vehicles sales amounted to approximately RMB17,956.2 million (2019: approximately RMB14,383.8 million), indicating an increase of approximately 24.8% as compared to the same period of last year. Luxury brands remained as the major revenue source of the Group, accounting for approximately 84.0% of total new passenger vehicles sales. BMW, Porsche, Lexus and Audi recorded sales of new passenger vehicles of approximately RMB7,144.7 million, RMB3,581.7 million, RMB4,210.1 million and RMB144.3 million respectively, accounting for approximately 39.8%, 19.9%, 23.5% and 0.8% of total new passenger vehicles sales respectively. In terms of sales volume, the Group sold 57,200 new passenger vehicles during the Year, representing an increase of 15.9% yoy, with sales of BMW, Porsche, Lexus and Audi amounting to 20,792 units, 4,467 units, 11,788 units and 541 units respectively.

## After-Sales Services

During the Year, driven by new store expansion and same store growth, revenue of after-sales services reached approximately RMB2,251.3 million, representing an increase of 23.3% (2019: approximately RMB1,826.2 million) as compared to the same period of last year. The total number of vehicles served was 513,236, representing an increase of 12.5% yoy. Gross profit margin of the segment remained stable and slightly increased to 46.3%.

## Current Network

The Group continued to focus on luxury brands, and execute its highly-effective “Single City Single Store” strategy in further expanding its distribution network. In 2020, the Group opened 5 new stores, with 63 self-operated stores situating in provinces and cities such as Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu and Anhui, which includes a joint venture operated by the Group.

As at 31 December 2020, the number of stores operated by the Group is as follows:

<b>Number of stores under operation</b>	<b>2020</b>	<b>2019</b>	<b>Change</b>
Porsche	7	6	1
BMW	26	24	2
Lexus	16	14	2
Toyota	12	12	—
Hyundai	1	1	—
Audi	1	1	—
	<hr/>	<hr/>	<hr/>
Total	<b>63</b>	<b>58</b>	<b>5</b>

## Financial Resources and Position

As at 31 December 2020, total equity of the Group amounted to approximately RMB3,344.6 million (31 December 2019: approximately RMB1,769.3 million). Current assets of the Group amounted to approximately RMB5,109.6 million (31 December 2019: approximately RMB3,784.9 million), while current liabilities amounted to approximately RMB3,060.6 million (31 December 2019: approximately RMB3,180.2 million).

As at 31 December 2020, the Group’s loans and borrowings amounted to RMB951.4 million, representing a decrease of approximately 14.4% as compared to RMB1,111.7 million of last year. Short-term loans and borrowings amounted to RMB729.2 million, whereas long-term loans and borrowings amounted to RMB222.2 million. The Group maintained a net cash position.

As at 31 December 2020, cash and cash equivalents and pledged bank deposits amounted to RMB3,096.6 million. Most of the cash and cash equivalents and pledged bank deposits were denominated in Renminbi and Hong Kong Dollars. Apart from part of the cash that is denominated in Hong Kong Dollars, the Group's business operations in China and major transactions are all denominated in Renminbi. Therefore, the Group expects its foreign exchange risks will have minimal effect on its normal operations and business. For the year ended 31 December 2020, the Group did not employ any significant financial instruments such as forward foreign exchange contracts, nor did it employ any major financial instruments for hedging purposes.

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

### **Contingent Liabilities**

As at 31 December 2020, one subsidiary of the Group issued financial guarantee to financial institution and bank in respect of financial facilities granted to a related party of the Group, which amounted to RMB130.0 million (31 December 2019: RMB80.0 million). The financial facilities utilised by the related party amounted to RMB0.0 million (31 December 2019: RMB13.1 million).

As at 31 December 2020, the Directors do not consider it probable that a claim will be made pursuant to the above guarantee.

### **Treasury Policy**

The Group has adopted prudent treasury policies and maintained a healthy liquidity throughout the Year. To manage its liquidity risk, the Board closely monitors its liquidity to ensure that it can meet its assets, liabilities and capital commitments from time to time.

### **Significant Investments, Material Acquisitions and Disposals**

During the Year, save as disclosed in this announcement, the Group had no significant investments held, nor material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **Pledged Assets of the Group**

As at 31 December 2020, the Group used property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and total pledged bank deposits of RMB434.8 million (31 December 2019: approximately RMB492.0 million) as collateral for certain loans and borrowings.

## **PROSPECTS**

Through efficient and data-driven management, the Group will continue to maximize its operating efficiency, optimize its revenue mix and improve its service standard, while focusing on luxury brands and “Single City Single Store” strategy to deliver stable growth in the long run. The Group has been gradually executing its merger and acquisition strategy with the criteria of: (1) familiar brands; (2) familiar locations; and (3) reasonable valuation to accelerate its network expansion. From 2021 to date, the Group completed the acquisition of 100% equity interest in a Lexus store in Nanjing and a BMW store in Guangan, Sichuan. In addition, the Group has piloted new after-sales service initiatives in a number of stores during the Year, which have delivered positive initial results with improved customer satisfaction and customer return ratio (CRR). The Group has expended the project to almost all stores with the aim to gradually accelerate the development of after-sales services. By leveraging its sound management system and its persistent pursuit of efficiency, the Group will continue to develop its business, in order to deliver a satisfactory return.

## **Purchase, Sale or Redemption of the Company’s Listed Securities**

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Year until the date of this announcement.

## **Corporate Governance**

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



## Placing of new shares under general mandate

On 3 June 2020 (before trading hours), the Company, Apex Sail Limited (a company incorporated in the British Virgin Islands with limited liability, holding approximately 56.46% of the issued share capital of the Company as at the date of this announcement, as vendor, the “**Vendor**”), Goldman Sachs (Asia) L.L.C. and Merrill Lynch (Asia Pacific) Limited (both as placing agents, the “**Placing Agents**”) entered into a placing and subscription agreement (the “**Placing and Subscription Agreement**”), pursuant to which (i) the Vendor agreed to appoint the Placing Agents, and the Placing Agents agreed on a several basis, to act as agents for the purpose of procuring, as the placing agents of the Vendor, the Placees to purchase, or failing which to purchase themselves, 81,000,000 shares of the Company (the “**Placing Shares**”) at HK\$15.84 (the “**Placing Price**”); and (ii) the Vendor agreed to subscribe for, and the Company agreed to issue to the Vendor, 81,000,000 shares of the Company (the “**Subscription Shares**”) at HK\$15.84 (the “**Subscription Price**”, same as the Placing Price), in each case on the terms and subject to the conditions set out in the Placing and Subscription Agreement. The number of the Placing Shares represents: (i) approximately 6.97% of the total number of Shares in issue as at the date 3 June 2020; and (ii) approximately 6.51% of the enlarged total number of Shares in issue upon the completion of the Subscription.

The Subscription Shares were issued under the General Mandate granted to the Directors pursuant to a resolution of the shareholders of the Company passed on 18 May 2020. As such, the allotment and issue of the Subscription Shares was not subject to additional Shareholders’ approval.

On 5 June 2020, all Placing Shares were successfully placed at the Placing Price by the Placing Agents to not fewer than six placees (the “**Placees**”) pursuant to the terms and conditions of the Placing and Subscription Agreement. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Placees and their respective ultimate beneficial owners (if any) are professional, institutional, or other investors who are third parties independent of the Company and its connected persons (as defined under the Listing Rules). Subsequently on 10 June 2020 after all the conditions of the Subscription were fulfilled, the Company allotted and issued the Subscription Shares to the Vendor at the Subscription Price. The Subscription Shares represent approximately 6.51% of the issued share capital of the Company as enlarged upon completion of the allotment and issue of the Subscription Shares.

For further details on the placing and subscription, please refer to the announcements of the Company dated 3 June 2020 and 10 June 2020.

## **Use of Proceeds**

The net proceeds (after deducting all applicable costs and expenses, including commission and levies) from the Subscription amount to approximately HK\$1,262,000,000. It was intended the said net proceeds from the Subscription would be used as follows: (i) approximately HK\$883,400,000 (representing approximately 70% of the net proceeds) for opportunistic mergers and acquisitions purpose; and (ii) approximately HK\$378,600,000 (representing approximately 30% of the net proceeds) as general working capital of the Group. As at the date of this announcement, none of said net proceeds has been utilised yet.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the Year.

## **Audit Committee**

The Company has an audit committee (the “**Audit Committee**”) which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee has three members comprising three independent non-executive directors, being Mr. CHEN Guiyi, Mr. WANG, Michael Chou and Mr. JIP Ki Chi.

An Audit Committee meeting was held on 25 March 2021 to review the annual results of the Company for the year ended 31 December 2020.

## **Annual General Meeting**

An annual general meeting of the Company (the “**AGM**”) will be held on 17 May 2021. For details of the AGM, please refer to the notice of the AGM which is expected to be published on or about 9 April 2021.

## **Final Dividend**

The Board recommended the payment of a final cash dividend of RMB0.241 per share (2019: RMB0.200 per share) to shareholders whose names are on the register of members of the Company on 7 June 2021, which is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands.

It is expected that the cheques for cash dividends will be sent by ordinary mail to shareholders at their own risk on or about 21 July 2021.

## Closure of Register of Members

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

1. from 12 May 2021 to 17 May 2021, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM; and
2. from 2 June 2021 to 7 June 2021, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the final dividend to be approved at the AGM.

All completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 11 May 2021 and 1 June 2021 respectively.

By Order of the Board  
**YE Tao**  
*Chief Executive Officer*

Hong Kong, 25 March 2021

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

***Executive Directors:***

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

***Independent Non-executive Directors:***

Mr. CHEN Guiyi  
Mr. WANG, Michael Chou  
Mr. JIP Ki Chi