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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2021 increased to RMB11,808.1 million, representing a growth of 39.8% as compared to the same period of 2020.
- Revenue of passenger vehicles sales increased by 40.8% as compared to the same period of 2020.
- Gross margin of passenger vehicles sales improved by 1.7 percentage points to 6.6%.
- Profit for the six months ended 30 June 2021 increased to RMB551.0 million, representing a growth of 79.4% as compared to the same period of 2020.
- Net profit margin improved by 1.1 percentage points to 4.7%.
- Proposed interim dividend of RMB0.1293 per ordinary share, representing 30.0% of the profit attributable to shareholders for the six months ended 30 June 2021.

#### **RESULTS**

The board (the “Board”) of directors (the “Directors”) of China MeiDong Auto Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Period” or the “Reporting Period”).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — unaudited

		Six months ended 30 June	
	Note	2021	2020
		RMB'000	RMB'000
<b>Revenue</b>	3	<b>11,808,117</b>	8,447,854
Cost of sales	5	<u>(10,534,501)</u>	<u>(7,628,715)</u>
<b>Gross profit</b>		<b>1,273,616</b>	819,139
Other revenue and other net income	4	<b>122,612</b>	87,782
Distribution costs		<b>(347,655)</b>	(237,989)
Administrative expenses		<u>(277,823)</u>	<u>(216,354)</u>
<b>Profit from operations</b>		<b>770,750</b>	452,578
Finance costs	5(a)	<b>(64,573)</b>	(60,819)
Share of profits of a joint venture		<u>23,070</u>	<u>18,895</u>
<b>Profit before taxation</b>	5	<b>729,247</b>	410,654
Income tax	6	<u>(178,210)</u>	<u>(103,464)</u>
<b>Profit for the period</b>		<b>551,037</b>	307,190
<b>Other comprehensive income for the period</b>		<u>—</u>	<u>—</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>551,037</b></u>	<u>307,190</u>

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit and total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>536,522</b>	300,775
Non-controlling interests		<b>14,515</b>	6,415
		<u>                    </u>	<u>                    </u>
<b>Profit and total comprehensive income for the period</b>		<b><u>551,037</u></b>	<b><u>307,190</u></b>
<b>Earnings per share</b>			
Basic (RMB cents)	7	<b>43.11</b>	25.72
Diluted (RMB cents)		<b>42.53</b>	25.42
		<u>                    </u>	<u>                    </u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2021 — unaudited*

		At <b>30 June</b> <b>2021</b> <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	1,229,977	1,119,936
Right-of-use assets	9	1,345,805	1,286,289
Intangible assets		255,745	61,445
Interest in a joint venture		36,992	56,348
Other non-current assets		94,146	75,301
Goodwill	17	32,924	—
Deferred tax assets		77,525	61,410
		3,073,114	2,660,729
<b>Current assets</b>			
Inventories	10	624,767	495,302
Trade and other receivables	11	1,144,568	1,517,716
Pledged bank deposits	12	529,442	558,572
Cash and cash equivalents	13	2,787,111	2,538,030
		5,085,888	5,109,620
<b>Current liabilities</b>			
Loans and borrowings	14	575,523	729,225
Trade and other payables	15	2,239,769	2,081,911
Income tax payables		125,801	127,751
Lease liabilities		123,378	121,760
		3,064,471	3,060,647
<b>Net current assets</b>		2,021,417	2,048,973
<b>Total assets less current liabilities</b>		5,094,531	4,709,702

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
<b>Non-current liabilities</b>			
Loans and borrowings	14	257,643	222,182
Deferred tax liabilities		68,947	6,970
Lease liabilities		<u>1,158,862</u>	<u>1,135,975</u>
		<u>1,485,452</u>	<u>1,365,127</u>
<b>NET ASSETS</b>		<u><b>3,609,079</b></u>	<u><b>3,344,575</b></u>
<b>EQUITY</b>	16		
Share capital		99,289	99,245
Reserves		<u>3,367,780</u>	<u>3,127,421</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,467,069</b>	3,226,666
<b>Non-controlling interests</b>		<u>142,010</u>	<u>117,909</u>
<b>TOTAL EQUITY</b>		<u><b>3,609,079</b></u>	<u><b>3,344,575</b></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in RMB unless otherwise indicated)*

## 1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

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 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any change in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 REVENUE AND SEGMENT REPORTING

### (a) Disaggregation of revenue

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</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>10,544,079</b>	7,487,925
— After-sales services	<b>1,264,038</b>	959,929
	<b><u>11,808,117</u></b>	<b><u>8,447,854</u></b>

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.

**4 OTHER REVENUE AND OTHER NET INCOME**

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Other revenue</b>		
Commission income	62,537	61,049
Bank interest income	9,624	8,814
Management service income	5,799	4,649
	<u>77,960</u>	<u>74,512</u>
	<b>77,960</b>	<b>74,512</b>
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Other net income</b>		
Net gain on disposal of property, plant and equipment	16,638	8,844
Net foreign exchange loss	(11,265)	(195)
Gain on a bargain purchase (note 17)	29,714	—
Others	9,565	4,621
	<u>44,652</u>	<u>13,270</u>
	<b>44,652</b>	<b>13,270</b>
	<u>122,612</u>	<u>87,782</u>
	<b>122,612</b>	<b>87,782</b>



## 5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(a) Finance costs:</b>		
Interest on:		
— loans and borrowings	20,366	23,074
— lease liabilities	39,035	31,297
	<hr/>	<hr/>
Total interest expense	59,401	54,371
Other finance costs (i)	5,172	6,448
	<hr/>	<hr/>
Total finance costs	<u>64,573</u>	<u>60,819</u>

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	419,369	317,491
Equity settled share-based payment expenses (ii)	2,668	7,126
Contributions to defined contribution retirement plans (iii)	17,139	2,497
	<hr/>	<hr/>
	<u>439,176</u>	<u>327,114</u>

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(c) Other items:</b>		
Cost of inventories	10,444,469	7,556,508
Depreciation charge		
— owned property, plant and equipment	72,467	58,472
— right-of-use assets	51,012	37,316
Amortisation of intangible assets	5,369	2,128
Lease expenses	2,592	2,495
Net foreign exchange loss	11,265	195
	<hr/>	<hr/>
	<u>11,265</u>	<u>195</u>

(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 RMB2,668,000 for the six months ended 30 June 2021 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (six months ended 30 June 2020: RMB7,126,000) (see note 16(b)).
- (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.

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 six months ended 30 June 2020.

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

## 6 INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB’000</i></b>	<b><i>RMB’000</i></b>
<b>Current tax:</b>		
Provision for PRC income tax for the period	<b>191,034</b>	104,359
<b>Deferred tax:</b>		
Origination of temporary differences	<u><b>(12,824)</b></u>	<u>(895)</u>
	<u><b>178,210</b></u>	<u>103,464</u>

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 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.

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

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of RMB536,522,000 (six months ended 30 June 2020: RMB300,775,000) and the weighted average of 1,244,566,000 ordinary shares in issue (six months ended 30 June 2020: 1,169,504,000 ordinary shares) during the interim period.

Weighted average number of ordinary shares

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Issued ordinary shares at 1 January	<b>1,244,521,000</b>	1,158,169,000
Effect of exercise of share options (note 16(b))	<b>45,000</b>	2,434,000
Effect of new shares placed (note 16(c))	—	8,901,000
	<u>1,244,566,000</u>	<u>1,169,504,000</u>
Weighted average number of ordinary shares at 30 June	<u><b>1,244,566,000</b></u>	<u>1,169,504,000</u>

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company of RMB536,522,000 (six months ended 30 June 2020: RMB300,775,000) and the weighted average of 1,261,490,000 ordinary shares (six months ended 30 June 2020: 1,183,438,000 ordinary shares) in issue 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 2021.

Weighted average number of shares (diluted)

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares at 30 June	<b>1,244,566,000</b>	1,169,504,000
Effect of deemed issue of shares under the employee share option scheme	<b>16,924,000</b>	13,934,000
	<u>1,261,490,000</u>	<u>1,183,438,000</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u><b>1,261,490,000</b></u>	<u>1,183,438,000</u>

## 8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with original costs of RMB224,058,000 (six months ended 30 June 2020: RMB145,063,000). Items of property, plant and equipment with a net book value of RMB59,837,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB42,821,000), resulting in a gain on disposal of RMB16,638,000 (six months ended 30 June 2020: RMB8,844,000).

## 9 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of buildings and acquired certain land use rights through business combination, and therefore recognised the additions to right-of-use assets of RMB110,529,000 (six months ended 30 June 2020: RMB513,434,000).

During the six months ended 30 June 2021, the Group received rent concessions of nil (six months ended 30 June 2020: RMB761,000) in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

## 10 INVENTORIES

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

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Motor vehicles	495,505	375,721
Others	129,262	119,581
	<u>624,767</u>	<u>495,302</u>

(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	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount of inventories sold	<u>10,444,469</u>	<u>7,556,508</u>

## 11 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 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 1 month	97,262	115,010
1 to 2 months	7,092	8,348
2 to 3 months	480	1,570
Over 3 months	1,777	4,148
Trade debtors	106,611	129,076
Prepayments	336,642	671,657
Other receivables and deposits	696,690	711,907
Amounts due from third parties	1,139,943	1,512,640
Amounts due from related parties	4,625	5,076
Trade and other receivables	<u>1,144,568</u>	<u>1,517,716</u>

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

## 12 PLEDGED BANK DEPOSITS

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Restricted bank deposits pledged in respect of loans and borrowings	15,216	27,831
Restricted bank deposits pledged in respect of bills payable	514,226	530,741
	<u>529,442</u>	<u>558,572</u>

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

### 13 CASH AND CASH EQUIVALENTS

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Cash at banks and in hand	<u><u>2,787,111</u></u>	<u><u>2,538,030</u></u>

### 14 LOANS AND BORROWINGS

(a) At 30 June 2021, loans and borrowings were repayable as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 1 year or on demand	----- 575,523	----- 729,225
After 1 year but within 2 years	120,713	114,682
After 2 years but within 5 years	----- 136,930	----- 107,500
	----- 257,643	----- 222,182
	<u><u>833,166</u></u>	<u><u>951,407</u></u>

(b) At 30 June 2021, loans and borrowings were secured as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Secured bank loans (i)	730,751	604,222
Secured borrowings from other financial institutions (i)	----- 102,415	----- 347,185
	<u><u>833,166</u></u>	<u><u>951,407</u></u>

(i) As at 30 June 2021, 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.

## 15 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 <b>30 June</b> <b>2021</b> <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 3 months	<b>876,377</b>	1,005,784
Over 3 months but within 6 months	<b>69,295</b>	90,261
Total trade payables and bills payable (i)	<b>945,672</b>	1,096,045
Contract liabilities	<b>774,308</b>	763,082
Other payables and accruals (ii)	<b>508,486</b>	216,406
Amounts due to third parties	<b>2,228,466</b>	2,075,533
Amounts due to related parties	<b>11,303</b>	6,378
Trade and other payables	<b><u>2,239,769</u></b>	<b><u>2,081,911</u></b>

- (i) As at 30 June 2021, certain bills payable were guaranteed by a related party.
- (ii) As at 30 June 2021, other payables and accruals included dividends payable of RMB302 million.
- (iii) All trade and other payables are expected to be settled within one year.

## 16 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interim dividend declared after the interim period, of RMB0.1293 per ordinary share (six months ended 30 June 2020: RMB0.1451 per ordinary share)	<u>160,986</u>	<u>180,435</u>

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.241 per ordinary share (six months ended 30 June 2020: RMB0.2 per ordinary share)	<u>299,930</u>	<u>232,504</u>

- (iii) *Other dividends*

During the six months ended 30 June 2021, a subsidiary of the Group declared and paid dividends of RMB5,414,000 (six months ended 30 June 2020: RMB3,573,000) in cash to non-controlling interests.



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

**(i) *Share options granted on 20 January 2014***

Pursuant to a resolution of the board of directors of the Company passed on 20 January 2014, 11,400,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK\$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua (retired with effect from 25 March 2019), the executive directors of the Company, respectively.

Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the Company. Each 25% of these share options will vest on 1 January 2015, 1 January 2016, 1 January 2017, and 1 January 2018, respectively, and be exercisable until 12 November 2023.

The number of options granted on 20 January 2014 still outstanding at 30 June 2021 are 2,530,000 (31 December 2020: 2,530,000) which have an exercise price of HK\$1.8 (31 December 2020: HK\$1.8) and a remaining contractual life of 2.37 years (31 December 2020: 2.87 years).

**(ii) *Share options granted on 4 January 2018***

Pursuant to a resolution of the board of directors of the Company passed on 4 January 2018, 11,980,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,980,000 shares of the Company in aggregate with an exercise price of HK\$2.58, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua (retired with effect from 25 March 2019), the executive directors of the Company, respectively.

Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the Company. Each 25% of these share options will vest on 4 January 2018, 4 January 2019, 4 January 2020 and 4 January 2021, respectively, and be exercisable until 3 January 2028.

During the six months ended 30 June 2021, 537,500 options were exercised (six months ended 30 June 2020: 2,490,000) at a subscription price of HK\$2.58 per ordinary share for a total consideration of HK\$1,387,000 (equivalent to RMB1,143,000) and consequently, RMB44,000 and RMB1,099,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB388,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of nil for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB219,000) (see note 5(b)(ii)).

The number of options granted on 4 January 2018 still outstanding at 30 June 2021 are 6,760,000 (31 December 2020: 7,335,000) which have an exercise price of HK\$2.58 (31 December 2020: HK\$2.58) and a remaining contractual life of 6.51 years (31 December 2020: 7.01 years).

**(iii) *Share options granted on 18 July 2019***

Pursuant to a resolution of the board of directors of the Company passed on 18 July 2019, 9,700,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 9,700,000 shares of the Company in aggregate with an exercise price of HK\$6.00, among which 230,000 share options were granted to Ms. Luo Liuyu (appointed as an executive director of the Company with effect from 25 March 2019) and 1,000,000 share options each were granted to Mr. Chen Guiyi, Mr. Wang Michael Chou, and Mr. Jip Ki Chi, the independent non-executive directors of the Company.

Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the Company. Each 25% of these share options will vest on 18 July 2019, 18 July 2020, 18 July 2021 and 18 July 2022, respectively, and be exercisable until 17 July 2029.

The Group recorded equity settled share-base payment expenses of RMB1,975,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB4,110,000) (see note 5(b)(ii)).

The number of options granted on 18 July 2019 still outstanding at 30 June 2021 are 7,867,500 (31 December 2020: 7,947,500) which have an exercise price of HK\$6.00 (31 December 2020: HK\$6.00) and a remaining contractual life of 8.04 years (31 December 2020: 8.54 years).

**(iv) *Share options granted on 16 January 2020***

Pursuant to a resolution of the board of directors of the Company passed on 16 January 2020, 1,940,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 1,940,000 shares of the Company in aggregate with an exercise price of HK\$10.80.

Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the Company. Each 25% of these share options will vest on 16 January 2020, 16 January 2021, 16 January 2022 and 16 January 2023, respectively, and be exercisable until 15 January 2030.

The Group recorded equity settled share-base payment expenses of RMB693,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB2,797,000) (see note 5(b)(ii)).

The number of options granted on 16 January 2020 still outstanding at 30 June 2021 are 1,930,000 (31 December 2020: 1,940,000) which have an exercise price of HK\$10.80 (31 December 2020: HK\$10.80) and a remaining contractual life of 8.55 years (31 December 2020: 9.05 years).

(c) **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.

**17 BUSINESS COMBINATION**

- (a) In January 2021, the Group entered into an agreement with a third party, Zongshen Industrial Group Co., Ltd. (宗申產業集團有限公司) (“Zongshen Group”), pursuant to which the Group agreed to acquire 100% equity interest in Guangan Zongshen Baotai Automotive Sales and Service Co., Ltd. (廣安市宗申寶泰汽車銷售服務有限公司) (“Guangan Zongshen”). The transaction was completed on 22 January 2021 with a total consideration of RMB60,270,000.

The acquisition had the following effect on the Group’s assets and liabilities:

	<b>Pre-acquisition Carrying amount</b>	<b>Fair value adjustment</b>	<b>Recognised value on acquisition</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Car dealership	—	71,940	71,940
Land use rights	5,611	10,729	16,340
Other net identifiable assets	20,059	3,083	23,142
Deferred tax liabilities	—	(21,438)	(21,438)
	<u>25,670</u>	<u>64,314</u>	<u>89,984</u>
Net identified assets			
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			89,984
Gain on a bargain purchase			(29,714)
			<u>60,270</u>
Total consideration			
Analysis of the net cash flow in respect of the acquisition			
Less: cash acquired			(7,689)
Net cash outflow in acquisition			<u>52,581</u>

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The revenue and profit that Guangan Zongshen contributed to the Group during the period ended 30 June 2021 are RMB134,644,000 and RMB4,442,000, respectively.

- (b) In January 2021, the Group entered into an agreement with a third party, Yueqing Chenyou Technology Development Co., Ltd. (樂清晨友科技發展有限公司) (“Yueqing Chenyou”), pursuant to which the Group agreed to acquire 100% equity interest in Nanjing Tangshan Xiezhong Lexus Automotive Sales and Service Co., Ltd. (南京湯山協眾雷克薩斯汽車銷售服務有限公司) (“Tangshan Lexus”). The transaction was completed on 9 February 2021 with a stated consideration of RMB250,000,000, of which RMB50,000,000 was provisional upon transfer of legal titles of certain land use rights to the Group by the end of June 2021 pursuant to the agreement.

The above provisional consideration was initially presented as a financial liability and measured at its fair value at the acquisition date.

As at 30 June 2021, legal titles of certain land use rights had not been transferred to the Group as agreed, and the Group reached a supplementary agreement with Yueqing Chenyou to extend the fulfilment of such transfer to the end of July 2021. As at 31 July 2021, Yueqing Chenyou did not manage to transfer legal titles of certain land use rights to the Group and consequently the provisional consideration of RMB50,000,000 ceased to be payable. These subsequent developments provided additional information about the facts and circumstances that existed as of the acquisition date and, as such, the finalisation of the purchase consideration has been accounted for as an adjusting measurement period adjustment.

The acquisition had the following effect on the Group's assets and liabilities, after taking into account the measurement period adjustment:

	<b>Pre-acquisition carrying amount</b> <i>RMB'000</i>	<b>Fair value adjustment</b> <i>RMB'000</i>	<b>Recognised value on acquisition</b> <i>RMB'000</i>
Car dealership	—	128,133	128,133
Land use rights	17,629	19,789	37,418
Other net identifiable assets	37,703	1,070	38,773
Deferred tax liabilities	—	(37,248)	(37,248)
	<hr/>	<hr/>	<hr/>
Net identified assets	<u>55,332</u>	<u>111,744</u>	<u>167,076</u>
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			167,076
Goodwill on acquisition			<u>32,924</u>
Total consideration, in cash			<u><u>200,000</u></u>
Analysis of the net cash flow in respect of the acquisition			
Cash consideration paid			200,000
Less: cash acquired			<u>(8,082)</u>
Net cash outflow in acquisition			<u><u>191,918</u></u>

Pre-acquisition carrying amounts were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The revenue and profit that Tangshan Lexus contributed to the Group during the period ended 30 June 2021 are RMB66,470,000 and RMB3,848,000 respectively.

## 18 COMMITMENTS

### Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Contracted for	<u>120,528</u>	<u>200,256</u>

## 19 CONTINGENT LIABILITIES

As at 30 June 2021, one subsidiary of the Group has issued financial guarantees to a non-bank financial institution in respect of financial facilities granted to Dongguan Meidong Automotive Service Co., Ltd. (“Dongguan Meidong”) amounting to RMB80,000,000 (31 December 2020: RMB80,000,000). As at 30 June 2021, the financial facility utilised by Dongguan Meidong amounted to nil (31 December 2020: Nil).

As at 30 June 2021, one subsidiary of the Group issued financial guarantee to a bank in respect of financial facilities granted to Dongguan Meidong amounting to RMB50,000,000 (31 December 2020: RMB50,000,000) and the financial facilities utilised by Dongguan Meidong amounted to nil as at 30 June 2021 (31 December 2020: Nil).

As at 30 June 2021, the directors do not consider it probable that a claim will be made under the above guarantee.

## 20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

### (a) Interim dividend

After the end of the reporting period, the directors declared an interim dividend. Further details are disclosed in note 16(a).

### (b) Business Combination

- (1) Pursuant to an equity transfer agreement signed with a third-party on 7 May 2021 and a supplementary agreement on 25 June 2021, Dongguan Meixin Business Consulting Co., Ltd., a wholly owned subsidiary of the Group, acquired 100% equity interest in Dongguan Jielin Property Investment Co., Ltd. (東莞市捷麟物業投資顧問有限公司) (“Dongguan Jielin”). The transaction was completed in July 2021 with a total cash consideration of RMB317.5 million.

The acquisition 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 combination at their respective fair values has not been completed.

- (2) Pursuant to an equity transfer agreement signed with a third party, namely Yueqing Youxu Industrial Development Co., Ltd. (樂清友旭實業發展有限公司) (“Yueqing Youxu”) on 12 August 2021, Dongguan Meixin Business Consulting Co., Ltd., a wholly owned subsidiary of the Group, acquired 100% equity interest in Nanjing Xiezhong Lexus Automobile Sales and Services Co., Ltd. (南京協眾雷克薩斯汽車銷售服務有限公司) (“Nanjing Xiezhong Lexus”). The transaction was completed in August 2021 with a total cash consideration of RMB420 million.

The acquisition 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 combination at their respective fair values has not been completed.

## 21 ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Group adjusted the goodwill and provisional contingent consideration recognised at the acquisition date arising from the business combination of Tangshan Lexus. Further details are disclosed in note 17.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, China's economy continued to recover from the impact of the COVID-19, and the passenger vehicle market continued its growth momentum in the second half of 2020, with sales volume exceeding 10 million units and sales volume of premium brands vehicles reaching a record high even under the unfavorable factors such as the shortage of chips and the rising prices of raw materials. According to the statistical analysis of the China Association of Automobile Manufacturers, China's overall passenger vehicles sales in the first six months of 2021 increased by 27.0% year over year (yoy) to 10.007 million units, among which the sales of basic passenger cars (sedans) increased by 26.2% yoy to 4.643 million units, and sports utility vehicles (SUVs) increased by 28.6% yoy to 4.731 million units. In the first half of 2021, the premium brand car market continued to lead the growth of the overall market. In the first half of 2021, the sales volume of premium brand cars in China reached nearly 1.658 million units, representing an increase of 41.5% yoy, which was approximately 14.5 percentage points higher than the overall automobile market. In addition, according to the statistics of the China Passenger Car Association, during the Period, the overall market share of the mainstream premium brands car increased by 1.1 percentage points to 14.8% compared to the same period last year. Overall, China's passenger vehicle market has shown strong growth and the penetration rate of premium brand cars continued to increase steadily.

### Business and Financial Review

During the Reporting Period, the Group still maintained its growth and high operational efficiency despite the uncertain operating environment. The Group recorded satisfactory growth across revenue, profit and operating cash flow, demonstrating a stable performance in its balance sheet during the Period. Its inventory turnover days also hit a new historic low at eight days. In addition to the growth from new stores, the Group successfully acquired one BMW store in Guangan, Sichuan and one Lexus store in Nanjing, Jiangsu consistent with its stated merger and acquisition strategy during the Period. The Group will actively identify other attractive potential merger and acquisition opportunities as planned.

### Revenue for the Period

The Group recorded a revenue of approximately RMB11,808.1 million, representing an increase of approximately 39.8% yoy (first half of 2020: approximately RMB8,447.9 million). Revenue from new passenger vehicles sales increased by approximately 40.8% yoy to approximately RMB10,544.1 million (first half of 2020: approximately RMB7,487.9 million), accounting for approximately 89.3% (first half of 2020: approximately 88.6%) of total revenue, while revenue from after-sales services increased by approximately 31.7% yoy to approximately RMB1,264.0 million (first half of 2020: approximately RMB959.9 million). Such growth was mainly due to the increase in sales and grow in gross profit of premium brand cars.



## **Cost of Sales**

Cost of sales increased by 38.1% yoy from approximately RMB7,628.7 million for the first half of 2020 to approximately RMB10,534.5 million for the Period. The increase in cost of sales was mainly attributable to the growth of the two major businesses of the Group, being new passenger vehicles sales and after-sales services. The cost of sales of new passenger vehicles and after-sales services grew by approximately 38.3% and 34.6%, respectively.

## **Gross Profit**

During the Period, the Group's gross profit increased by approximately 55.5% yoy from approximately RMB819.1 million for the first half of 2020 to approximately RMB1,273.6 million, driven by the strong momentum in the premium brand car market. The overall gross profit margin had shown an increase of 1.1 percentage points to approximately 10.8%, which the gross profit margin of new vehicles sales increased by 1.7 percentage points to approximately 6.6% (first half of 2020: approximately 4.9%) and that of after-sales services slightly decreased by 1.2 percentage points from approximately 47.0% for the first half of 2020 to approximately 45.8%.

## **Costs and Expenses**

During the Period, the Group continued to steadily enhance its operational efficiency. Administrative expenses amounted to approximately RMB277.8 million, accounting for approximately 2.4% of total revenue, representing a decrease of 0.2 percentage point as compared to the approximately 2.6% for the same period of last year. Distribution costs amounted to approximately RMB347.7 million, accounting for approximately 2.9% of total revenue, representing a slight increase of 0.1 percentage point as compared to that of approximately 2.8% for the same period of last year. Meanwhile, finance costs amounted to approximately RMB64.6 million, decreasing by 0.2 percentage point from approximately 0.7% for the same period of last year to approximately 0.5% as a percentage of total revenue.

## **Taxation**

For the six months ended 30 June 2021, the Group's income tax expenses amounted to approximately RMB178.2 million, representing an increase of approximately 72.2% as compared to approximately RMB103.5 million for the same period of last year. The increase in income tax expenses was mainly due to the increase in profit before tax.

## **Profit for the Period and Profit attributable to Shareholders**

Leveraging on its extensive management experience and efficient inventory management, the Group was able to maintain a high operational efficiency amidst the changing environment of the overall automobile market. Coupled with effective cost control initiatives, the profit for the Period increased by approximately 79.4% to approximately RMB551.0 million (first half of 2020: approximately RMB307.2 million). The profit margin for the Period increased by 1.1 percentage point from approximately 3.6% for the first half of 2020 to approximately 4.7%. The profit attributable to shareholders for the Period increased from approximately RMB300.8 million for the same period of last year to approximately RMB536.5 million during the Period, while the net profit margin increased by 0.9 percentage points to approximately 4.5% (first half of 2020: approximately 3.6%).

## **Dividend**

The board of the Company (the “Board”) recommended an interim dividend of RMB0.1293 per ordinary share for the six months ended 30 June 2021 (first half of 2020: RMB0.1451 per ordinary share), with the payout ratio reaching approximately 30.0% (first half of 2020: payout ratio approximately 60%).

## **A Joint Venture**

For the six months ended 30 June 2021, share of profit of a joint venture amounted to approximately RMB23.1 million, representing an increase of approximately 22.1% as compared to the share of profit of a joint venture of approximately RMB18.9 million for the same period of last year.

## **New Passenger Vehicles Sales**

During the Period, with the improved sales efficiency and the strong sales momentum of premium brand cars, the revenue of new passenger vehicles sales amounted to approximately RMB10,544.1 million (first half of 2020: approximately RMB7,487.9 million), representing an increase of approximately 40.8% as compared to the same period of last year. Premium brand cars remained as the major revenue source of the Group, accounting for 87.3% of total new passenger vehicles sales. BMW, Porsche, Lexus and Audi recorded sales of approximately RMB4,843.4 million, RMB2,090.4 million, RMB2,202.6 million and RMB75.0 million respectively, accounting for approximately 45.9%, 19.8%, 20.9% and 0.7% of new passenger vehicles sales, respectively. In terms of sales volume, the Group sold 32,221 new passenger vehicles in total, representing an increase of 36.0% yoy in sales volume. BMW, Porsche, Lexus and Audi recorded sales volume of 13,996 units, 2,535 units, 6,193 units and 263 units, respectively.

## After-Sales Services

During the Period, the expansion of after-sales service base was driven by new stores and same store growth. After-sales services maintained steady growth. Revenue was approximately RMB1,264.0 million, representing an increase of approximately 31.7% as compared to the same period of last year (first half of 2020: approximately RMB959.9 million), and the total number of vehicles served was 303,446, representing an increase of approximately 33.2% yoy. Gross profit from after-sales services increased by approximately 28.3% yoy.

## Current Network

The Group continued to implement its highly effective premium brand focus and expanded its distribution network through new stores and mergers and acquisitions in line with its “Single City Single Store” strategy. In the first half of 2021, the Group opened 1 new store and acquired 2 new stores. As of 30 June 2021, the Group had 66 self-operated stores in provinces and cities such as Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu and Anhui including a joint venture operated by the Group.

As at 30 June 2021, the number of stores operated by the Group is as follows:

<b>Number of stores under operation</b>	<b>First half of 2021</b>	<b>First half of 2020</b>	<b>Change</b>
Porsche	8	7	+1
BMW	27	24	+3
Lexus	17	15	+2
Toyota	12	12	0
Hyundai	1	1	0
Audi	1	1	0
Total	<u>66</u>	<u>60</u>	<u>+6</u>

## Liquidity, Financial Resources and Position

As at 30 June 2021, total equity of the Group amounted to approximately RMB3,609.1 million (31 December 2020: approximately RMB3,344.6 million), the current asset amounted to approximately RMB5,085.9 million (31 December 2020: approximately RMB5,109.6 million), and the current liabilities amounted to approximately 3,064.5 million (31 December 2020: approximately RMB3,060.6 million).

As at 30 June 2021, the Group's loans and borrowings amounted to approximately RMB833.1 million, representing a decrease of approximately 12.4% as compared to RMB951.4 million as at 31 December 2020, comprising short-term loans and borrowings of approximately RMB575.5 million and long-term loans and borrowings of approximately RMB257.6 million. The Group maintained a net cash position.

As at 30 June 2021, cash and cash equivalents and pledged bank deposits amounted to approximately RMB3,316.6 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 capital 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 to be low and will have no material adverse effect on its normal operations. For the six months ended 30 June 2021, the Group did not employ in any significant financial instruments such as forward foreign exchange contracts, nor did it employ any major financial instruments for foreign exchange hedging purposes. The management of the Company will closely monitor foreign exchange risks and will consider measures to hedge major foreign exchange risks when necessary.

The operating and capital expenditure of the Group is funded by cash flow from business and internal liquidity and supported by 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 30 June 2021, one subsidiary of the Group issued financial guarantees to financial institutions in respect of financial facilities granted to a related party of the Group amounting to approximately RMB130.0 million (31 December 2020: approximately RMB130.0 million). The financial facilities utilised by the related party amounted to RMB0.0 million (31 December 2020: RMB0.0 million).

As at 30 June 2021, the Directors do not consider it probable that a claim will be made pursuant to the above guarantee.

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

For the six months ended 30 June 2021, the Group had no other significant investments, material acquisitions and disposals.

## **Pledged Assets of the Group**

As at 30 June 2021, the Group used property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and pledged bank deposits in an aggregate amount of approximately RMB288.5 million (31 December 2020: approximately RMB434.8 million) as collateral for certain loans and borrowings.

## **Prospects**

In the future, the Group will continue to improve its operational efficiency, optimize its revenue structure and strictly manage its assets and liabilities as well as cash flow through efficient data management, so as to grasp the overall market development opportunities. The Group will also continue to adopt a prudent management approach to gradually implement the merger and acquisition strategy based on factors such as (1) familiar brands, (2) reasonable valuation, and (3) appropriate locations, so as to further expand its business scope, maintain sustainable growth and deliver solid returns to investors.

## **IMPORTANT EVENTS AFTER THE PERIOD**

Save as disclosed in the section headed “Significant Events” in this announcement below, or in notes 20 and 21 to the unaudited interim financial report of the Company, no important events affecting the Group has occurred since the end of the Period.

## **OTHER INFORMATION**

### **ISSUE OF BONDS AND WARRANTS**

There is no issue of bonds or warrants in the Period.

### **ALLOTMENT OF SHARES**

Save as the allotment of a total of 537,500 shares as a result of the exercise of share options granted under the Share Option Scheme of the Company, there is no issue or placing of shares in the Period.

### **NON-COMPETITION UNDERTAKING**

Each of the controlling shareholders of the Company (the “Controlling Shareholders”) has provided to 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 six months ended 30 June 2021. The independent non-executive directors of the Company have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

## **STAFF TRAINING AND DEVELOPMENT**

As at 30 June 2021, the Group had a total of 5,564 employees (31 December 2020: 5,085), the majority of whom are based in the PRC. The total staff costs of the Group for the Period amounted to approximately RMB439.2 million (for the six months ended 30 June 2020: approximately RMB327.1 million). In addition to offering competitive remuneration packages to employee, discretionary bonuses and share options which may be granted to eligible employees based on individual performance, the Group advocates simple, direct and data-oriented corporate culture, which has become one of key elements of attracting talents. The management team of the Group values satisfaction of employees, strives for creating a better working environment and career paths for employees.

## **STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT**

As disclosed in the prospectus of the Company dated 22 November 2013 (the “Prospectus”), the Company will provide timely updates on the status of rectifications for properties with title defects with respect to owned and leased properties.

The Group has no status update on the property title defect for the six months ended 30 June 2021.

The Group will promptly announce the progress of the relevant matters in accordance with relevant regulations.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2021.

## USE OF NET PROCEEDS

On 3 June 2020, the Company, Apex Sail Limited (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 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 at HK\$15.84 (same as the Placing Price) (“Placing and Subscription”).

The net proceeds (after deducting all applicable costs and expenses, including commission and levies) from the Subscription amount to approximately HK\$1,262 million.

Set out below is the details of the use of net proceeds from the Placing and Subscription during the Period:

Use of proceeds	Planned allocation of net proceeds (HKD million)		Net proceeds not yet utilised as of the end of the Period (HKD million)	Expected timeline for utilizing the remaining balance of net proceeds <sup>(1)</sup>
Opportunistic mergers and acquisitions purpose	883.4	(70% of the net proceeds)	883.4	In one to 1.5 year.
General working capital of the Group	378.6	(30% of the net proceeds)	378.6	In one to 1.5 year.
Total	<u>1,262</u>		<u>1,262</u>	

*Note (1):* The net proceeds has not yet been utilised during the Period. The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

During the Period, the proceeds are proposed to be used according to the intentions previously disclosed by the Company in announcements of the Company dated 3 June 2020 and 10 June 2020. Please also refer to the announcements for further details.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers 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 six months ended 30 June 2021.

## **SIGNIFICANT EVENTS**

### **Acquisition of Nanjing Xiezhong Lexus Automobile Sales and Services Co., Ltd.**

On 12 August 2021, Dongguan Meixin (an indirect wholly-owned subsidiary of the Company) entered into a conditional equity transfer agreement with Yueqing Youxu Industrial Development Co., Ltd. (樂清友旭實業發展有限公司) and Nanjing Xiezhong Lexus Automobile Sales and Services Co., Ltd. (南京協眾雷克薩斯汽車銷售服務有限公司) (“Nanjing Xiezhong Lexus”), pursuant to which Dongguan Meixin conditionally agreed to acquire 100% equity interests in Nanjing Xiezhong for a total cash consideration of RMB420 million. The acquisition was later completed in August 2021. Upon completion, Nanjing Xiezhong became an indirect wholly-owned subsidiary of the Company and accordingly, the assets, liabilities and its financial results are consolidated into the consolidated financial statements of the Group.

For further details, please refer to the announcement of the Company dated 12 August 2021.



## **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.

An Audit Committee meeting was held on 30 August 2021 and the Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2021. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2021 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 HKICPA.

## **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board resolved to declare an interim dividend of RMB0.1293 per ordinary share for the six months ended 30 June 2021 (2020: RMB0.1451 per ordinary share). The interim dividend will be paid in cash. Based on the number of shares in issue as at the date of this announcement, a total amount of dividend of approximately RMB161.0 million will be distributed.

The interim dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 10 September 2021. The register of members of the Company will be closed from Thursday, 9 September 2021 to Friday, 10 September 2021 (both days inclusive), during such period no share transfer will be registered. To qualify for the interim dividend, all transfer of shares 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, no later than 4:30 p.m. on Wednesday, 8 September 2021. The interim dividend will be payable on or about Thursday, 28 October 2021.

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.meidongauto.com](http://www.meidongauto.com) in due course.

## **APPRECIATION**

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

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

Hong Kong, 30 August 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