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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)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL SUMMARY

- Revenue for the Year amounted to RMB22,154.0 million.
- Gross profit for the Year amounted to RMB1,561.0 million with gross margin of 7.0%.
- During the Year, the Group recognized a non-cash impairment of goodwill and intangible assets-car dealership of RMB2,911.0 million in total.
- During the Year, the Group recognized a non-cash amortized cost of RMB153.5 million in respect of the acquisition of Starchase, and an amortized interest cost on convertible bonds of RMB90.8 million.
- Loss for the Year was RMB2,258.8 million.
- Proposed final dividend of RMB0.0445 per ordinary share.

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China MeiDong Auto Holdings Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2024 (the “**Year**”) (together with the comparative figures of 2023).

The audited consolidated results of the Group for the Year together with the comparative figures of 2023 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

(Expressed in RMB'000)

	Note	2024	2023
Revenue	2	22,153,952	28,554,553
Cost of sales		<u>(20,592,921)</u>	<u>(26,476,606)</u>
Gross profit		1,561,031	2,077,947
Other revenue and other net income	3	183,982	249,100
Distribution costs		(584,698)	(763,604)
Administrative expenses		(662,047)	(846,707)
Impairment losses on goodwill and intangible assets	4(c)	<u>(2,910,952)</u>	<u>(61,556)</u>
(Loss)/profit from operations		(2,412,684)	655,180
Finance costs	4(a)	(239,325)	(291,162)
Share of profits of a joint venture		<u>17,492</u>	<u>20,456</u>
(Loss)/profit before taxation	4	(2,634,517)	384,474
Income tax	5(a)	<u>375,685</u>	<u>(228,694)</u>
(Loss)/profit for the year		(2,258,832)	155,780
Other comprehensive income for the year (after tax):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		(6,888)	20,524
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>9,151</u>	<u>(10,409)</u>
Other comprehensive income for the year		<u>2,263</u>	<u>10,115</u>
(Loss)/profit and total comprehensive income for the year		<u>(2,256,569)</u>	<u>165,895</u>

	<i>Note</i>	2024	2023
(Loss)/profit attributable to:			
Equity shareholders of the Company		(2,264,060)	140,203
Non-controlling interests		<u>5,228</u>	<u>15,577</u>
(Loss)/profit for the year		<u>(2,258,832)</u>	<u>155,780</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		(2,261,797)	150,318
Non-controlling interests		<u>5,228</u>	<u>15,577</u>
Total comprehensive income for the year		<u>(2,256,569)</u>	<u>165,895</u>
(Loss)/earnings per share			
Basic (<i>RMB cents</i>)	<i>6(a)</i>	(168.18)	10.44
Diluted (<i>RMB cents</i>)	<i>6(b)</i>	<u>(168.18)</u>	<u>10.41</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

(Expressed in RMB'000)

	<i>Note</i>	31 December 2024	31 December 2023
Non-current assets			
Property, plant and equipment	7	1,431,364	1,708,135
Right-of-use assets	8	1,545,998	1,660,705
Intangible assets	9	1,129,773	3,276,866
Goodwill	10	17,527	960,993
Interest in a joint venture		32,803	36,319
Other non-current assets		74,650	71,323
Deferred tax assets		<u>136,133</u>	<u>133,392</u>
		<u>4,368,248</u>	<u>7,847,733</u>
Current assets			
Inventories	11	760,711	960,042
Trade and other receivables	12	1,587,709	1,517,512
Pledged bank deposits		2,108,108	971,543
Fixed deposits with more than three months to maturity when placed		12,000	561,905
Cash and cash equivalents		<u>2,644,539</u>	<u>2,361,671</u>
		<u>7,113,067</u>	<u>6,372,673</u>
Current liabilities			
Loans and borrowings		709,785	1,244,939
Trade and other payables	13	4,056,458	2,907,049
Lease liabilities		169,916	170,396
Convertible bonds	14	1,759,170	–
Income tax payables	5(c)	<u>93,065</u>	<u>124,990</u>
		<u>6,788,394</u>	<u>4,447,374</u>
Net current assets		<u>324,673</u>	<u>1,925,299</u>
Total assets less current liabilities		<u>4,692,921</u>	<u>9,773,032</u>

	<i>Note</i>	31 December 2024	31 December 2023
Non-current liabilities			
Loans and borrowings		291,700	199,500
Lease liabilities		1,150,533	1,213,218
Convertible bonds	<i>14</i>	–	2,206,781
Deferred tax liabilities		293,905	867,393
		<u>1,736,138</u>	<u>4,486,892</u>
NET ASSETS		<u>2,956,783</u>	<u>5,286,140</u>
EQUITY			
Share capital	<i>15(b)</i>	107,888	107,888
Reserves		2,726,413	5,044,367
Total equity attributable to equity shareholders of the Company		2,834,301	5,152,255
Non-controlling interests		122,482	133,885
TOTAL EQUITY		<u>2,956,783</u>	<u>5,286,140</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

(Expressed in RMB'000)

	Note	2024	2023
Operating activities:			
Cash generated from operations		1,097,124	1,034,779
Income tax paid	5(c)	<u>(232,469)</u>	<u>(217,992)</u>
Net cash generated from operating activities		<u>864,655</u>	<u>816,787</u>
Investing activities:			
Payment for the purchase of property, plant and equipment		(110,911)	(347,730)
Proceeds from disposal of property, plant and equipment		138,633	244,262
Decrease in fixed deposits with more than three months to maturity when placed		549,905	150,791
Dividends received from a joint venture		21,008	23,122
Interest received		<u>131,839</u>	<u>86,356</u>
Net cash generated from investing activities		<u>730,474</u>	<u>156,801</u>

	<i>Note</i>	2024	2023
Financing activities:			
Capital element of lease rentals paid		(80,134)	(77,950)
Interest element of lease rentals paid		(78,533)	(82,972)
Proceeds from loans and borrowings		7,603,056	13,789,609
Repayment of loans and borrowings		(8,045,561)	(14,251,901)
Decrease/(Increase) in pledged bank deposits		5,801	(10,243)
Dividends declared and paid to equity shareholders	<i>15(a)</i>	(44,426)	(169,223)
Dividends paid to non-controlling interests	<i>15(a)</i>	(16,631)	(42,896)
Proceeds from exercise of share options		–	5,469
Repurchase of convertible bonds	<i>14</i>	(585,968)	(194,253)
Interest paid		(70,518)	(98,809)
Changes in interests in subsidiaries without change in control		–	9,000
Proceeds from issuance of new shares, net of issuance expense		–	871,191
Capital injection by non-controlling interests		–	2,450
Others		731	235
		<hr/>	<hr/>
Net cash used in financing activities		(1,312,183)	(250,293)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		282,946	723,295
Cash and cash equivalents at 1 January		2,361,671	1,635,625
Effect of foreign exchange rate changes		(78)	2,751
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		2,644,539	2,361,671
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

(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**”), and the disclosure requirements 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**”). Material 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 2024 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 Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

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

Except for the amendment to HKAS 7, 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. Impacts of the adoption of the amended HKFRSs are discussed below:

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

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

2 REVENUE AND SEGMENT REPORTING

(a) **Revenue**

Disaggregation of revenue

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

	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of passenger vehicles	17,726,326	24,421,186
– After-sales and mortgage facilitation services	4,427,626	4,133,367
	<u>22,153,952</u>	<u>28,554,553</u>

All revenue was recognised at a point in time.

(b) **Segment reporting**

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

(i) **Information about geographical area**

All of the Group's revenue is derived from the sales of passenger vehicles and provision of after-sales and mortgage facilitation 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 INCOME

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Other revenue		
Insurance commission	72,282	72,671
Interest income	103,965	108,618
Management service income	3,604	4,185
	<u>179,851</u>	<u>185,474</u>
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Other net income		
Net (loss)/gain on disposal of property, plant and equipment	(10,213)	25,254
Net foreign exchange loss	(21,594)	(1,812)
Government subsidy	3,040	8,084
Penalty income	5,397	11,850
Gain on repurchase of convertible bonds	11,227	11,480
Others	16,274	8,770
	<u>4,131</u>	<u>63,626</u>
	<u>183,982</u>	<u>249,100</u>

4 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	<i>Note</i>	2024 RMB'000	2023 RMB'000
(a) Finance costs:			
Interest on			
– loans and borrowings		57,223	82,343
– convertible bonds		90,834	108,741
– lease liabilities		78,533	82,972
		<hr/>	<hr/>
Total interest expense		226,590	274,056
Other finance cost	<i>(i)</i>	12,735	17,106
		<hr/>	<hr/>
		239,325	291,162
		<hr/> <hr/>	<hr/> <hr/>
(b) Staff costs:			
Salaries, wages and other benefits		670,054	814,539
Equity settled share-based payment expenses	<i>(ii)</i>	5,892	14,515
Contributions to defined contribution retirement plans	<i>(iii)</i>	35,138	40,887
		<hr/>	<hr/>
		711,084	869,941
		<hr/> <hr/>	<hr/> <hr/>

(i) It represents the interest expenses borne by the Group arising from discounting of bills issued to automobile manufacturers.

(ii) The Group recognised an expense of RMB5,892,000 for the year ended 31 December 2024 (2023: RMB14,515,000) in relation to share options granted to certain employees of the Group pursuant to a share option scheme.

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

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

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

(c) **Other items:**

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of inventories	20,330,016	26,255,858
Write-down of inventories	42,057	13,694
Depreciation		
– owned property, plant and equipment	228,943	250,676
– right-of-use assets	146,142	144,298
Impairment losses		
– goodwill (<i>note 10</i>)	943,466	43,519
– intangible assets (<i>note 9</i>)	1,967,486	18,037
Amortisation of intangible assets	179,607	182,197
Short-term lease expenses	3,251	6,852
Net foreign exchange loss	21,594	1,812
Auditors' remuneration	6,150	6,300
Losses on legal dispute cases	3,860	58,996
	<u>3,860</u>	<u>58,996</u>

5 **INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax:		
Provision for PRC income tax for the year	200,544	241,231
Deferred tax:		
Origination of temporary differences	<u>(576,229)</u>	<u>(12,537)</u>
	<u>(375,685)</u>	<u>228,694</u>

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
(Loss)/profit before taxation	<u>(2,634,517)</u>	<u>384,474</u>
Notional tax on (loss)/profit before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	(646,520)	110,156
Tax effect of non-deductible expenses	246,851	34,230
Tax effect of non-taxable income on share of profits of a joint venture	(4,373)	(5,114)
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	21,538	8,959
Effect of PRC dividend withholding tax (ii)	<u>6,819</u>	<u>80,463</u>
Actual tax expense	<u>(375,685)</u>	<u>228,694</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%. One subsidiary of the Group enjoyed preferential Corporate Income Tax rates which was lower than 25% as it operated in designated areas with preferential CIT policies in the PRC.

- (ii) Since the Company obtained certificate of resident status and became a resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". Under such arrangement, dividend distributions out of earnings of PRC enterprises imposed a withholding tax at 5% during the years ended 31 December 2023 and 2024.

The Group distributed dividend out of earnings of PRC subsidiaries of RMB853.0 million during the year ended 31 December 2024 which realized corresponding deferred tax liabilities of RMB42.6 million.

The Group recognised PRC dividend withholding tax of RMB6.8 million related to additional dividend distributed out of earnings of PRC subsidiaries of RMB36.4 million during the year ended 31 December 2024 and the estimated dividend distribution out of earnings of PRC subsidiaries of RMB100.0 million in the foreseeable future based on management's best estimation as at 31 December 2024.

As at 31 December 2023, the Group recognised PRC dividend withholding tax of RMB80.5 million related to dividend distributed out of earnings of PRC subsidiaries of RMB756.3 million during the year ended 31 December 2023 and the estimated dividend distribution out of earnings of PRC subsidiaries of RMB853.0 million in the foreseeable future based on management's best estimation.

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
At the beginning of the year	124,990	101,751
Provision for current income tax for the year	200,544	241,231
Payment during the year	<u>(232,469)</u>	<u>(217,992)</u>
At the end of the year	<u>93,065</u>	<u>124,990</u>

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB2,264,060,000 (2023 profit: RMB140,203,000) and the weighted average of 1,346,247,000 ordinary shares in issue (2023: 1,342,764,000 shares) during the year ended 31 December 2024.

Weighted average number of ordinary shares

	2024	2023
Issued ordinary shares at 1 January	1,346,247,000	1,276,572,000
Effect of exercise of share options	–	1,196,000
Effect of placement of new shares	–	64,833,000
Effect of conversion of convertible bonds	–	163,000
	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,346,247,000</u></u>	<u><u>1,342,764,000</u></u>

(b) Diluted (loss)/earnings per share

For the year ended 31 December 2024, the effect of share options issued under employee share option scheme and the Group's outstanding convertible bonds were not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Therefore, diluted loss per share is equal to basic loss per share for the year ended 31 December 2024.

For the year ended 31 December 2023, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB140,203,000 and the weighted average of 1,346,497,000 ordinary shares after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the period ended 31 December 2023.

Weighted average number of shares (diluted)

	2023
Weighted average number of ordinary shares for the year ended 31 December	1,342,764,000
Effect of deemed issue of shares under the employee share option scheme	<u>3,733,000</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,346,497,000</u></u>

The computation of diluted earnings per share for the year ended 31 December 2023 does not assume the conversion of the Group's convertible bonds since its exercise had anti-dilutive effect.

7 **PROPERTY, PLANT AND EQUIPMENT**

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Passenger vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2023	1,033,808	611,183	294,069	358,732	177,891	5,893	2,481,576
Additions	–	5,536	12,241	299,503	9,840	7,653	334,773
Transfer	–	8,554	1,549	–	389	(10,492)	–
Disposals	(527)	(9,135)	(3,223)	(288,239)	(6,651)	–	(307,775)
At 31 December 2023	<u>1,033,281</u>	<u>616,138</u>	<u>304,636</u>	<u>369,996</u>	<u>181,469</u>	<u>3,054</u>	<u>2,508,574</u>
At 1 January 2024	1,033,281	616,138	304,636	369,996	181,469	3,054	2,508,574
Additions	–	42	2,877	96,482	1,475	142	101,018
Transfer	–	176	–	–	–	(176)	–
Disposals	(8,375)	(20,149)	(6,343)	(177,221)	(6,483)	–	(218,571)
At 31 December 2024	<u>1,024,906</u>	<u>596,207</u>	<u>301,170</u>	<u>289,257</u>	<u>176,461</u>	<u>3,020</u>	<u>2,391,021</u>
Accumulated depreciation:							
At 1 January 2023	181,199	169,244	115,850	72,271	99,966	–	638,530
Charge for the year	72,182	45,018	30,246	77,496	25,734	–	250,676
Written back on disposals	(211)	(4,536)	(1,851)	(77,142)	(5,027)	–	(88,767)
At 31 December 2023	<u>253,170</u>	<u>209,726</u>	<u>144,245</u>	<u>72,625</u>	<u>120,673</u>	<u>–</u>	<u>800,439</u>
At 1 January 2024	253,170	209,726	144,245	72,625	120,673	–	800,439
Charge for the year	65,512	53,688	29,629	61,022	19,092	–	228,943
Written back on disposals	(5,658)	(9,208)	(3,220)	(46,840)	(4,799)	–	(69,725)
At 31 December 2024	<u>313,024</u>	<u>254,206</u>	<u>170,654</u>	<u>86,807</u>	<u>134,966</u>	<u>–</u>	<u>959,657</u>
Net book value:							
At 31 December 2024	<u><u>711,882</u></u>	<u><u>342,001</u></u>	<u><u>130,516</u></u>	<u><u>202,450</u></u>	<u><u>41,495</u></u>	<u><u>3,020</u></u>	<u><u>1,431,364</u></u>
At 31 December 2023	<u><u>780,111</u></u>	<u><u>406,412</u></u>	<u><u>160,391</u></u>	<u><u>297,371</u></u>	<u><u>60,796</u></u>	<u><u>3,054</u></u>	<u><u>1,708,135</u></u>

The Group's property, plant and equipment are located in the PRC.

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB410,306,000 as at 31 December 2024 (2023: RMB439,867,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2024.

Property, plant and equipment with net book value of RMB1,692,000 are pledged as security for bank loans as at 31 December 2024 (2023: RMB1,824,000).

8 RIGHT-OF-USE ASSETS

	Land use rights carried at cost (i) <i>RMB'000</i>	Properties and land leased for own use carried at cost (ii) <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At 1 January 2023	514,166	1,664,417	2,178,583
Additions	12,883	15,961	28,844
Derecognition	–	(38,765)	(38,765)
	<u>527,049</u>	<u>1,641,613</u>	<u>2,168,662</u>
At 31 December 2023	527,049	1,641,613	2,168,662
Additions	–	72,394	72,394
Derecognition	–	(55,140)	(55,140)
	<u>527,049</u>	<u>1,658,867</u>	<u>2,185,916</u>
At 31 December 2024	527,049	1,658,867	2,185,916
Accumulated amortisation:			
At 1 January 2023	(29,518)	(363,666)	(393,184)
Charge for the year	(16,269)	(128,029)	(144,298)
Reversal for derecognition	–	29,525	29,525
	<u>(45,787)</u>	<u>(462,170)</u>	<u>(507,957)</u>
At 31 December 2023	(45,787)	(462,170)	(507,957)
Charge for the year	(15,880)	(130,262)	(146,142)
Reversal for derecognition	–	14,181	14,181
	<u>(61,667)</u>	<u>(578,251)</u>	<u>(639,918)</u>
At 31 December 2024	(61,667)	(578,251)	(639,918)
Net book value:			
At 31 December 2024	<u><u>465,382</u></u>	<u><u>1,080,616</u></u>	<u><u>1,545,998</u></u>
At 31 December 2023	<u><u>481,262</u></u>	<u><u>1,179,443</u></u>	<u><u>1,660,705</u></u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	15,880	16,269
Properties and land leased for own use	<u>130,262</u>	<u>128,029</u>
	<u>146,142</u>	<u>144,298</u>
Interest on lease liabilities (<i>note 4(a)</i>)	78,533	82,972
Expense relating to short-term leases (<i>note 4(c)</i>)	3,251	6,852
Gain on derecognition of right-of – use assets	(4,960)	(67)

During the year ended 31 December 2024, the Group entered into a number of new tenancy agreements and therefore recognised of additions to right-of-use assets were RMB72,394,000 (2023: RMB28,844,000).

(i) Land use rights

Land in respect of land use rights are all located in the PRC with a remaining lease period of 20 – 34 years when acquired.

Land use rights with net book value of RMB4,684,000 are pledged as security for bank loans as at 31 December 2024 (2023: RMB4,889,000).

(ii) Properties and land leased for own use

The Group has obtained the right to use other properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 20 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

9 INTANGIBLE ASSETS

The Group

	Car dealership RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2023, 31 December 2023 and 1 January 2024	3,639,037	9,046	3,648,083
Accumulated amortisation:			
At 1 January 2023	(165,222)	(5,761)	(170,983)
Charge for the year	(181,575)	(622)	(182,197)
At 31 December 2023	(346,797)	(6,383)	(353,180)
At 1 January 2024	(346,797)	(6,383)	(353,180)
Charge for the year	(178,984)	(623)	(179,607)
At 31 December 2024	(525,781)	(7,006)	(532,787)
Accumulated impairment losses:			
At 1 January 2023	–	–	–
Provision for the year	(18,037)	–	(18,037)
At 31 December 2023	(18,037)	–	(18,037)
At 1 January 2024	(18,037)	–	(18,037)
Provision for the year	(1,967,486)	–	(1,967,486)
At 31 December 2024	(1,985,523)	–	(1,985,523)
Net book value:			
At 31 December 2024	<u>1,127,733</u>	<u>2,040</u>	<u>1,129,773</u>
At 31 December 2023	<u>3,274,203</u>	<u>2,663</u>	<u>3,276,866</u>

(i) **Intangible assets – car dealership**

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

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

In the second half of 2024, due to the impacts of macroeconomic environment changes and the intense competition in the automobile dealership industry, the selling price and gross profit margin of sales of passenger vehicles decreased continuously, and as a result the operating profits of certain stores of the Group were significantly lower than forecast. In conjunction with the annual impairment test for goodwill, the Group’s management performed an impairment assessment, assisted by an external valuer, to determine the recoverable amounts of those cash generated units (CGUs) with impairment indications on goodwill and intangible assets-car dealerships as at 31 December 2024. Based on the management’s assessment result, the Group recognized an impairment loss of goodwill and intangible assets – car dealership of RMB943,466,000 and RMB1,967,486,000 respectively for those underperforming CGUs in “Impairment losses on goodwill and intangible assets” during the year ended 31 December 2024 (2023: RMB43,519,000 and RMB13,764,000, respectively). Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

The recoverable amounts of these CGUs have been determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 2.0% (2023:2.5%), which is consistent with the forecasts included in industry reports.

Key assumptions used in the value-in-use calculations include: (i) annual revenue growth rates during the forecast period, (ii) gross profit margin, and (iii) discount rate.

In light of the recent developments and the changes in expectations, the Group’s management have adjusted down their estimates for annual revenue growth rate and gross profit margin of those underperforming CGUs for the forecast period.

The key inputs and assumptions used for the year of 2023 and 2024 in the impairment test for those CGUs with impairment indications on goodwill and intangible assets-car dealership are listed as follows:

Inputs	2024		
	2025	2026	2027-2029
Annual revenue growth rate	-3.5%-2.0%	0%-0.3%	0%-0.3%
Gross profit margin	4.2%-11.4%	4.2%-11.4%	4.2%-11.4%

Inputs	2023		
	2024	2025	2026-2028
Annual revenue growth rate	-10.1%-6.1%	1.3%-3.8%	1.1%-3.8%
Gross profit margin	7.2%-15.6%	8.2%-16.6%	9.0%-19.5%

The estimates and assumptions are based on premises that are derived from the latest information available to the management. In particular, they have taken into account the actual financial performance achieved in in the second half of 2024 and the realistic expectations of the future macroeconomic and industry-specific developments given the latest changes to the operating environment.

There have been no changes in the valuation method used compared with those adopted in the year ended 31 December 2023.

The pre-tax discount rates applied to the impairment test were within a range from 13.5% to 15.9% (2023: 17.4% to 18.1%) which reflected current market assessment of the time value of money and the risk specific to these CGUs.

10 GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	<u>1,004,512</u>
Accumulated impairment losses:	
At 1 January 2023	–
Impairment loss	(43,519)
At 31 December 2023	<u>(43,519)</u>
At 1 January 2024	(43,519)
Impairment loss	<u>(943,466)</u>
At 31 December 2024	<u>(986,985)</u>
Carrying amount:	
At 31 December 2024	<u>17,527</u>
At 31 December 2023	<u>960,993</u>

Impairment tests for cash-generating units containing goodwill

The goodwill arose from the acquisition of following business is allocated to the following CGU.

	31 December 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
4S dealerships	17,527	960,993

As at 31 December 2024, management performed an impairment test for goodwill and the recoverable amounts of the respective CGUs have been determined based on the value-in-use calculations and an impairment loss of RMB943,466,000 was recognised during the year (2023: RMB43,519,000) (see note 9).

11 INVENTORIES

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Motor vehicles	610,835	768,366
Others	149,876	191,676
	<u>760,711</u>	<u>960,042</u>

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Carrying amount of inventories sold	20,330,016	26,255,858
Write-down of inventories	42,057	13,694
	<u>42,057</u>	<u>13,694</u>

12 TRADE AND OTHER RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	319,838	276,385
Prepayments	290,147	260,061
Other receivables and deposits	973,122	978,539
	<u>1,583,107</u>	<u>1,514,985</u>
Amounts due from third parties	1,583,107	1,514,985
Amounts due from related parties	4,602	2,527
	<u>1,587,709</u>	<u>1,517,512</u>

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

(i) Other receivables and deposits include rebate receivables with carrying amount of RMB830,176,000 (2023: RMB605,409,000).

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:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	294,078	259,540
1 to 2 months	13,466	13,275
2 to 3 months	10,348	1,241
Over 3 months	1,946	2,329
	<u>319,838</u>	<u>276,385</u>

13 TRADE AND OTHER PAYABLES

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	168,693	194,176
Bills payable – supplier finance arrangement	2,871,092	1,511,704
	<u>3,039,785</u>	<u>1,705,880</u>
Contract liabilities (ii)	721,004	831,076
Payable for legal dispute cases	3,633	40,000
Other payables and accruals	282,957	321,025
	<u>4,047,379</u>	<u>2,897,981</u>
Amounts due to third parties	9,079	9,068
Amounts due to related parties	4,056,458	2,907,049
	<u>4,056,458</u>	<u>2,907,049</u>

(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:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	2,692,099	1,632,154
After 3 months but within 6 months	347,686	73,726
	<u>3,039,785</u>	<u>1,705,880</u>

14 CONVERTIBLE BONDS

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

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

- subject to redemption options pursuant to the terms and conditions of the Convertible Bonds, conversion rights are exercisable at any time from 23 February 2022 to 3 January 2027 (both days inclusive) at the bondholders’ option;
- the bond holders could convert part of or the entire outstanding bond balances at the holder’s option into fully paid ordinary shares of the Company at an initial conversion price of HK\$46.75 per share, subject to the terms and conditions of the Convertible Bonds;
- with effect from 5 August 2022, the conversion price has been adjusted to HK\$45.4881 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcements issued by the Company dated 5 August 2022;
- with effect from 4 August 2023, the conversion price has been adjusted to HK\$44.7582 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcements issued by the Company dated 4 August 2023;
- with effect from 9 August 2024, the conversion price has been adjusted to HK\$44.1764 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcements issued by the Company dated 9 August 2024;
- the number of ordinary shares to be issued on exercise of a conversion right shall be determined by dividing the principal amount of the Convertible Bonds to be converted by the conversion price in effect on the relevant conversion date.

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

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

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

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

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

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

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

	Liability component (At amortised cost) <i>RMB'000</i>	Equity component (Residual amount) <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023	2,274,932	208,515	2,483,447
Interest charge (note 4(a))	108,741	–	108,741
Conversion	(8,740)	(758)	(9,498)
Repurchase	(202,053)	(3,781)	(205,834)
Exchange adjustment	33,901	–	33,901
	<u>2,206,781</u>	<u>203,976</u>	<u>2,410,757</u>
At 31 December 2023			
Interest charge (note 4(a))	90,834	–	90,834
Repurchase (i)	(579,606)	(17,623)	(597,229)
Exchange adjustment	41,161	–	41,161
	<u>1,759,170</u>	<u>186,353</u>	<u>1,945,523</u>
At 31 December 2024 (ii)			

(i) Repurchase of convertible bonds

During the year ended 31 December 2024, an aggregate principal amount of HK\$636,000,000 of Convertible bonds have been repurchased by the Group. The gross consideration paid was HK\$642,030,000 (equivalent to RMB585,968,000), with resulting gain of RMB11,227,000 recognised in other net income.

The aggregate outstanding principal amount of the Convertible Bonds is HK\$1,873 million as of 31 December 2024.

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

As at 31 December 2024, the Convertible Bonds were reclassified from non-current to current liability, as the Group will, at the option of holder of any Convertible Bonds, redeem all or some of such holders' Convertible Bonds on 13 January 2025 at 106.9428 per cent of their principal amount.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2024	2023
	RMB'000	RMB'000
Interim dividend for the year, approved and paid during the year, of RMB nil per ordinary share (2023: RMB0.0087 per ordinary share)	<u>–</u>	<u>11,712</u>
	2024	2023
	RMB'000	RMB'000
Final dividend proposed after the statement of financial position date of RMB0.0445 per ordinary share (2023: RMB0.0330 per ordinary share)	<u>59,908</u>	<u>44,426</u>

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:

	2024	2023
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.0330 per ordinary share (2023: RMB0.1170 per ordinary share)	<u>44,426</u>	<u>157,511</u>

(iii) Other dividends

During the year ended 31 December 2024, subsidiaries of the Group declared and paid dividends of RMB16,631,000 (2023: RMB42,896,000) in cash to non-controlling interests.

(b) **Share capital**

The share capital of the Group as at 31 December 2024 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

			2024		2023	
		Par value	Number of	Nominal value	Number of	Nominal value
	Note	HK\$	shares	of ordinary	shares	of ordinary
			(thousand)	shares	(thousand)	shares
				HK\$'000		HK\$'000
At 31 December	(i)	0.1	<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:

	Note	Number of ordinary shares (thousand)	Nominal value of ordinary shares HK\$('000)
At 1 January 2023		1,276,572	127,658
Issue of ordinary shares upon exercise of share options		1,455	145
Placement of new shares		68,000	6,800
Conversion of convertible bonds	14	220	22
At 31 December 2023, 1 January 2024 and 31 December 2024		<u>1,346,247</u>	<u>134,625</u>
RMB equivalent ('000) at 31 December 2024			<u>107,888</u>
RMB equivalent ('000) at 31 December 2023			<u>107,888</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.

16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) **Proposed final dividend**

After the end of the reporting period, the directors proposed a final dividend in respect of the year ended 31 December 2024. Further details are disclosed in note 15(a).

(b) **Redemption of the Convertible Bonds**

The Group redeemed and cancelled all of the outstanding Convertible Bonds with principal amount of HK\$1,873,000,000 in January 2025.

17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, as macro-economic uncertainties intensified, the domestic consumer market continued to cool down. Coupled with the rapid iteration of new energy vehicle brands and the failure of traditional automakers to adjust production and sales plans in a timely manner, these factors led to a significant shift in the supply-demand dynamics of the passenger vehicle market. According to the data released by China Passenger Car Association (“CPCA”), supported by national trade-in subsidies and local policies to stimulate automobile consumption, the cumulative retail sales of passenger vehicles nationwide reached 22.89 million units throughout the Year, representing a year-on-year increase of 5.5%. In particular, new energy vehicles were the primary driver of market growth, with cumulative sales of 10.9 million units, a year-on-year surge of 40.7%, and a market penetration rate that further climbed to 47.6%. However, due to the luxury car consumer segment being more affected by macroeconomic factors, luxury car sales declined by 7.8% year-on-year to 2.74 million units.

Amid fierce competition from new energy vehicles and traditional fuel vehicle brands striving to maintain market share, both brands and dealerships resorted to price promotions to alleviate cash flow pressures and capture a larger market share. According to CPCA statistics, the average discount rate in the luxury car market reached as high as 20.7% during the Year. These substantial discounts not only severely squeezed dealers’ profit margins but also led to a prolonged price reduction cycle, causing many dealerships to exit the network. The China Automobile Dealers Association predicts that the number of 4S dealerships withdrawing from the network in 2024 will reach 4,000. Consequently, compared to the frequent mergers and profit growth of the past, auto dealerships are now focusing more on cost control, cash flow management and operational efficiency enhancement. Similarly, instead of pursuing network scale as in previous years, automakers are now seeking dealership assets with exceptional sales capabilities.

In terms of business models, some new energy vehicle brands, leveraging advantages in regional reach, sales conversion capabilities and cash turnover speed, have gradually shifted from a purely direct-sales model to a hybrid model combining direct sales and dealership channels. This transition has brought new business opportunities to auto dealerships. Meanwhile, traditional brands need to consider how to ensure dealership profitability to maintain their existing market share. As the market landscape evolves rapidly, how auto dealerships will address the challenges posed by new energy vehicles, emerging brands, transformation of traditional brands and new business models remains to be further explored.

BUSINESS AND FINANCIAL REVIEW

During the Year, amid a persistently challenging operating environment, the Group continued to adhere to its efficient operational strategy, relying on rapid inventory turnover to mitigate business uncertainties. Despite a further decline in gross profit margins for new car sales, the Group maintained a healthy inventory turnover of approximately 13 days, thus accelerating working capital recovery and effectively reducing the risk of larger future losses. For after-sales and mortgage facilitation services, the Group sustained solid revenue and profit growth. Coupled with strict cost management, operating expenses (including distribution costs, administrative expenses, and finance costs) decreased by approximately 21.8% year-on-year. The absorption rate (excluding financial and other operating costs) also rose from 137.8% in the same period last year to 213.3%, laying a solid foundation for future profitability.

As mentioned above, since 2023, the Group has adopted stringent cost control measures, enhanced after-sales and mortgage facilitation services, and relied on efficient operations and automaker strategies to maintain profitable up to the first half of 2024. However, in the second half of 2024, industry competition intensified further, with price wars extending to luxury car brands. Certain luxury car brands offered discounts and extended discount periods far exceeding those of previous years, resulting in continued declines in sales prices and gross margins at certain stores of the Group, particularly those handling luxury brands, in the second half of the Year. This led to weaker performance in the second half compared to the first half of the Year, with the full-year results of certain stores falling significantly below the Group's forecasts. Consequently, at year-end, with the assistance of external valuer, the Group conducted impairment tests on goodwill and dealership rights for stores with goodwill and performance far below expectations. Given the latest industry developments and the ongoing uncertainty in the competitive landscape, marked by persistently low vehicle gross margins and significant promotional activities with no signs of improvement, the Group adjusted key assumptions such as sales revenue growth rates, gross margins and terminal growth rate downward compared to the forecasts at the end of 2023, lowering expectations for future performance. As a result, in the second half of the Year, the Group recognized a non-cash impairment of goodwill and dealership rights of approximately RMB2.76 billion. As disclosed in the Company's 2024 interim report, impairment of goodwill and intangible assets-car dealership rights amounted to approximately RMB104.8 million and RMB46.5 million respectively, in light of the macroeconomic environment, weak spending power domestically, the imbalance between supply and demand of passenger vehicles, and promotion models of automobile dealers in China, was recognized following impairment test with the assistance of the external valuer. The total impairment of goodwill and dealership rights for the Year amounted to approximately RMB2.91 billion, leading to a net loss for the Year. More information is set out in notes 9 and 10 to the consolidated results.

Revenue

The Group recorded a revenue of approximately RMB22,154.0 million (2023: approximately RMB28,554.6 million), representing a year-on-year decrease of approximately 22.4%. In particular, revenue from sales of new passenger vehicles decreased by approximately 27.4% year-on-year to approximately RMB17,726.3 million (2023: approximately RMB24,421.2 million), accounting for approximately 80.0% (2023: approximately 85.5%) of total revenue. Revenue from after-sales and mortgage facilitation services increased by approximately 7.1% year-on-year to approximately RMB4,427.6 million (2023: approximately RMB4,133.4 million), accounting for approximately 20.0% (2023: approximately 14.5%) of total revenue.

Cost of Sales

Cost of sales decreased by approximately 22.2% from approximately RMB26,476.6 million in 2023 to approximately RMB20,592.9 million for the Year. The decrease was mainly due to the year-on-year decrease in revenue from sales of new passenger vehicles, which resulted in a year-on-year decrease of approximately 23.4% in its cost of sales.

Gross Profit

During the Year, gross profit decreased by approximately 24.9% from approximately RMB2,077.9 million in 2023 to approximately RMB1,561.0 million. Overall gross profit margin decreased by 0.3 percentage points to approximately 7.0% (2023: approximately 7.3%). Among which, gross profit margin of sales of new passenger vehicles further decreased by approximately 5.6 percentage points to approximately -6.2% for the Year (2023: approximately -0.6%), as a result of weakened market demand and continued price concessions on offer; whereas gross profit margin of after-sales and mortgage facilitation services increased by approximately 6.4 percentage points to approximately 60.1% for the Year (2023: approximately 53.7%).

Costs and Expenses

During the Year, the Group incurred the following additional relatively major non-operating expenses in relation to the acquisition of seven Porsche stores (through the acquisition of Starchase Motorsports Limited (“**Starchase**”)) completed in 2022 and its associated financing: 1) amortized interest expenses of approximately RMB90.8 million (2023: approximately RMB108.7 million) for the liability portion of the HK\$2,750,000,000 zero-coupon guaranteed convertible bonds issued by Sail Vantage Limited (a wholly-owned subsidiary of the Company) and guaranteed by the Company (the “**Convertible Bonds**”) using effective interest method; and 2) amortized cost for the land use rights and dealerships of approximately RMB153.5 million (2023: approximately RMB153.5 million), which was recorded under administrative expenses. In addition, taking into account the changes in macroeconomic environment in the Year, weak spending power domestically, the imbalance between supply and demand of passenger vehicles, and promotion models of automobile dealers in China, the Company conducted impairment test with the assistance of an external valuer, an impairment of goodwill and dealership rights amounted to approximately RMB2,911.0 million was incurred during the Year (2023: approximately RMB61.5 million).

Overall, the Group maintained efficient cost control with overhead costs largely remained stable during the Year. In particular, distribution costs amounted to approximately RMB584.7 million, accounting for 2.6% of total revenue, representing a slight decrease of 0.1 percentage points as compared to 2.7% for the same period of last year. Administrative expenses amounted to approximately RMB662.0 million, accounting for 3.0% of total revenue, same as last year. Finance costs amounted to approximately RMB239.3 million, accounting for 1.1% of total revenue, representing a slight increase of 0.1 percentage points as compared to 1.0% for the same period of last year. Distribution costs, administrative expenses and finance costs totalled approximately RMB1,486.1 million during the Year, representing a decrease of approximately 21.8% as compared to the same period of last year.

Taxation

During the Year, the Group’s income tax credit amounted to approximately RMB375.7 million, as compared to an expense of approximately RMB228.7 million for the same period of last year. The change was mainly due to the combined effect of reversal of deferred tax liabilities due to impairment of intangible assets, resulting in reversal of deferred tax expense of approximately RMB491.9 million, a significant decrease in withholding tax on dividends generated from the distribution of dividends to foreign controlling company from domestic subsidiaries of approximately RMB73.7 million, and lower profit.

Profit/Loss for the Year

During the Year, due to the price war in the automobile market and macroeconomic factors, demand for luxury brand passenger vehicles remained weak, putting continuous pressure on sales gross margins. Combined with the additional non-cash impairment of goodwill and dealership rights mentioned above, the Group recorded a loss of approximately RMB2,258.8 million for the Year (2023: a profit of approximately RMB155.8 million), and the profit margin for the Year was approximately -10.2%, a decline of approximately 10.7 percentage points compared to approximately 0.5% for the same period of last year.

Dividend

The Board recommended a final dividend of RMB0.0445 per ordinary share of the Company (“Share”) for the year ended 31 December 2024 (2023: RMB0.0330 per Share).

Joint Venture

During the Year, share of profit of a joint venture amounted to approximately RMB17.5 million, representing a decrease of approximately 14.5% as compared to approximately RMB20.5 million for the same period of last year.

New Passenger Vehicles Sales

During the Year, affected by macroeconomic factors, overall consumer spending remained weak. Additionally, the increasing market share of new energy vehicles and the lack of real-time adjustments to the supply-demand balance of traditional vehicles have both contributed to a decline in sales of new luxury brand passenger cars. During the Year, new passenger vehicles sales of the Group amounted to approximately RMB17,726.3 million (2023: approximately RMB24,421.2 million), representing a decrease of approximately 27.4% as compared to the same period of last year. Sales of premium brand vehicles remained the major revenue contributor, accounting for approximately 87.0% of the Group’s new passenger vehicles sales revenue. In particular, the sales of new passenger vehicles of Porsche, BMW, and Lexus amounted to approximately RMB6,833.2 million, RMB5,749.5 million, and RMB2,838.1 million respectively, accounting for approximately 38.5%, 32.4%, and 16.0% of total new passenger vehicles sales. In terms of sales volume, benefiting from the Group’s efficient operations and low inventory strategy, 56,930 units new passenger vehicles were sold during the Year (2023: 66,370 units). Sales volume of Porsche, BMW, and Lexus was 8,707 units, 20,270 units and 10,390 units, respectively.

After-Sales and Mortgage Facilitation Services

During the Year, riding on the Group’s expanding customer base, after-sales and mortgage facilitation services recorded a satisfactory growth despite the ongoing operating challenges. After-sales and mortgage facilitation services revenue reached approximately RMB4,427.6 million, representing an increase of approximately 7.1% as compared to the same period of last year (2023: approximately RMB4,133.4 million). The total number of vehicles served was 745,905 units, representing a decrease of approximately 3.5% year-on-year. Gross profit margin from after-sales and mortgage facilitation services increased by 6.4 percentage points year-on-year to approximately 60.1% (2023: approximately 53.7%).

Current Network

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

For the year, the number of stores operated by the Group (including a joint venture) was as follows:

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

Liquidity, Financial Resources and Position

As at 31 December 2024, the total equity of the Group amounted to approximately RMB2,956.8 million (31 December 2023: approximately RMB5,286.1 million). Current assets amounted to approximately RMB7,113.1 million (31 December 2023: approximately RMB6,372.7 million). The increase in current assets was mainly due to the increase in pledged bank deposits. Current liabilities amounted to approximately RMB6,788.4 million (31 December 2023: approximately RMB4,447.4 million). The increase in current liabilities was mainly due to the reclassification of Convertible Bonds from non-current liabilities to current liabilities. Net current assets amounted to approximately RMB324.7 million (31 December 2023: approximately RMB1,925.3 million). Despite the decrease in net current assets, given that the Group has redeemed all outstanding Convertible Bonds after the Year-end, coupled with the solid cash flows from its operations, including cash flows from its after-sales and mortgage facilitation services, the net current assets level is expected to improve.

As at 31 December 2024, the Group's loans and borrowings amounted to approximately RMB1,001.5 million, representing a decrease of approximately 30.7% as compared to approximately RMB1,444.4 million as of 31 December 2023. Of which, short-term loans and borrowings amounted to approximately RMB709.8 million; and long-term loans and borrowings amounted to approximately RMB291.7 million. The gearing ratio (being the sum of loans and borrowings, Convertible Bonds and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 144.0% as at 31 December 2024 (31 December 2023: approximately 97.7%). Subsequent to the Year-end, the Group redeemed all outstanding principal amount of the Convertible Bonds. See also "Important Events and Other Information - Convertible Bonds issued by Sail Vantage Limited" below in this announcement.

As at 31 December 2024, cash and cash equivalents, fixed deposits with more than three months to maturity when placed, and pledged bank deposits amounted to approximately RMB4,764.6 million in aggregate (31 December 2023: approximately RMB3,895.1 million). Most of the cash and cash equivalents, fixed deposits with more than three months to maturity when placed, and pledged bank deposits were denominated in Renminbi, USD, and Hong Kong dollars. Apart from part of the cash that are denominated in USD and Renminbi in overseas companies, the Group's business operations are principally located in China and a majority of its transactions are denominated in Renminbi. Therefore, the Group expects that foreign exchange risks will have a limited effect on the Group, and are unlikely to have any material adverse effect on its normal operations. During the Year, the Group did not employ any significant financial instruments such as forward foreign exchange contracts, nor did it employ any financial instruments for hedging purposes. The management of the Company will closely monitor foreign exchange risks, and will consider hedging significant foreign exchange risks when necessary or appropriate.

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

Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisition and Disposals

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

Pledged Assets of the Group

As at 31 December 2024, the Group pledged property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and pledged bank deposits of RMB3,053.2 million in aggregate (31 December 2023: approximately RMB1,741.2 million) to secure certain bills payable, loans and borrowings.

PROSPECTS

Looking ahead to 2025, uncertainties surrounding the macro-economy remains, and domestic consumption power may take time to recover. Brand competition in the new energy vehicle sector is expected to intensify further, while luxury brands will also need to seek changes while maintaining market share and optimizing their dealership networks. To address future uncertainties, the Group will continue to maintain efficient turnover and reduce the risk of larger future losses by maintain a low inventory level. Meanwhile, the Group will actively expand its after-sales and mortgage facilitation services by boosting customer foot traffic and conversion rates, in the hope to improve its absorption rate, thus laying the solid foundation for future operations and financial performance.

In response to the rapid development of new energy vehicles in recent years, the Group will continue to explore opportunities in the new energy market using a light-asset and low-risk approach, by selling new energy models from its existing luxury brands and providing corresponding after-sales and mortgage facilitation services. To maintain its agility in the face of the dynamic market, the Group will also adhere to its prudent and cautious approach by keeping sufficient cash on hand and reducing debt burdens, thus yielding a more streamlined and efficient balance sheet that would support the sustainable development of our business.

STAFF TRAINING AND DEVELOPMENT

As at 31 December 2024, the Group had a total of 3,706 employees (31 December 2023: 3,805), with the majority based in the PRC. The total staff costs of the Group for the Year amounted to approximately RMB711.1 million (2023: approximately RMB869.9 million). In addition to offering competitive remuneration packages, discretionary bonuses and equity-based incentive which may be granted to eligible employees based on individual performance, the Group leverages its simple, direct, and data-driven corporate culture to serve as one of its key elements in attracting talents. The management team of the Group values the satisfaction of employees, and strives to create a better working environment and career path for all employees.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company has provided the Company a written confirmation in respect of his/its compliance with the non-compete undertakings dated 13 November 2013 for the Year. The independent non-executive Directors have reviewed the status of compliance of such undertakings, and have confirmed that, as far as they can ascertain, they were not aware of any breach of such non-compete undertakings in the Year.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

As disclosed in the prospectus of the Company dated 22 November 2013, the Company will provide timely updates on the status of rectifications for properties with title defects with respect to owned and leased properties. The Group has no status update on the property title defect for the Year. Progress of the relevant matters will be announced, if required, in accordance with relevant regulations.

USE OF PROCEEDS FROM PLACING AND SUBSCRIPTION

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

Intended use of net proceeds	Percentage of total proceeds of such issue	Unutilised proceeds as at 31 December 2024 <i>(in HK\$ million, approximately)</i>
Business expansion (including strategic investments and acquisitions)	50%	506
Working capital and other general corporate purposes	50%	506
Total	<u>100%</u>	<u>1,012</u>

Note: The Company intends to utilise the proceeds within three years from the date of allotment. The expected timeline for utilising the proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

IMPORTANT EVENTS AND OTHER INFORMATION

Convertible Bonds issued by Sail Vantage Limited

In January 2022, Sail Vantage Limited (“**CB Issuer**”, a wholly-owned subsidiary of the Company) issued the Convertible Bonds to professional investors (as defined in Chapter 37 of the Rules (the “**Listing Rules**”) Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)) with an initial aggregate principal amount of HK\$2,750 million, and guaranteed by the Company. Listing of the Convertible Bonds commenced on the Stock Exchange on 14 January 2022. The closing price of the Shares as quoted on the Stock Exchange on 5 January 2022 (the date on which the initial conversion price was fixed) was HK\$39.35 per Share. The net price based on the net proceeds was approximately HK\$45.72 per Share assuming full conversion at the initial conversion price. All proceeds were utilised prior to the Year.

During the Year, an aggregate principal amount of HK\$636 million of the Convertible Bonds were repurchased by the Company and cancelled (including repurchase of Convertible Bonds with an aggregate principal amount of HK\$84 million in January 2024, and HK\$552 million in June 2024, representing approximately 23.13% of the Convertible Bonds initially issued) in accordance with the terms of the Convertible Bonds, at the aggregate consideration approximately HK\$642 million. Repurchases were executed through over-the-counter market from sellers sourced from the open market in accordance with the terms and conditions of the Convertible Bonds. Such repurchased Convertible Bonds carried rights to convert into 14,209,686 Shares (based on the then prevailing conversion price of HK\$44.7582 per Share. Following the determination of the exchange rate of the final dividend for the year ended 31 December 2023, the conversion price of the Convertible Bonds was adjusted from HK\$44.7582 per Share to HK\$44.1764 per Share, effective from 9 August 2024, pursuant to the terms and conditions of the Convertible Bonds. As of 31 December 2024, an aggregate principal amount of HK\$1,873 million (31 December 2023: HK\$2,509 million) of the Convertible Bonds was outstanding (carrying rights to convert into 42,398,203 Shares based on the then prevailing conversion price of HK\$44.1764 per Share). More information is set out in Note 14 to the consolidated results, and the Company's announcements dated 24 January 2024, 25 June 2024 and 9 August 2024.

Pursuant to the terms and conditions of the Convertible Bonds, the CB Issuer redeemed all outstanding Convertible Bonds with an aggregate principal amount of HK\$1,873 million on 13 January 2025 upon receiving the bondholders' notice to exercise their put option. The redemption was funded by the Group's internal resources and external borrowings. The redeemed Convertible Bonds have been cancelled. There are no outstanding Convertible Bonds in issue, and listing of the Convertible Bonds on the Stock Exchange was withdrawn with effect upon the close of business on 22 January 2025. See also the Company's announcement dated 14 January 2025.

Share option scheme

The prior share option scheme expired in November 2023. On 18 February 2025, the Company announced that it has resolved to propose the adoption of the 2025 Share Option Scheme (the "**2025 Share Option Scheme**"). The purposes of the 2025 Share Option Scheme are to recognise and acknowledge the contributions which the directors and employees of the Group (including persons who are granted options (the "**Options**") under the 2025 Share Option Scheme as an inducement to enter into employment contracts (whether full time or part time) with these companies) have made or may make to the Group. The 2025 Share Option Scheme constitutes a share scheme involving the issue of new Shares under Chapter 17 of the Listing Rules and is accordingly subject to the approval of the shareholders of the Company (the "**Shareholders**") in general meeting. At the extraordinary general meeting (the "**EGM**"), ordinary resolution(s) will be proposed for the Shareholders to consider and, if thought fit, to approve the adoption of the 2025 Share Option Scheme and a mandate (the "**Share Mandate Limit**") for the allotment and issuance of new Shares for the satisfaction of any Options (upon exercise of the subscription rights attaching to such Options) not exceeding the Scheme Mandate Limit. Please refer to the Company's announcement dated 18 February 2025. A circular containing, among other things, the notice of the EGM and details of the 2025 Share Option Scheme will be published in due course.

Change of company secretary and authorised representative

Ms. CHAN Charmayne replaced Mr. WONG Cheung Ki Johnny as the company secretary, an authorised representative under Rule 3.05 of the Listing Rules, an authorized representative for accepting service of process and notice on behalf of the Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the person authorised to accept service of process and notices on the Company's behalf under Rule 19.05(2) of the Listing Rules, with effect from 18 February 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of its listed securities (including treasury shares, as defined under the Listing Rules) during the Year and until the date of this announcement.

As at 31 December 2024, the Company did not hold any treasury shares.

CORPORATE GOVERNANCE

The Company met the applicable code provisions set out in Part 2 of the Corporate Governance Code in Appendix C1 of the Listing Rules in force during the Year. More information of the corporate governance of the Group will be set out in the “Corporate Governance Report” in the 2024 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

The annual results for the Year and this announcement have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated results for the year. Pursuant to the Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagement or Hong Kong Standard on Assurance Engagements issued by the Auditing and Assurance Standards Committee of the Hong Kong, the work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor on this announcement.

ANNUAL GENERAL MEETING AND PUBLICATION OF ANNUAL REPORT

The Company's annual general meeting (the "AGM") is scheduled to be held on Wednesday, 14 May 2025. The 2024 Annual Report and a notice of the AGM setting out details of the resolutions to be proposed and meeting arrangements will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.meidongauto.com in due course.

FINAL DIVIDEND

The Board recommended the payment of a final cash dividend of RMB0.0445 per Share for the Year (2023: RMB0.0330 per Share) to Shareholders whose names are on the register of members of the Company on Friday, 20 June 2025 (the record date for final dividend). The declaration and payment of the final dividend is subject to, among other things, approval by Shareholders at the AGM and applicable requirements under the Cayman Islands company law, the Listing Rules and the Company's articles of association. Subject to the fulfillment of the above conditions, the final dividend will be paid in cash in Hong Kong dollars, calculated based on an exchange rate to be announced by the Company in due course. Based on the number of Shares in issue as at the date of this announcement, the total amount of proposed dividend is approximately RMB59.9 million. It is expected that the cheques for cash dividends will be sent by ordinary mail to Shareholders at their own risk on Wednesday, 27 August 2025.

CLOSURE OF THE REGISTER OF MEMBERS

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

1. From Friday, 9 May 2025 to Wednesday, 14 May 2025 (the record date for eligibility to attend, speak and vote at the AGM) (both days inclusive), during which period no transfer of shares will be registered for the purpose of ascertaining the Shareholders entitled to attend, speak and vote 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 8 May 2025; and

2. From Tuesday, 17 June 2025 to Friday, 20 June 2025 (the record date for final dividend) (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 the above address no later than 4:30 p.m. on Monday, 16 June 2025.

APPRECIATION

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

By Order of the Board
China MeiDong Auto Holdings Limited
YE Fan
Chairman

Hong Kong, 26 March 2025

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. TO Siu Lun

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

The English version of this announcement shall prevail over the Chinese version in case of inconsistency.