



HARMONY AUTO  
和諧汽車

**China Harmony Auto Holding Limited**

**中國和諧汽車控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3836



INTERIM REPORT  
**2023**

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# Corporate Information

## Board of Directors

### Executive Directors

Mr. FENG Changge (*Chairman*)  
Mr. FENG Shaolun (*Deputy Chairman*)  
Mr. LIU Fenglei (*President*)  
Ms. MA Lintao (*Vice President*)  
Mr. CHENG Junqiang (*Vice President*)

### Independent Non-executive Directors

Mr. WANG Nengguang  
Mr. LAU Kwok Fan  
Mr. CHAN Ying Lung  
Mr. SUNG Ka Woon  
(*appointed on June 14, 2023*)

## Audit Committee

Mr. WANG Nengguang (*Chairman*)  
Mr. LAU Kwok Fan  
Mr. CHAN Ying Lung

## Remuneration Committee

Mr. CHAN Ying Lung (*Chairman*)  
Mr. LIU Fenglei  
Mr. LAU Kwok Fan

## Nomination Committee

Mr. FENG Changge (*Chairman*)  
Mr. WANG Nengguang  
Mr. CHAN Ying Lung

## Company Secretary

Ms. WONG Wai Yee, Ella

## Authorized Representatives

Mr. LIU Fenglei  
Ms. WONG Wai Yee, Ella

## Legal Adviser

Haiwen & Partners LLP  
Suites 1101–1104, 11/F  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

## Auditors

ZHONGHUI ANDA CPA Limited  
23/F, Tower 2, Enterprise Square Five  
Kowloon Bay  
Hong Kong

## Principal Banks

Zhongyuan Bank, Zhengzhou Branch  
Shanghai Pudong Development Bank,  
Zhengzhou Branch  
China Everbright Bank, Zhengzhou Branch  
Industrial Bank, Zhengzhou Branch  
Industrial Bank, Hong Kong Branch  
Hang Seng Bank Limited

## Registered Office

Third Floor, Century Yard  
Cricket Square  
P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

# Corporate Information

## **Principal Place of Business and Headquarters in the PRC**

15A, Tower A, World Trade Center Building  
Shangwunehuan Road  
CBD Zhengdong New District  
Zhengzhou, Henan Province  
PRC

## **Principal Place of Business in Hong Kong**

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

## **Cayman Islands Share Registrar and Transfer Office**

Tricor Services (Cayman Islands) Limited  
Third Floor, Century Yard  
Cricket Square  
P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

## **Hong Kong Branch Share Registrar and Transfer Office**

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

## **Company's website**

[www.hexieauto.com](http://www.hexieauto.com)

## **Stock Code**

3836

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

The first half of 2023 was the first full half of the automobile market after the end of the pandemic. The product and sales side of the automobile market were re-launched in full swing. According to the China Passenger Cars Association (“**CPCA**”), the generalized passenger car retail market sales in the first half of 2023 were 9.524 million units, representing a year-on-year increase of 2.7%. The sales volume of the automobile market continued to grow in the first half of 2023, and the overall sales volume of the automobile market has experienced a consecutive month-on-month increase since the launch of the “Price War” in the automobile market in March 2023. In order to ensure the healthy development of the automobile market, the “100-city linkage” and “Vehicles into more than 1,000 counties and more than 10,000 towns” activities to promote automobile market consumption have been launched at the national level. A number of activities will continue until the end of 2023. In June 2023, the automobile market sales also reached an annual high, and the penetration rate of new energy vehicles has also been maintained at over 30% during the first half of 2023 except for January.

In the first half of 2023, the sales of luxury car market in China recorded significant growth. According to the latest data from the CPCA, the cumulative retail sales volume of the domestic luxury car market was approximately 1,414,100 units in the first half of this year, representing a year-on-year increase of 11.8%, and continued to maintain growth since 2020, with a growth rate exceeding the overall market. The sales volume of the three major brands of BMW, Benz and Audi (collectively, “**BBA**”) in China picked up together with the luxury vehicle market in China. The three major brands sold a total of 1,096,300 units in the Chinese market in the first half of the year.

In the first half of 2023, the total sales volume of BMW in the Chinese market was 392,600 units, representing a year-on-year increase of 3.7%. Among which, BMW’s sales of pure electric models reached 44,900 units, representing a year-on-year increase of 283%; the sales volume of Benz vehicles was 377,200 units in the first half of the year, representing a year-on-year increase of 6%; the sales volume of Audi vehicles was 326,500 units in the first half of the year, representing a year-on-year increase of 2.2%. Lexus’ sales in the first half of 2023 were less impressive, with a continuous decline in sales volume and a year-on-year decrease of 18.7% from January to June 2023.

Meanwhile, the external environment of the automobile market was complex in the first half of 2023, consumer demand recovered slowly, final transaction prices continued to decline, thus the automobile sales increased in volume but not in profit. According to China Automobile Dealers Association, in the first half of 2023, in terms of the profit structure of dealers, the proportion of profit from new car sales declined significantly from 19.7% at the end of 2022 to 4.9%. The overall average inventory level of dealership was maintained at around 1.69 months in the first half of 2023, basically the same as the average level of 1.68 months in the first half of 2022. The high level of dealers’ inventory leads to limited pricing dynamics in the market.

## Management Discussion and Analysis

According to CPCA, the accumulated retail sales volume of new energy vehicles in China reached 3.086 million units in the first half of 2023, representing a significant increase of 37.3% as compared with the same period of last year. In the first half of the year, BYD continued to rank first with an absolute advantage, with a cumulative sales volume of 1.155 million units, representing a significant year-on-year increase of 82.2% and accounting for 37.4% of the market share. Meanwhile, the sales volume of the brands of GAC Aion, Li Auto, Changan Auto and Tesla increased by 103.5%, 130.3%, 105.6% and 48.9% respectively in the first half of the year. Chinese brands accounted for 90% of the top ten new energy vehicle companies in terms of sales volume in China in the first half of this year.

The proactive leading role of the policy is an important factor influencing the rapid increase of new energy vehicles sales. Firstly, the automobile industry is an important pillar industry for the national economic development of China, among which, accelerating the innovation and development of new energy vehicles is the key development direction of the automobile industry. With the continuation of the tax reduction and exemption policy for the purchase of new energy vehicles, consumers' enthusiasm for the purchase of new energy vehicles has increased. At the same time, under the pressure of the local policies on vehicle use situation and restrictions on license plate and number, the competitive advantages of new energy vehicles have gradually emerged. Looking forward to 2023, China's new energy vehicle sales will further increase.

### INDUSTRY OUTLOOK

Recently, the "Survey Report on the Survival Status of National Automobile Dealers in the First Half of 2023" (《2023年上半年全國汽車經銷商生存狀況調查報告》) (hereinafter referred to as the "**Report**") issued by the China Automobile Dealers Association shows that luxury and imported automobile dealers performed better in terms of profitability. In the first half of the year, 47% of luxury and imported car dealers were profitable, compared with 27.3% for joint ventures and 24% for own-brand dealers. This phenomenon is also consistent with the consumption characteristics of the automobile market. According to the CPCA, luxury car retail sales increased by 11% year-on-year from January to July this year, manifesting a strong market performance. On the demand side, the increase in replacement purchases will lead to the structural growth of China's automobile consumption, and luxury brands will continue to maintain a strong momentum.

## Management Discussion and Analysis

On the other hand, the tax reduction and exemption policy for the purchase of new energy vehicles will be extended to 2027. The stability of new energy vehicle policy will benefit the new energy vehicle market in the long run, and the Company believes that the new energy vehicle market will continue to grow in the second half of the year. Meanwhile, the Measures on Promoting Automobile Consumption (《關於促進汽車消費的若干措施》) jointly issued by the National Development and Reform Commission (NDRC) and other departments on July 21, 2023 and the Measures on Recovering and Expanding Consumption (《關於恢復和擴大消費的措施》) issued by the NDRC on July 31, 2023 emphasise the optimisation of the management policy of restricting the purchase of automobiles, the measures of which include not to impose new restrictions on the purchase of automobiles by each region, to promote automobile renewal consumption, and to increase financial support for automobile consumption. All these supportive government policies provide us with confidence in the potential of the entire automotive industry.

### BUSINESS OVERVIEW

In the first half of 2023, the market recovered slowly and the price war lowered the final transaction price. Affected by the complex market environment, the Company achieved a sales volume of 17,571 units in the first half of the year, representing a year-on-year increase of 2.2%. Among which, the sales volume of ultra-luxury vehicles increased by 2.9%. Among the brands sold by the Company, the sales of BMW (including Mini) remained stable, representing a year-on-year increase of 3.1%; the sales volume of luxury brands such as Lincoln, Volvo, Audi and Land Rover increased by 17.2%, 10.1%, 9.6% and 36.0%, respectively. Ultra-luxury brands continued to demonstrate a strong demand resilience, with sales volume of Ferrari and Maserati increased by 20.6% and 4.4% respectively in the first half of the year. During the six months ended June 30, 2023 (the “**Reporting Period**”), the Company added two Ferrari stores in its distribution network, which are located in Zhengzhou and Xi’an, respectively. In the first half of 2023, the Company’s Ferrari brand accounted for 21% of the market share in Mainland China.

In terms of inventory, due to the impact of market volatility and lack of consumer confidence in the first half of 2023, the turnover days was 35.6 days in the first half of the year, representing an increase of 3 days from 32.6 days as at the end of 2022, still within a healthy range. At the same time, the inventory structure will be gradually optimized in the second half of the year.

The Company’s investment in used car and electric vehicles (“**EV**”) sectors has achieved initial success. The trading volume of used car in the Group’s sales network was 3,799 units in the first half of 2023, representing a year-on-year increase of 24.0%. The trade-in and replacement services have been able to effectively balance the costs and revenues at the financial level. In the EV sector, Dangdang New Energy, in which the Company made a strategic investment several years ago, is a comprehensive EV service provider covering sales and after-sales service of EV. At present, Dangdang New Energy has been authorized by major EV brands such as Li Auto, NIO, XPENG, GAC Aion, GAC Hyper, LEAPMOTOR and VOYAH to provide sales and after-sales services for car owners.

# Management Discussion and Analysis

## BUSINESS OUTLOOK

Looking ahead, the Company will continue to focus on its principal business while also strive to transform to electric intelligence vehicles. During the first half of 2023, the BBA brand actively deployed new energy transformation in China, and the room for growth of the luxury and ultra-luxury brands is still sustainable. In addition to maintaining the Company's current portfolio of dominant brands (which include BMW, Lexus, Ferrari, Bentley and Rolls-Royce), the Company will implement merger and acquisition strategy in due course to consolidate and expand the market share. The Company will also actively respond to the national policy which encourages domestic new energy vehicle brands, actively expand channels and methods to cooperate with domestic new energy vehicle brands to assist in the development of the industry.

At the same time, the Company believes it is capable of further strengthening its profitability by optimizing all expense ratios and improving operational efficiency. The Company will continue its efforts to explore the business model of traditional distributors in the new trend.

## FINANCIAL OVERVIEW

### Revenue

The Group recorded a revenue of RMB8,109.5 million in the first half of 2023, representing an increase of 2.1% compared with that of RMB7,940.1 million for the same period of last year. Among which, the revenue of sale of automobiles and others recorded a decrease of 0.8%, from RMB6,906.3 million for the first half of 2022 to RMB6,852.6 million, accounting for 84.5% of the total revenue of the first half of 2023. While the provision of after-sales services recorded a revenue of RMB1,231.4 million for the first half of 2023, representing an increase of 23.0% compared with that of RMB1,000.7 million for the same period in 2022 and accounting for 15.2% of the total revenue of the first half of 2023.

### Cost of sales and services

The cost of sales and services of the Group also recorded an increase of 3.9% from RMB7,248.3 million in the first half of 2022 to RMB7,528.1 million in the same period of 2023. The cost of sale of automobiles and others, and provision of after-sales services were RMB6,802.0 million and RMB726.2 million respectively for the first half of 2023, representing an increase of 1.8% and 28.6% as compared with the same period in 2022.



# Management Discussion and Analysis

## **Gross profit and gross profit margin**

The gross profit of the Group decreased by 16.0% from RMB691.8 million in the first half of 2022 to RMB581.3 million in the same period of 2023. The gross profit of sale of automobiles and others declined by 77.3% from RMB222.6 million in the first half of 2022 to RMB50.6 million in the same period of 2023. The gross profit of provision of after-sales services increased by 15.9% from RMB436.0 million in the first half of 2022 to RMB505.2 million in the same period of 2023.

The Group's gross profit margin in the first half of 2023 stood at 7.2%, among which, the gross profit margin of sale of automobiles and others in the first half of 2023 was 0.7%, representing a decrease of 2.5% compared with that of 2022. The gross profit margin of provision of after-sales services in the first half of 2023 was 41.0%, representing a decrease of 2.5% compared with that of 2022.

## **Selling and distribution expense**

The Group's selling and distribution expense in the first half of 2023 was RMB397.3 million, representing an increase of 2.4% as compared with RMB387.9 million in the same period of 2022, which aligned with the increase of overall sales revenue.

## **Other income and gains, net**

In the first half of 2023, the Group recorded other net income and gains of RMB258.0 million, which represented a significant year-on-year increase mainly due to the non-recurring losses arisen from a full provision made to the carrying amount of the Group's equity investment in Future Mobility Corporation Limited Cayman ("**FMC**") of approximately RMB1,217.0 million recorded only in the same period of 2022. Excluding the non-recurring effect of the provision made on the equity investment of FMC, the other net income and gains of the Group in the Reporting Period increased by 6.7% compared to the same period of last year. For details, please refer to the section headed "Other income and gains, net" of the 2022 annual report of the Group published on April 27, 2023. Other income and gains mainly came from the commission and interest income.

## **Finance costs**

The Group's finance costs in the Reporting Period was RMB64.3 million, representing an increase of 7.3 million compared to the same period in 2022. The increase was mainly attributed to the increase of the financial service interest paid to the automobile manufacturers during the Reporting Period.

# Management Discussion and Analysis

## Operation profit

To conclude, the operation profit of the Group in the Reporting Period was RMB336.8 million, while in the first half of 2022, the Group recorded an operation loss of RMB774.0 million. The increase was mainly due to the non-recurring losses arisen from a full provision made to the carrying amount of the Group's equity investment in FMC recorded in the first half of 2022 and as disclosed in the section headed "Other income and gains, net" above in this interim report.

## Profit attributable to the owners of the parent

In the first half of 2023, the profit attributable to the owners of the parent was RMB201.2 million, while figure in the first half of 2022 was a loss of RMB914.8 million. Excluding the full provision of the equity investment of FMC, the figure would be a profit of RMB302.2 million.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

The Group mainly uses cash to purchase passenger cars and automobile accessories, set up and acquire new distribution outlets and support their daily operation. Short-term bank loans and the cash generated from operation activities are the cash sources of the Group.

As of June 30, 2023, the total cash and deposits of the Group is RMB1,255.0 million. In the first half of 2023, the net cash generated from operation activities of the Group is RMB448.5 million; the net cash used for investment activities is RMB8.4 million; the net cash used for financing activities is RMB314.7 million.

### Net current assets

As at June 30, 2023, the net current assets of the Group were RMB2,289.4 million, representing an increase of 12.1% from RMB2,042.8 million as of December 31, 2022.

### Capital expenditure

The Group's capital expenditure comprises of expenses on plant, property and equipment, and right-of-use assets. During the Reporting Period, the Group's capital expenditure was RMB18.4 million (the same period of 2022: RMB77.5 million).

## Management Discussion and Analysis

### Inventory

The inventories of the Group are mainly passenger cars and automobile accessories. During the Reporting Period, the inventories decreased slightly by RMB147.4 million from RMB1,540.4 million as of December 31, 2022 to RMB1,393.0 million as of June 30, 2023. The Group's average turnover days for inventories in the first half of 2023 is 35.6 days, while the figure in the first half of 2022 is 30.6 days. The Group's turnover days increased by 5 days. The decrease in inventories and increase in inventory turnover days was mainly due to the annual average inventory in 2022 being lower than that of the Reporting Period.

### Bank loans and other borrowings

As at June 30, 2023, the Group had bank loans and other borrowings in the aggregate amount of RMB1,864.2 million, representing a decrease of 10.5% as compared to RMB2,083.0 million as at December 31, 2022. All the bank loans and other borrowings are repayable on demand or within one year. The breakdown and maturity profile of the bank loans and other borrowings are as follows:

	<b>June 30, 2023 RMB'000 (Unaudited)</b>	December 31, 2022 RMB'000 (Audited)
Bank loans repayable:		
On demand or within one year	<b>1,297,905</b>	1,436,133
Other borrowings repayable:		
On demand or within one year	<b>566,319</b>	646,890
	<b>1,864,224</b>	2,083,023

As at June 30, 2023, the gearing ratio of the Group, calculated by total liabilities divided by total assets, was 41.6%, representing a decrease of 2.6% as compared with that of December 31, 2022.

# Management Discussion and Analysis

## **Pledge of assets**

As at June 30, 2023, certain Group's bank loans and other borrowings are secured by:

- (i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB4,205,000 (As at December 31, 2022: RMB4,387,000) as at June 30, 2023;
- (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB12,317,000 (As at December 31, 2022: RMB13,103,000) as at June 30, 2023; and
- (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB696,000,000 as at June 30, 2023 (As at December 31, 2022: RMB434,570,000).

Certain of the Group's bank loans and other borrowings amounting to RMB1,238,085,000 (As at December 31, 2022: RMB1,058,203,000) were guaranteed by the Group's subsidiaries as at June 30, 2023. In addition to the mortgages mentioned above, certain of the Group's bank loans amounting to RMB669,000,000 (As at December 31, 2022: RMB866,643,000) were guaranteed by the legal representative of certain subsidiaries of the Company and his spouse as at June 30, 2023.

# Management Discussion and Analysis

## **Capital structure and treasury policies**

The business activities of the Group are mainly financed by the share capital, interest-bearing bank loans and other borrowings and cash generated from the operating activities. The Directors will continue to follow a prudent policy in managing the Group's financial resources such as cash with the objective of maintaining a strong and healthy liquidity position to ensure that the Group is placed to seize future growth opportunities as and when such opportunities appear.

## **Interest rate risk and foreign exchange risk**

The Group's bank deposits, bank loans and other borrowings mainly bear interests at fixed interest rates, therefore the Group's exposure to the risk of interest rate fluctuation is very limited. Until now, the Group has not used any financial derivatives to hedge the Company's interest rate risks.

Most of the Group's revenue, cost of sales and services and expenses are denominated in Renminbi which is also the currency the Group uses to keep its accounting records. Considering its operating businesses, the Group does not think that it is exposed to any major direct foreign exchange risks, and it has not adopted any financial derivative instruments to hedge such risks. Part of the Group's cash deposits and bank borrowings are denominated in Hong Kong dollars or US dollars, which makes it subject to potential conversion differences as a result of the fluctuation of foreign exchange rates on financial statements.

## **Employees, training and remuneration policies**

As at June 30, 2023, the Group has 3,787 employees (December 31, 2022: 3,925 employees). The salary package of Directors and employees is determined by their working experiences, duties and performances. The management will conduct annual review on the salary plan while taking into account Directors' and employees' general performance and market conditions. The Group also makes contributions to social security plans in mainland China and to the mandatory provident fund scheme in the Hong Kong Special Administrative Region of the People's Republic of China.

To improve the business ability and vocational skills of the employees, the Group has established a systematic training system called Training Management System, in order to provide continuous and systematic career development trainings for the employees through knowledge, experience, ability accumulation, dissemination, application and innovation. The Group attaches great importance to talent training. The Group believes that systematic development and training is not only a good way to help employees grow quickly and adapt to the needs of business development, but also a good way to cultivate useful talents for social development.

## Management Discussion and Analysis

In addition, eligible Directors and employees are also entitled to share awards under the share award plan (the “**Share Award Plan**”) and to the share options under the share option scheme (the “**Share Option Scheme**”) made pursuant to Chapter 17 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to success of the Group’s businesses. Eligible participants of the Share Option Scheme include the Directors and employees of the Company and its subsidiaries. The Share Option Scheme became effective on June 26, 2015, and unless otherwise cancelled or amended, will remain in force for ten years from that date. On February 28, 2019, the Company adopted the Share Award Plan, pursuant to which the Company may grant existing shares to selected participants (namely all employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group, but excluding Mr. FENG Changge). The reason for adopting the Share Award Plan is to (i) incentivize, recognize and reward employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of the grantee with that of the Shareholders of the Company (the “**Shareholders**”) to promote the long-term financial performance of the Company. As at January 1, 2023, the Group had 42,191,000 outstanding share options under Share Option Scheme, accounting for approximately 2.7% of the shares in issue of the Company on that date. No share options were granted, exercised, cancelled and lapsed during the Reporting Period. Accordingly, as at June 30, 2023, the Group still had 42,191,000 outstanding share options under Share Option Scheme, accounting for approximately 2.8% of the shares in issue of the Company on that date. On the other hand, as at January 1, 2023 and June 30, 2023, there were no outstanding options and unvested share awards. As at January 1, 2023, 29,987,500 share awards were available for grant. During the Reporting Period, no share award has been granted, vested, lapsed or cancelled under the Share Award Plan, and accordingly, as at June 30, 2023, 29,987,500 share awards were available for grant. For further details of the Share Award Plan and Share Option Scheme, please refer to the section headed “Corporate Governance and Other Information” of this interim report. The Group will review its remuneration policies and Directors’ and employees’ benefits with reference to the market practices and individual performance.

### EVENTS AFTER THE REPORTING PERIOD

As from the end of the Reporting Period on June 30, 2023 to the date of this interim report, there was no significant event that would have any material impact on the Group.

# Corporate Governance and Other Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2023, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Ordinary Shares			Underlying Shares under Share Options		Approximate % of Shareholding Interest
		Personal Interests <sup>(6)</sup>	Family Interests <sup>(7)</sup>	Other interests	Personal Interests	Total Interests	
Mr. FENG Changge	Director	—	—	708,364,660 (L) <sup>(1)</sup>	2,500,000 <sup>(4)(5)</sup>	710,864,660 (L)	46.62%
Mr. FENG Shaolun	Director	—	—	708,364,660 (L) <sup>(3)</sup>	—	708,364,660 (L)	46.45%
Ms. MA Lintao	Director	—	710,864,660 (L) <sup>(2)</sup>	—	—	710,864,660 (L)	46.62%
Mr. LIU Fenglei	Director	778,587 (L)	—	—	2,500,000 <sup>(4)(5)</sup>	3,278,587 (L)	0.21%
Mr. WANG Nengguang	Director	40,000 (L)	—	—	—	40,000 (L)	0.00%

Notes:

- (1) These 708,364,660 shares in the Company are held by Eagle Seeker Company Limited (“Eagle Seeker”). Mr. FENG Changge is deemed to be interested in the said 708,364,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Changge is the founder of the trust.
- (2) Ms. MA Lintao is Mr. FENG Changge’s spouse and is therefore deemed to be interested in all the shares of the Company in which Mr. FENG Changge is interested in.
- (3) These 708,364,660 shares in the Company are held by Eagle Seeker. Mr. FENG Shaolun is deemed to be interested in the said 708,364,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Shaolun is one of the beneficiaries.
- (4) These interests represent options to subscribe for shares in accordance with the Share Option Scheme granted to the relevant Directors. For further details, please refer to the section headed “Share Option Scheme”.
- (5) These options were granted by the Company in May 2017 and accepted by the relevant grantees in May 2017.
- (6) “Personal Interests” represents interests directly beneficially owned.
- (7) “Family Interests” represents interests of spouse or child under 18.
- (8) The letter “L” denotes the long position in the shares of the Company.

## Corporate Governance and Other Information

Save as disclosed above, as at June 30, 2023, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2023, the following persons (other than the Directors and chief executive of the Company) had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as follows:

Name	Capacity/Nature of Interest	Number of Shares Directly or Indirectly Held <sup>(4)</sup>	Approximate % of Shareholding Interest
Eagle Seeker	Beneficial owner	708,364,660 (L)	46.45%
Eagle Pioneer Company Limited <sup>(1)</sup>	Interest of controlled corporation	708,364,660 (L)	46.45%
Cititrust Private Trust (Cayman) Limited <sup>(2)</sup>	Trustee	708,364,660 (L)	46.45%
Foxconn (Far East) Limited <sup>(3)</sup>	Beneficial owner	128,734,000 (L)	8.44%
Hon Hai Precision Industry Co. Ltd <sup>(3)</sup>	Interest of controlled corporation	128,734,000 (L)	8.44%

*Notes:*

- (1) Eagle Seeker is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker.
- (2) Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker (the controlling shareholder of the Company), indirectly via Eagle Pioneer Company Limited. Mr. Feng Changge, Executive Director and Chairman of the Company, is the founder of the trust of Cititrust Private Trust (Cayman) Limited.
- (3) Foxconn (Far East) Limited ("**Foxconn**") is wholly owned by Hon Hai Precision Industry Co. Ltd. ("**Hon Hai**"), a company listed on the Taiwan Stock Exchange. Accordingly, Hon Hai is deemed to have interest in the 128,734,000 Shares held by Foxconn.
- (4) The letter "L" denotes long position in such Shares.

Save as disclosed above, as at June 30, 2023, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.



## Corporate Governance and Other Information

### SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on June 26, 2015, which is made pursuant to Chapter 17 of the Listing Rules, in relation to grant of share options to certain employees of the Company or its subsidiaries to subscribe for shares (the “**Shares**”) of HK\$0.01 each of the Company, for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The remaining life of the Share Option Scheme is around one year and nine months as at the date of this interim report.

Eligible participants of the Share Option Scheme are any director(s) of the Group (including any Director(s)) or any employee(s) or officer(s) of any member of the Group(s) who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on June 26, 2015, which is 157,570,067 share options, representing 10.33% of the Shares in issue (i.e. 1,524,725,177) as at the date of this interim report (i.e. June 30, 2023).

The maximum number of shares issuable under share options to each eligible participant (save for the substantial shareholders or an independent non-executive director of the Company, or any of their respective associates) in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. On the other hand, the maximum number of shares issuable under share options to the substantial shareholders or an independent non-executive director of the Company, or any of their respective associates in the Share Option Scheme within any 12-month period is limited to 0.1% of the shares of the Company in issue and an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of such grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange). Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

A share option may be exercised during a period to be notified by the Board to each grantee (“**Grantee**”) which shall not be more than 10 years commencing on the date on which an offer(s) of the grant of share option(s) is/are made to the participant(s) (“**Offer Date**”) and expiring on the last day of such period. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the Scheme. Details of the exercise period can be found in the table below.

Subject to such terms and conditions as the Board may determine, no performance target need to be achieved by the proposed Grantee before the share options can be exercised. Details of the vesting period can be found in the table below.

## Corporate Governance and Other Information

An offer shall be made to the proposed Grantee by letter in such form as the Board may from time to time determine requiring the proposed Grantee to undertake to hold the share option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the proposed Grantee to whom an offer is made for a period of 28 days from the offer date, provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date or after the Share Option Scheme has been terminated in accordance with its provisions.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the proposed Grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the proposed Grantee) by way of consideration for the grant thereof, is received by the Company.

The exercise price is determined taking into account the highest of (i) the closing price per Share as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price per Share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of HK\$0.01 per Share.

On May 9, 2017, the Board resolved to grant up to 70,000,000 new share options to the then existing grantees and certain new grantees to replace the outstanding options granted on June 29, 2015 and July 2, 2015 respectively ("**Outstanding Options**"), subject to the acceptance of each of the then existing grantees. No compensation shall be payable to them for cancellation of the Outstanding Options. New grantees are mainly senior management of the subsidiaries of the Company and general managers of its outlets.

On December 17, 2019, the Company offered to grant share options (the "**2019 Share Options**") to certain eligible employees of the Group (the "**2019 Grantees**") under the Share Option Scheme, entitling them to subscribe for a total of 20,000,000 ordinary shares of HK\$0.01 each of the Company. The grant of the Share Options will be subject to the acceptance of the 2019 Grantees. Each 2019 Grantees is not a Director, chief executive or substantial shareholder of the Company or an associate (as defined under the Listing Rules) of any of them.

The Company also offered to grant share options to certain grantees under the Share Option Scheme on June 29, 2015, July 2, 2015 and December 15, 2017, and there were no outstanding share options from these grants during the six months ended June 30, 2023. For details, please refer to the Company's announcements dated June 29, 2015, July 2, 2015, May 9, 2017 and December 15, 2017.

There were 30,275,067 share options available for grant under the Share Option Scheme as at January 1, 2023. During the Reporting Period, no share options have been granted, exercised, lapsed or cancelled under the Share Option Scheme, and accordingly as at June 30, 2023, there were 30,275,067 share options available for grant under the Share Option Scheme as at June 30, 2023.

Summary of the Share Option Scheme, including option pricing model, details of the significant assumptions and inputs used in that pricing model, and explanation of how these significant assumptions and inputs were determined, has been set out in note 16 to the consolidated financial statements.

## Corporate Governance and Other Information

Details of the movements of the share options granted to subscribe for ordinary shares by the Directors, former directors and other eligible employees of the Company pursuant to the Share Option Scheme during the six months ended June 30, 2023 were as follows:

Name of Grantees	Date granted	Vesting period	Exercise period	Exercise price per Share	Number of Share Options					Outstanding as at June 30, 2023
					Outstanding as at January 1, 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
<i>Directors</i>										
Mr. FENG Changge — Executive Director and Chairman of the Board	May 9, 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	2,500,000	—	—	—	—	2,500,000 <sup>(1)</sup>
Mr. LIU Fenglei — Executive Director and President	May 9, 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	2,500,000	—	—	—	—	2,500,000 <sup>(1)</sup>
<i>Former Director</i>										
Mr. HAN Yang — Former Executive Director and Vice President	May 9, 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	800,000	—	—	—	—	800,000 <sup>(1)</sup>
<i>Former Director</i>										
Ms. FENG Guo — Former Executive Director and Vice President	May 9, 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	400,000	—	—	—	—	400,000 <sup>(1)</sup>
<i>Former Director</i>										
Mr. YANG Lei — Former Executive Director, Chief Operating Officer and Vice President	May 9, 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	1,125,000	—	—	—	—	1,125,000 <sup>(1)</sup>
Other eligible employees	May 9, 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	14,866,000	—	—	—	—	14,866,000 <sup>(1)</sup>
	December 17, 2019	16/2/2020 to 16/2/2021	16/2/2020 to 17/12/2025	HK\$4.00	20,000,000	—	—	—	—	20,000,000 <sup>(2)</sup>
Total					42,191,000	—	—	—	—	42,191,000

## Corporate Governance and Other Information

### Notes:

- (1) The validity period of the 70,000,000 share options is from May 9, 2017 (i.e. date of grant) till the earlier of (i) the day on which the relevant Grantee ceases to be an employee or a director of the Company and its subsidiaries on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 8(vi) of the Share Option Scheme, and (ii) June 28, 2025. 20% of these share options were vested on July 1, 2017, 30% were vested on July 1, 2018, 30% were vested on July 1, 2019 and 20% were vested on July 1, 2020. The cessation of directorship of the former Directors Mr. YANG Lei, Mr. Han Yang and Ms. FENG Guo did not involve the grounds of termination as specified in the above (i), and their share options remained valid as at June 30, 2023.
- (2) The validity period of the 20,000,000 share options is from December 17, 2019 (i.e. date of grant) till the earlier of (i) the day on which the relevant 2019 Grantee ceases to be an employee of the Group, and (ii) December 17, 2025. 50% of these share options were vested on February 16, 2020 and 50% were vested on February 16, 2021.
- (3) The closing price immediately before the date of grant is not applicable and no review or approval on the grant of share options were required by the remuneration committee as no share options were granted during the six months ended June 30, 2023.
- (4) The weighted closing price immediately before the exercise date is not applicable because no share options were exercised during the six months ended June 30, 2023.

As at January 1, 2023, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.7% of the Company's share in issue. During the six months ended June 30, 2023, no share options were granted, exercised and lapsed under the Share Option Scheme. As at June 30, 2023, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's share in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,191,000 additional ordinary shares of the Company and additional share capital of HK\$421,910 (equivalent to RMB390,520) (before issue expenses). Details of the options cancelled are set out above. No options were granted, exercised or lapsed during the Reporting Period.

Save as disclosed above, none of the grantees were (i) directors, chief executive or substantial Shareholders of the Company, or any of their respective associates; (ii) participants with options granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with options granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Listing Rules.

### SHARE AWARD PLAN

On February 28, 2019, the Company adopted the Share Award Plan, pursuant to which the Company may grant existing Shares to selected participants (namely all employees, directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group, but excluding Mr. FENG Changge). The purpose for adopting the Share Award Plan is to (i) incentivize, recognize and reward employees, directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of the selected grantees with that of the Shareholders to promote the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan. Details of the Share Award Plan are set out in the Company's announcement dated April 2, 2019.

## Corporate Governance and Other Information

The maximum aggregate number of Shares to be acquired by the trustee under the Share Award Plan is 60,000,000 Shares, representing approximately 3.94% of the Shares in issue (i.e. 1,524,725,177) as at the date of this interim report (i.e. June 30, 2023). 30,000,000 Shares have been granted and vested under the Share Award Plan. As at June 30, 2023, the trustee appointed by the Company for the purpose of the Share Award Plan has purchased 59,987,500 Shares according to the Share Award Plan since its adoption.

Subject to early termination by the Board, the Share Award Plan shall be valid and effective from the date of adoption of the Share Award Plan, being February 28, 2019, and ending on June 26, 2025 (both days inclusive). The remaining life of the Share Award Plan is one year and nine months as at the date of this interim report.

As at both January 1, 2023 and June 30, 2023, there were no outstanding and unvested Share Awards and therefore no grantees with outstanding and unvested Share Awards. As at January 1, 2023, 29,987,500 Share Awards were available for grant. During the Reporting Period, no Share Award has been granted, vested, lapsed or cancelled under the Share Award Plan, and accordingly as at June 30, 2023, 29,987,500 Share Awards were available for grant. The closing price immediately before the date of grant is not applicable and no review or approval on the grant of Share Awards were required by the remuneration committee as no Share Awards were granted during the six months ended June 30, 2023. The weighted closing price immediately before the vesting date is not applicable because no Share Awards were vested during the six months ended June 30, 2023.

Where any offer of award is proposed to be made to any connected person of the Company, it shall not be made where the aggregate interest of the connected persons in the Share Award Plan reaches 30% or above, and in any case such offer shall be subject to all the applicable requirements under the Listing Rules. No further Shares will be awarded to a selected participants if the aggregate number of awarded shares underlying all awards (whether vested or not) granted to such selected participant under the Share Award Plan will exceed 0.5% of the Shares in issue from time to time. Save as disclosed, there is no maximum entitlement for each eligible participant under the rules of the Share Award Plan and as at the date of this directors' report, no selected grantee has been granted award shares exceeding 1% of the issued share capital of the Company.

Awarded shares and the related income shall be vested in an award holder in accordance with the vesting date(s) specified in the award upon satisfaction of the vesting criteria and conditions (if any) specified by the Board in the offer of grant of the relevant award. At any time prior to a vesting date: (a) in the event of (i) the death of an award holder; (ii) the retirement of an award holder at his normal retirement date; or (iii) the retirement of an award holder at an earlier retirement date with prior written agreement given by any member of the Group, then unless the Board otherwise determines, all the awarded shares and related income of such award holder (to the extent not already vested) shall be deemed to be vested on the day immediately prior to his death or his retirement; and (b) in the event of a general or partial offer, share repurchase offer or scheme of arrangement or other transaction in like manner which may result in a change in control of the company, unless the board determines otherwise, all unvested awarded shares and related income will immediately become vested on the date on which the offer or arrangement becomes or is declared unconditional in all respects. Taking into account that the purposes of the Share Award Plan, as detailed above, are to (i) incentivize, recognize and reward, (ii) attract and retain, and (iii) align the interests of selected grantees, there is no purchase price of the shares awarded.

## Corporate Governance and Other Information

The trustee shall hold the awarded shares and related income on trust for the award holders until the awarded shares and related income are vested in the relevant award holders according to the rules of the Share Award Plan. Upon vesting, the trustee shall transfer the vested awarded shares and related income at no cost to such award holders. Taking into account that the purposes of the Share Award Plan, as detailed above, are to (i) incentivize, recognize and reward, (ii) attract and retain, and (iii) align the interests of selected grantees, the purchase price for the awarded shares is nil.

No person shall exercise any voting rights in respect of any Shares held by the trustee under the Share Award Plan. The trustee holding unvested shares of the Share Award Plan, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given pursuant to Rule 17.05A of the Listing Rules.

The fair value of the Share Awards is measured based on the closing price of the Shares on the date of grant.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company (i.e. the Share Option Scheme, and the Share Award Plan) during the Reporting Period divided by the weighted average number of the Shares in issue for the Reporting Period is 2.76%.

### PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company repurchased a total of 6,007,500 ordinary shares of HK\$0.01 each on the Stock Exchange for a total consideration of approximately HK\$5,787,129.96 (excluding transaction cost). A total of 22,271,500 repurchased shares were cancelled on May 2, 2023 and June 7, 2023 respectively, in which 5,879,500 shares were repurchased during the Reporting Period. Details of the shares repurchased during the Reporting Period are set out as follows:

Month of repurchase	Number of repurchase of shares	Repurchase price per share		Aggregate consideration (excluding the transaction costs) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2023	852,500	1.29	1.06	974,940.00
February 2023	407,500	1.18	1.00	431,965.00
March 2023	—	—	—	—
April 2023	3,363,500	1.01	0.84	3,132,820.08
May 2023	1,256,000	0.93	0.88	1,133,195.00
June 2023	128,000	0.91	0.88	114,209.88
<b>Total</b>	<b>6,007,500</b>			<b>5,787,129.96</b>

## Corporate Governance and Other Information

The Directors believe that repurchases of shares are in the best interests of the Company and its Shareholders and that such repurchases of shares would benefit Shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

During the Reporting Period and until the date of this report, the Company has not made any issue for cash of equity securities.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability. For the six months ended June 30, 2023, the Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its Shareholders.

The Group is committed to developing a positive and progressive culture that is built on its culture which focuses on simplicity, efficiency and happiness. More information about its culture is available on the Company's website. The Company believes that such culture can enable the Company to deliver long-term sustainable performance to the Shareholders.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the six months ended June 30, 2023.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

## Corporate Governance and Other Information

### **CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS UNDER RULE 13.51(B) OF THE LISTING RULES**

There is no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at June 30, 2023.

### **SIGNIFICANT INVESTMENTS**

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% of the Company's total assets as at June 30, 2023) during the six months ended June 30, 2023.

The Group's investment strategy is to deliver a diversified and flexible investment portfolio that will maximize sustained long-term returns and strive to achieve high growth, while the traditional business of the Group will continue its stable growth.

### **MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES**

Save as disclosed in this interim report, there were no material investments, acquisitions or disposals of subsidiaries, associated companies and joint ventures undertaken by the Group during the Reporting Period.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As at the date of this interim report, the Group had not entered into any off-balance sheet transactions.

### **INTERIM DIVIDEND**

At the meeting of the Board held on August 29, 2023, the Board resolved not to pay interim dividends to the Shareholders (2022: Nil).

### **SUFFICIENCY OF THE PUBLIC FLOAT**

Based on the information publicly available to the Company as of the date of this interim report, and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules during the Reporting Period.



## Corporate Governance and Other Information

### **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with the requirements of the Listing Rules and the CG Code. As at the date of this interim report, the Audit Committee consists of three members, namely Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Chan Ying Lung, all of whom are independent non-executive Directors of the Company. Mr. Wang Nengguang is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results for the six months ended June 30, 2023 which are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

### **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities at June 30, 2023 and 31 December 2022.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Company does not have any plan for material investments and capital assets.

### **ADVANCE GRANTED TO ENTITIES**

For the six months ended June 30, 2023, the Group did not grant any loan to any entity which is subject to disclosure requirements under Rule 13.20 of the Listing Rules.

### **PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS**

For the six months ended June 30, 2023, there was no pledge of Shares by the controlling shareholders of the Company which is subject to disclosure under Rule 13.21 of the Listing Rules.

## Corporate Governance and Other Information

### **BREACH OF LOAN AGREEMENTS**

For the six months ended June 30, 2023, there was no breach of the loan agreements by the Company in which the loan involved would have a significant impact on the business operations of the Company and subject to disclosure under Rule 13.21 of the Listing Rules.

### **FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES**

For the six months ended June 30, 2023, there was no financial assistance or guarantee to affiliated companies by the Company which is subject to disclosure under Rule 13.22 of the Listing Rules.

### **COVENANTS RELATING TO SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS**

During the Reporting Period, there was no loan agreement of the Company with covenants relating to specific performance of the Controlling Shareholders which is subject to disclosure under Rule 13.21 of the Listing Rules.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>REVENUE</b>	5	<b>8,109,469</b>	7,940,132
Cost of sales and services		<b>(7,528,121)</b>	(7,248,317)
<b>GROSS PROFIT</b>		<b>581,348</b>	691,815
Other income and gains/(losses), net	6	<b>258,028</b>	(976,286)
Selling and distribution expenses		<b>(397,290)</b>	(387,905)
Administrative expenses		<b>(105,308)</b>	(101,637)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>		<b>336,778</b>	(774,013)
Finance costs	7	<b>(64,303)</b>	(57,030)
Share of profits of joint ventures		<b>33</b>	4
Share of losses of associates		<b>(1,025)</b>	(617)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>271,483</b>	(831,656)
Income tax expense	8	<b>(63,228)</b>	(76,704)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	9	<b>208,255</b>	(908,360)
<b>Other comprehensive (loss)/income after tax:</b> <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>(32,455)</b>	28,627
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(32,455)</b>	28,627
<b>Total comprehensive income/(loss) for the period</b>		<b>175,800</b>	(879,733)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		<b>201,224</b>	(914,838)
Non-controlling interests		<b>7,031</b>	6,478
		<b>208,255</b>	(908,360)

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		<b>168,769</b>	(886,211)
Non-controlling interests		<b>7,031</b>	6,478
		<b>175,800</b>	(879,733)
<b>Earnings/(loss) per share attributable to owners of the Company</b>			
Basic (RMB)	11	<b>0.113</b>	(0.604)
Diluted (RMB)		<b>0.113</b>	(0.602)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,896,679</b>	2,964,993
Right-of-use assets		<b>818,375</b>	849,323
Intangible assets		<b>144,771</b>	147,116
Goodwill		<b>141,791</b>	141,791
Prepayments and other assets		<b>480,005</b>	485,205
Finance lease receivables		<b>195,757</b>	178,596
Investment in joint ventures		<b>7,805</b>	7,772
Investment in associates		<b>2,062</b>	3,087
Financial assets at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		—	—
Deferred tax assets		<b>79,790</b>	82,321
Total non-current assets		<b>4,767,035</b>	4,860,204
<b>CURRENT ASSETS</b>			
Finance lease receivables		<b>213,407</b>	263,198
Inventories		<b>1,393,016</b>	1,540,438
Trade receivables	13	<b>185,174</b>	197,882
Prepayments, other receivables and other assets		<b>2,480,208</b>	2,534,426
Pledged and restricted bank deposits		<b>287,482</b>	220,347
Cash in transit		<b>30,234</b>	24,070
Cash and bank balances		<b>1,254,957</b>	1,161,992
Total current assets		<b>5,844,478</b>	5,942,353

# Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings		<b>1,864,224</b>	2,083,023
Trade and bills payables	14	<b>691,134</b>	635,135
Other payables and accruals		<b>769,593</b>	918,298
Lease liabilities		<b>86,489</b>	90,510
Income tax payable		<b>143,631</b>	172,561
Total current liabilities		<b>3,555,071</b>	3,899,527
<b>NET CURRENT ASSETS</b>			
		<b>2,289,407</b>	2,042,826
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>7,056,442</b>	6,903,030
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>804,559</b>	819,071
Deferred tax liabilities		<b>56,547</b>	57,252
Total non-current liabilities		<b>861,106</b>	876,323
<b>NET ASSETS</b>			
		<b>6,195,336</b>	6,026,707
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	15	<b>12,137</b>	12,293
Reserves		<b>6,098,284</b>	5,934,530
		<b>6,110,421</b>	5,946,823
Non-controlling interests		<b>84,915</b>	79,884
<b>TOTAL EQUITY</b>		<b>6,195,336</b>	6,026,707

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company												
	Share capital	Shares held under share award plan	Share premium	Capital reserve	Statutory reserve	Merger reserve	Fair value change reserve	Share option reserve	Exchange fluctuation reserve	Retained earnings	Non-controlling interests	Total	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2022</b>	—	(123,243)	2,936,541	1,635	303,905	371,200	(100,441)	99,573	58,641	4,407,089	75,182	7,967,380	8,042,562
Profit for the year	—	—	—	—	—	—	—	—	—	(914,838)	6,478	(914,838)	(908,360)
Other comprehensive loss for the year	—	—	—	—	—	—	—	—	—	—	—	—	—
Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	28,627	—	—	28,627	28,627
Total comprehensive income for the year, net of tax	—	—	—	—	—	—	—	—	28,627	(914,838)	6,478	(886,211)	(879,733)
Shares repurchased and cancelled	(189)	78,969	(78,780)	—	—	—	—	—	—	—	—	—	—
Shares repurchased	—	(66,902)	—	—	—	—	—	—	—	—	—	(66,902)	(66,902)
Dividend declared to NCI	—	—	—	—	—	—	—	—	—	—	(2,000)	—	(2,000)
Transfer from retained profits (unaudited)	—	—	—	—	11,176	—	—	—	—	(11,176)	—	—	—
<b>At 30 June 2022 (unaudited)</b>	12,291	(111,176)	2,857,761	1,635	315,081	371,200	(100,441)	99,573	87,268	3,481,075	79,660	7,014,267	7,093,927
<b>At 1 January 2023</b>	12,293	(128,533)	2,580,476	1,635	318,572	371,200	(109,045)	98,456	35,992	2,765,777	79,884	5,946,823	6,026,707
Profit for the period	—	—	—	—	—	—	—	—	—	201,224	7,031	201,224	208,255
Other comprehensive loss for the period	—	—	—	—	—	—	—	—	—	—	—	—	—
Exchange differences related to foreign	—	—	—	—	—	—	—	—	(32,455)	—	—	(32,455)	(32,455)
<b>Total comprehensive loss for the period</b>	—	—	—	—	—	—	—	—	(32,455)	201,224	7,031	168,770	(175,800)
Shares repurchased and cancelled	(156)	29,736	(29,580)	—	—	—	—	—	—	—	—	—	—
Shares repurchased	—	(5,171)	—	—	—	—	—	—	—	—	—	(5,171)	(5,171)
Dividend declared to NCI	—	—	—	—	—	—	—	—	—	—	(2,000)	—	(2,000)
Transfer from retained profits	—	—	—	—	419	—	—	—	—	(419)	—	—	—
<b>At 30 June 2023 (unaudited)</b>	12,137	(103,968)	2,550,896	1,635	318,991	371,200	(109,045)	98,456	3,538	2,966,582	84,915	6,110,421	6,195,336

# Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2023

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 <i>RMB'000</i> (Unaudited)
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>538,880</b>	717,940
Income taxes paid	<b>(90,332)</b>	(99,859)
<b>Net cash generated from operating activities</b>	<b>448,548</b>	618,081
<b>Cash flows from investing activities</b>		
Interest received	<b>7,021</b>	30,176
Purchases of property, plant and equipment	<b>(124,527)</b>	(271,040)
Proceeds from disposal of property, plant and equipment	<b>97,509</b>	183,941
Purchase of intangible assets	<b>(296)</b>	(1,629)
Advance and loan made to third parties	<b>11,904</b>	—
<b>Net cash used in investing activities</b>	<b>(8,389)</b>	(58,552)
<b>Cash flows from financing activities</b>		
Proceeds from exercise of share options	—	—
Repurchase of shares	<b>(5,172)</b>	(66,902)
Bank loans and other borrowings raised	<b>6,125,993</b>	5,852,567
Repayment of bank loans and other borrowings	<b>(6,346,789)</b>	(6,284,861)
Dividends paid to a non-controlling shareholder	—	(2,000)
Repayment of lease liabilities	<b>(53,662)</b>	(60,921)
Interest paid	<b>(35,037)</b>	(33,436)
<b>Net cash used in financing activities</b>	<b>(314,667)</b>	(595,553)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>125,492</b>	(36,024)
Effect of foreign exchange rate changes, net	<b>(32,527)</b>	29,177
Cash and cash equivalents at 1 January	<b>1,161,992</b>	1,629,199
<b>Cash and cash equivalents at 30 June</b>	<b>1,254,957</b>	1,622,352



# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

These condensed consolidated financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

## 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

### (a) Reconciliation of assets measured at fair value based on level 3:

Description	Equity	Investments	Total
	investments at fair value through other comprehensive income	at fair value through profit or loss equity investments	
	RMB '000	RMB '000	RMB'000
At 1 January 2022	8,604	1,217,011	1,225,615
Addition	—	—	—
Total gains or losses recognised			
in profit or loss*	—	(1,217,011)	(1,217,011)
in other comprehensive income	(8,604)	—	(8,604)
At 31 December 2022, 1 January 2023 and 30 June 2023	—	—	—
* Include gains or losses for assets held at 31 December 2022	—	(1,217,011)	(1,217,011)
* Include gains or losses for assets held at 30 June 2023	—	—	—

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 4. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale of automobiles and provision of after-sales services. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

### Information about geographical area

Since all of the Group's revenue was generated from the sale of automobiles and provision of after-sales services in Mainland China and over 90% of the Group's identifiable non-current assets and liabilities were located in Mainland China, no geographical segment information is presented.

### Information about major customers

Since no sales to a single customer amounted to 10% or more of the Group's revenue during the period, no major customer information is presented.

## 5. REVENUE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
— Revenue from the sale of automobiles and others	<b>6,852,564</b>	6,906,252
— Provision of after-sales services	<b>1,231,369</b>	1,000,734
<b>Revenue from other sources</b>		
— Finance leasing services	<b>25,536</b>	33,146
	<b>8,109,469</b>	7,940,132

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. REVENUE (CONTINUED)

### Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Type of goods or services</b>		
Sale of automobiles and others	<b>6,852,564</b>	6,906,252
Provision of after-sales services	<b>1,231,369</b>	1,000,734
Total revenue from contracts with customers	<b>8,083,933</b>	7,906,986

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Timing of revenue recognition</b>		
Goods received by the customer at a point in time	<b>6,852,564</b>	6,906,252
Services rendered at a point in time	<b>1,231,369</b>	1,000,734
Total revenue from contracts with customers	<b>8,083,933</b>	7,906,986

## 6. OTHER INCOME AND GAINS/(LOSSES), NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Commission income	<b>211,311</b>	192,181
Interest income from loans and advances to third parties	<b>22,374</b>	21,405
Bank interest income	<b>13,628</b>	8,771
Fair value loss on financial asset at fair value through profit or loss	<b>—</b>	(1,217,011)
Government grant	<b>3,652</b>	3,663
Others	<b>7,063</b>	14,705
	<b>258,028</b>	(976,286)

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 7. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	41,091	33,436
Leases interests	23,212	23,594
	<b>64,303</b>	57,030

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current Mainland China corporate income tax	60,339	84,529
Deferred tax	2,889	(7,825)
	<b>63,228</b>	76,704

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the British Virgin Islands (“**BVI**”) are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. There are no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People’s Republic of China, the income tax rate for Mainland China subsidiaries is 25% (2022: 25%).

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 9. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Directors' remuneration	3,552	3,553
Fair value loss on financial asset at fair value through profit or loss	—	1,217,011
Gain on disposal of property, plant and equipment	(5,913)	(2,907)
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	176,416	172,423
Other welfare	31,842	30,361
Cost of sales and services:		
Cost of sales of automobiles	6,801,967	6,683,635
Cost of aftersales services	726,154	564,682
	<b>7,528,121</b>	7,248,317

## 10. DIVIDENDS

At the annual general meeting held on 13 June 2023, a final dividend of HK\$0.066 (equivalent to approximately RMB0.06) in respect of the year ended 31 December 2022 per ordinary share was approved, for a total of approximately HK\$100,936,748 (equivalent to approximately RMB91,760,680). The dividend was paid on 11 August 2023 (2022: a final dividend of RMB0.17 in respect of the year ended 31 December 2021 per ordinary share with aggregate amount of approximately RMB277,346,000).

The Board recommends not to declare any interim dividend for the six months ended 30 June 2023 (2022: Nil).

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 11. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the following:

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 <i>RMB'000</i> (Unaudited)
<b>Earnings/(loss):</b>		
Profit/(loss) for the period attributable to owners of the Company used in the basic earnings per share calculation	<b>201,224</b>	(914,838)
Number of shares:	<b>'000</b>	<i>'000</i>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,490,138</b>	1,515,615
Effect of dilution <i>weighted average number of ordinary shares:</i>		
— Share options	—	4,741
	<b>1,490,138</b>	1,520,356

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group's additional property, plant and equipment amounted to approximately RMB124.5 million.

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 13. TRADE RECEIVABLES

The aging analysis of trade receivables as at the balance sheet date, based on the date of recognition of the service income or goods sold, is as follows:

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
Within 3 months	<b>176,545</b>	191,481
3 months to 6 months	<b>6,754</b>	6,401
7 to 12 months	<b>1,875</b>	—
Over 12 months	<b>—</b>	—
	<b>185,174</b>	197,882

## 14. TRADE AND BILLS PAYABLES

The aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of consumables or goods purchased, is as follows:

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
Within 3 months	<b>659,836</b>	596,491
3 to 6 months	<b>20,406</b>	16,257
6 to 12 months	<b>10,345</b>	21,429
Over 12 months	<b>547</b>	958
	<b>691,134</b>	635,135



# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 15. SHARE CAPITAL

	Number of issued and fully paid shares	Amount RMB'000
At 31 December 2022 (Audited)	1,546,996,677	12,293
Shares repurchased and cancelled	(22,271,500)	(156)
At 30 June 2023 (Unaudited)	1,524,725,177	12,137

All shares issued in prior years rank pari passu with the then existing shares in issue in all respects.

## 16. SHARE OPTION SCHEME

The Company operates a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 26 June 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12- month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, an amount of HK\$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the Scheme.

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. SHARE OPTION SCHEME (CONTINUED)

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the period:

	<b>At 30 June 2023 (Unaudited)</b>		At 31 December 2022 (Audited)	
	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options '000</b>	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	<b>3.47</b>	<b>42,191</b>	3.46	43,516
Exercised during the period	—	—	—	—
Forfeited during the period	—	—	3.00	(1,325)
At the end of the period	<b>3.47</b>	<b>42,191</b>	3.47	42,191

On 17 December 2019, the Group granted 20,000,000 share options to its employees.

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

### 30 June 2023 (Unaudited)

Number of options '000	Exercise price* HK\$ per share	Exercise period
22,191	3.00	1/7/2017 to 28/6/2025
20,000	4.00	16/2/2020 to 17/12/2025
<b>42,191</b>		

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. SHARE OPTION SCHEME (CONTINUED)

30 June 2022 (Unaudited)

Number of options '000	Exercise price* HK\$ per share	Exercise period
22,191	3.00	1/7/2017 to 28/6/2025
20,000	4.00	16/2/2020 to 17/12/2025
<u>42,191</u>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted on 17 December 2019 was RMB24,400,000 (RMB1.22 each).

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

	17 December 2019
Weighted average share price (HK\$)	3.86
Weighted average exercise price (HK\$)	4.0
Expected volatility (%)	49.61%
Expected life	6 years
Risk free rate (%)	1.72%
Expected dividend yield (%)	3.59%

No other feature of the options granted was incorporated into the measurement of fair value.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. SHARE OPTION SCHEME (CONTINUED)

At the end of the reporting period, the Company had 42,191,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,191,000 additional ordinary shares of the Company and additional share capital of HK\$421,910 (equivalent to RMB390,520) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 42,191,000 share options outstanding under the Scheme, which represented approximately 2.77% of the Company's shares in issue as at that date.

## 17. RELATED PARTY TRANSACTIONS

Mr. Feng Changge is the Chairman, the Director and the Controlling Shareholder of the Company and is considered a related party of the Group.

In addition to the transactions disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with a related party during the period:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Transactions with a related party</b>		
Borrowing from 河南和諧置業有限公司	<b>250,000,000</b>	—

The borrowing are unsecured, bears a fixed interest rate of 4.2% per annum and are payable within one year.

## 18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2023 and 31 December 2022.

# Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. CAPITAL COMMITMENTS

Capital commitments of the Group in respect of property and equipment and capital contribution outstanding at each reporting date not provided for in these consolidated financial statements are as follows:

	<b>At 30 June 2023 RMB'000 (Unaudited)</b>	At 31 December 2022 RMB'000 (Audited)
Property, plant and equipment		
— Contracted, but not provided for	<b>48,583</b>	43,096

## 20. EVENTS AFTER THE REPORTING PERIOD

As from the end of the Reporting Period to the date of this interim report, there was no significant event that would have any material impact on the Group.

## 21. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 August 2023.