



# China MeiDong Auto Holdings Limited 中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 1268

## 2024 ANNUAL REPORT



# CONTENTS

2	GEOGRAPHICAL COVERAGE
4	CORPORATE INFORMATION
6	MANAGEMENT DISCUSSION AND ANALYSIS
17	BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
22	REPORT OF THE DIRECTORS
39	CORPORATE GOVERNANCE REPORT
58	INDEPENDENT AUDITOR'S REPORT
68	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
70	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
72	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
74	CONSOLIDATED CASH FLOW STATEMENT
75	NOTES TO THE FINANCIAL STATEMENTS
177	FIVE-YEAR FINANCIAL SUMMARY



# GEOGRAPHICAL COVERAGE

<b>Guangdong</b>  <b>Porsche</b> (1) Shunde Dongbao* (2) Shantou Dongbao* (3) Jieyang Dongbao* (4) Guangzhou Dongbao (70%)  <b>BMW</b> (5) Yangjiang Meibaohang* (6) Guangzhou Meibaohang (7) Xintang Meibaohang (8) Dongguan Meibaohang (70%)  <b>Lexus</b> (9) Dongguan Meidong (49%) (10) Foshan Meidong (11) Zhuhai Meidong (12) Qingyuan Meidong* (13) Yangjiang Meidong* (14) Doumen Meidong (71%) (15) Tangxia Meidong (69%) (16) Shaoguan Meidong* (17) Jiangmen Meidong  <b>Toyota</b> (18) Dongguan Dongbu (19) Dongguan Dongmei (20) Dongguan Dongxin (21) Dongguan Meixin (22) Wangniudun Meidong (23) Dongguan Meiyue  <b>Audi</b> (24) Heyuan Guanao*  <b>Tesla</b> (25) Shantou Dongying (51%) (26) Yangjiang Dongying (51%)	<b>Hubei</b>  <b>Porsche</b> (35) Wuhan Xinbao (36) Wuchang Xinbao  <b>BMW</b> (37) Huanggang Baoxinhang* <b>Hunan</b>  <b>BMW</b> (38) Zhuzhou Meibaohang* (39) Hengyang Meibaohang* (40) Changde Meibaohang* (41) Yueyang Meibaohang* (42) Liuyang Meibaohang* (43) Yongzhou Meibaohang*  <b>Lexus</b> (44) Changsha Meidong (45) Zhuzhou Meidong* (46) Hengyang Meidong*  <b>Toyota</b> (47) Yiyang Dongxin* <b>Gansu</b>  <b>Lexus</b> (48) Lanzhou Meidong* <b>Jiangxi</b>  <b>Porsche</b> (49) Ganzhou Xinbao* (50) Nanchang Jubao  <b>BMW</b> (51) Jingdezhen Meibaohang* (52) Shangrao Meibaohang (53) Xinyu Meibaohang* (54) Jiujiang Huibaohang  <b>Toyota</b> (55) Xinyu Dongbu* (56) Jiujiang Dongbu* <b>Fujian</b>  <b>Lexus</b> (57) Xiamen Meidong (58) Longyan Meidong*  <b>Toyota</b> (59) Quanzhou Meidong	<b>Anhui</b>  <b>Toyota</b> (60) Huangshan Dongbu*  <b>BMW</b> (61) HuaiBei Meibaohang* (62) Suzhou Meibaohang* (63) Chizhou Meibaohang* (64) Chuzhou Meibaohang* (65) Tongling Meibaohang* (66) Huangshan Meibaohang* <b>Shandong</b>  <b>Porsche</b> (67) Jinan Jubao (70%) (68) Jinan Dongbao (69) Qingdao Dongbao* (70) Weifang Xinbao* <b>Jiangsu</b>  <b>Lexus</b> (71) Nanjing Meidong (72) Tangshan Meidong  <b>Porsche</b> (73) Nanjing Dongbao <b>Tianjin</b>  <b>Lexus</b> (74) Tianjin Meidong  <b>Porsche</b> (75) Tianjin Dongbao <b>Sichuan</b>  <b>BMW</b> (76) Guangan Baotai* <b>Henan</b>  <b>Porsche</b> (77) Henan Dongbao <b>Chongqing</b>  <b>Porsche</b> (78) Chongqing Dongbao
---	--	--

## Notes:

- (1) Apart from the stores marked by brackets, the others are 100% owned by the Group.  
 (2) Including a joint venture in which the Group owns 49% equity interest (Dongguan Meidong).

\* Single City Single Store

## GEOGRAPHICAL COVERAGE





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

YE Fan (*Chairman*)

YE Tao (*Chief Executive Officer*)

LUO Liuyu

### Independent Non-Executive Directors

CHEN Guiyi

WANG, Michael Chou

TO Siu Lun

## AUTHORISED REPRESENTATIVES

YE Tao

CHAN Charmayne,

*ACG (CS, CGP), HKACG (CS, CGP)*

## COMPANY SECRETARY

CHAN Charmayne,

*ACG (CS, CGP), HKACG (CS, CGP)*

## AUDIT COMMITTEE

TO Siu Lun (*Chairman*)

CHEN Guiyi

WANG, Michael Chou

## REMUNERATION COMMITTEE

WANG, Michael Chou (*Chairman*)

CHEN Guiyi

TO Siu Lun

## NOMINATION COMMITTEE

YE Fan (*Chairman*)

TO Siu Lun

WANG, Michael Chou

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1

Tian An Tech Industry Building

Huangjin Road

Nancheng District, Dongguan

Guangdong, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2404

24th Floor, World-Wide House

19 Des Voeux Road Central

Hong Kong

## AUDITOR

KPMG

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

HW Lawyers

## CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## CORPORATE INFORMATION

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### PRINCIPAL BANKERS

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

### STOCK CODE

1268

### COMPANY'S WEBSITE

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

*Corporate information as of the date of this Annual Report*

# 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 ended 31 December 2024 (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, China MeiDong Auto Holdings Limited (the “**Company**”) and its subsidiaries (collectively, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the sales of traditional and luxury cars. As mentioned above, 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. And according to the data released by China Association of Automobile Manufacturers, sales quantity of fuel vehicles in China showed a decrease compared to 2023 generally due to the impact of new energy vehicles. 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 revenue growth rates and gross profit margin of certain stores falling significantly below the Group's forecasts. Consequently, at year-end, with the assistance of external valuer (namely, AVISTA Business Consulting (Shanghai) Co., Ltd.), 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 for those underperforming CGUs which were acquired in 2021 and 2022 (for details of two of the said acquisitions, please refer to the announcements of the Company dated 12 August 2021, 13 December 2021 and 29 April 2022 and the circular of the Company dated 6 April 2022. The other acquisitions did not constitute notifiable transactions of the Company under the Listing Rules.). 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. The recoverable amounts of these CGUs (cash generating units) 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. The fair values less costs of disposal ("**FVLCD**") of the CGUs are not estimated to be materially different from their respective value-in-use amounts ("**VIU**") as the fair values of CGUs under discounted cash flow approach and VIU share similar financial forecast, forecast period and discount rate. Considering the FVLCD calculation requires specific inclusion of costs of disposal, FVLCD of CGUs are not estimated to be higher than their respective VIU amount. Thus, VIU is adopted as the recoverable amount in the impairment testing.

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%) as the global economy is undergoing an interest rate reduction cycle in 2024, resulting in lower cost of debt and this forecast shows a significant decrease compared to historical periods, with lower realizability risks in financial projections. More information (including key inputs, basis and assumptions used in the valuation) is set out in notes 14 and 15 to the consolidated financial statements in this Annual Report.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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).

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 Tesla after-sales service centers.

## MANAGEMENT DISCUSSION AND ANALYSIS

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	78	78	–

### 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 (of which RMB642.4 million bore interest at fixed rates), representing a decrease of approximately 30.7% as compared to approximately RMB1,444.4 million as at 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 at the date of this Annual Report.

### 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 approximately RMB3,053.2 million in aggregate (31 December 2023: approximately RMB1,741.2 million) to secure certain bills payable, loans and borrowings.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 of 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 at 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).

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

Solely for illustrative purpose only, assuming that all the outstanding principal amount of the Convertible Bonds as at 31 December 2024 were exercised and 42,398,203 Shares were issued at the then prevailing conversion price of HK\$44.1764 per Share, the shareholding of Apex Sail Limited, the single largest shareholder of the Company as at 31 December 2024 would have been decreased from approximately 52.29% to 50.69% (assuming there being no change other than the allotment of Shares from full conversion).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The computation of diluted loss per Share for the year ended 31 December 2024 does not assume the conversion of the Convertible Bonds since its exercise had anti-dilutive effect that would result in a decrease in loss per share for that year.

More information relating to the Convertible Bonds is set out in Notes 11(b) and 26 to the consolidated financial statements in this Annual Report, the paragraph headed “– Liquidity, financial resources and position” above, and the Company’s announcements dated 6 January 2022, 5 August 2022, 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 made at the price of 106.9428 per cent. of the principal amount, and 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of Proceeds from Placing and Subscription in 2023

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 (in HK\$ million, approximately)
Business expansion (including strategic investments and acquisitions)	50%	506
Working capital and other general corporate purposes	50%	506
Total	100%	1,012

*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.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### 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.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### Mr. YE Fan (*Chairman*)

Mr. YE Fan (葉帆), aged 53, is the founder of the Group. He is the younger brother of Mr. YE Tao, and is the Chairman and an executive Director of the Company. He is primarily responsible for supervising the operations of the Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. YE Fan was awarded a Bachelor's degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

As the founder of the Group, Mr. YE Fan started his career in the automobile sector by joining an automobile distributor in Dongguan, the PRC as general manager from 1995 to 1998. In 1999, he set up 東莞市聚成汽車技術服務有限公司 (Dongguan Jucheng Auto Technical Services Co., Ltd.\*) (a private company based in Dongguan, Guangdong which was principally engaged in the automobile distribution business) with a partner. In April 2003, Mr. YE Fan set up 東莞市冠豐汽車有限公司 (Dongguan Guanfeng Auto Co., Ltd.\*) ("**Dongguan Guanfeng**"), which is the first member of the Group. This 4S dealership store was opened in May 2004 and held 4S distributorship for 北京現代汽車有限公司 (Beijing Hyundai Motor Company\*) vehicles. Before the establishment of 廣東大東汽車集團有限公司 (Guangdong Dadong Auto Group Co., Ltd\*) ("**Dadong Group**") in 2007, he made investments in a few enterprises (including members of the Group) which were principally engaged in automobile distribution of various brands. Following the establishment of Dadong Group in 2007, which has been solely owned by Mr. YE Fan, Dadong Group has been making investments in 4S dealership stores of various brands.

Since 2003, Mr. YE Fan has been acting as a director of Dongguan Guanfeng and various PRC members of the Group and has been responsible for supervising their daily operations and planning their business strategies. Mr. YE Fan is currently a director of each of the subsidiaries of the Company and the chairman of the Nomination Committee.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Mr. YE Tao** (*Chief Executive Officer*)

Mr. YE Tao (葉濤), aged 58, is the elder brother of Mr. YE Fan. He is an executive Director and the Chief Executive Officer of the Company. He is primarily responsible for overseeing the daily operations and management of the Group, planning its business and marketing strategies and supervising investor relationship. Mr. YE Tao was awarded a Bachelor's degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

Before he joined the Group, Mr. YE Tao worked for Objectiva Software Solutions (Beijing) Inc. (奧博傑天軟件(北京)有限公司) as the chief executive and legal representative overseeing the overall operations of such company, and in Document Sciences Corporation as the general manager of Asian Operations overseeing the management and operations in the Asia.

In 2008, Mr. YE Tao was invited by Mr. YE Fan to work in the Group as the Chief Executive Officer. Since then, he has been working together with Mr. YE Fan closely in the expansion of the Group's business.

### **Ms. LUO Liuyu**

Ms. LUO Liuyu (羅劉玉) ("**Ms. Luo**"), aged 41, is an executive Director of the Company. She has been the vice president of human resources and administration unit of the Group's company, Dongguan Meixin Business Consulting Co., Ltd, primarily responsible for the overall human resources management and planning of the Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. Luo joined the Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. Before Ms. Luo joined the Group, she worked for Dongguan Zhicheng Trading Company Limited as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions. Ms. Luo completed a three-year professional study programme in Finance in Dongguan University of Technology in 2007 and a financial management degree from Peking University in 2015.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Mr. WANG, Michael Chou

Mr. WANG, Michael Chou (王炬) (“**Mr. Wang**”), aged 55, was appointed as an independent non-executive Director with effect from 22 June 2015. Mr. Wang was awarded a Master of Business Administration by the Wharton School of Business at the University of Pennsylvania in 1997 and a Bachelor of Arts from Southwestern University in 1992. He is currently the managing partner and president of Abax Global Capital. Mr. Wang is responsible for the overall business management and investment activities at Abax and also focuses on the management of portfolio companies. Mr. Wang is a member of the fund’s investment committee and is the Chairman of such firm’s operating committee.

Mr. Wang has over 21 years of professional advisory experience in the PRC. Prior to joining Abax, Mr. Wang was a Senior Partner in McKinsey & Company’s Shanghai office, where he was a leader in its China energy, and industrial practices. As head of the McKinsey Shanghai office, which is now amongst McKinsey’s top 10 largest offices globally, he oversaw its growth from 100 to 300 professionals. Mr. Wang is a known expert for performance turnaround at Chinese companies, both state-owned and private. He has assisted numerous Chinese clients to improve their performance via growth strategy, operational enhancement and organizational restructuring. Mr. Wang has published numerous articles in International and Chinese media on the performance improvement topic and has been a frequent speaker and guest lecturer at government (including those for State-Owned Assets Supervision and Administration Commission of the State Council and National Development and Reform Commission in the PRC) and industry forums in the PRC and abroad.

Mr. Wang is the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee.

#### Mr. CHEN Guiyi

Mr. CHEN Guiyi (陳規易) (“**Mr. Chen**”), aged 46, was appointed as an independent non-executive Director with effect from 1 April 2017. From September 1997 to July 2001, Mr. Chen studied at the China Youth University of Political Science where he obtained a bachelor’s degree in legal studies. From September 2003 to July 2004, he studied at the University of Groningen of the Netherlands where he obtained a master’s degree in laws. From July 2001 to September 2005, he has been an associate director at the newspaper office of Beijing Times of People’s Daily. From October 2005 to September 2020, he was one of the partners and lawyers of the law firm, Jingtian & Gongcheng in Beijing and Chengdu, the PRC. From March 2016 to September 2020, he was one of the partners of W&G Investment Management Co., Ltd. From August 2017 to September 2020, he was one of foreign legal consultants of the law firm, Loeb & Loeb LLP in Hong Kong. Since October 2020, he has been a Managing Director of Centurium Capital Management (HK) Ltd. Since October 2024, Mr. Chen has been an independent non-executive director of Luckin Coffee Inc. (OTC: LKNCY). Mr. Chen has ample experience in the capital market, specializing in both the domestic and overseas capital market.

Mr. Chen is a member of each of the Audit Committee and the Remuneration Committee.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Mr. TO Siu Lun

Mr. TO Siu Lun (杜紹麟) (“**Mr. To**”), aged 56, was appointed as an independent non-executive Director with effect from 30 November 2022. Mr. To is a member of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants and an associate of The Taxation Institute of Hong Kong. He worked at RSM Hong Kong (formerly known as RSM Nelson Wheeler) from March 2003 to March 2019, first as a tax director and became a partner since January 2005. Since March 2019, he has been a partner at ORI Capital Limited (a corporation licensed under the Securities and Futures Ordinance to conduct type 9 regulated activity (asset management) since January 2020). Mr. To is currently a director of ICO Strategy Limited, an independent director of Resverlogix Corp. (the shares of which are listed on the Toronto Stock Exchange (TSX: RVX)), a director of ORI Capital II Inc., and an independent non-executive director of Combine Will International Holdings Limited (the shares of which are listed on the Singapore Exchange Securities Trading Limited, SGX: N0Z). He was an executive director of Digitel Group Limited from November 2001 to March 2002, and an independent non-executive director of China Bright Culture Group (a company previously listed on the Main Board of the Stock Exchange) from February 2024 to January 2025. From October 2020 to October 2024, Mr. To served as an independent non-executive director of Autotoll Limited.

Mr. To was conferred a bachelor's degree in social science by the University of Hong Kong in 1990, and was conferred a master of arts in training and human resource development by the University of Technology, Sydney in July 2005.

Mr. To is the chairman of the Audit Committee, and is a member of each of the Remuneration Committee and the Nomination Committee.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

#### Ms. YUAN Ying

Ms. YUAN Ying (袁英) (“**Ms. Yuan**”), aged 44, is the Financial Controller of the Company and is responsible for the overall financial planning and management of the Group. Ms. Yuan joined the Group in May 2010 as Finance Manager and was in charge of the Finance Department. She was then responsible for the Group’s asset management, internal audit, cost control and formulating of financial statements, etc. Ms. Yuan is an accountant and obtained the qualification of accountant by the Ministry of Finance of the PRC in May 2007. Prior to joining the company, she worked for Yong Feng Footwear (Bao An) Company Limited as finance supervisor in charge of audit of the Finance Department.

#### Mr. TANG Jian

Mr. TANG Jian (唐劍) (“**Mr. Tang**”), aged 43, is the vice president of sales and marketing of the Company. He is currently mainly responsible for the overall management of the sales and marketing functions of the Group. Mr. Tang completed all courses for the bachelor’s degree top-up program in administrative management (human resource management) at Sun Yat-sen University. Mr. Tang joined the Group in June 2008 as a sales supervisor, responsible at the time for new car sales and team management. Mr. Tang left the Group in March 2009, and later rejoined in January 2010. Since rejoining, he has served as corporate sales manager, general manager and brand general manager. Prior to rejoining the Group in January 2010, Mr. Tang served as the sales manager of Dongguan Hengxin Automobile Sales & Service Co., Ltd., where he was responsible for managing the sales department.

#### Ms. CHEN Saijin

Ms. CHEN Saijin (陳賽金) (“**Ms. Chen**”), aged 44, is our vice president of purchasing and projects unit. Currently, she is primarily responsible for the overall procurement of the Group and supervising internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour and Social Security Bureau. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) through Internet learning. Ms. Chen joined the Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. Before Ms. Chen joined the Group, she worked for Dongguan Hongyan Vehicle Trading Company Limited as the deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

Please also refer to the Report of the Directors and the Corporate Governance Report in this Annual Report, including the paragraph headed “Directors’ interests or short positions in shares and underlying shares” and “Directors’ Service Contracts” for further information about our Directors and senior management.

# REPORT OF THE DIRECTORS

Below is the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in automobile dealership business authorized by the respective automobile manufacturers of particular brands in the PRC including the sale of new passenger cars, spare parts, service and survey. Particulars of the subsidiaries are set out in note 16 to the consolidated financial statements.

## BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the section "Management Discussion and Analysis" of this Annual Report. The financial risk management objectives and policies of the Group can be found in note 30 to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the financial Year are provided in page 38 of this section and note 34 to the consolidated financial statements of this Annual Report. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 177 of this Annual Report.

## Principal risks and uncertainties

The industry we operate in and our performance are influenced by our authorised dealership, evolvement of technology, stability of supply, customers' preference, and regulatory requirements. We may also be affected by risks in daily operations such as interest rate fluctuation and liquidity, and external circumstances such as global and national macroeconomic conditions, governmental policies and regulations, tax and tariff risks, force majeure, public health crisis, prevention and control measures.



## REPORT OF THE DIRECTORS

### KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Customers, suppliers and employees have a significant impact on the Group and its success. The Group places importance on maintaining good relationship with them.

**Diversified Customers** – The Group’s customer base is diversified, as the Group provides goods and services to vast amount of individual customers. It has always been the Group’s focus to understand the challenges, needs and behaviour of its customers. The Group has put in place various after-sales service initiatives with the aim to improve customer return ratio.

**Our Employees** – This Group views employees as our capital and core of development. We have always endeavoured to guarantee the entitlements of our employees, and have strived to provide them with a secure working environment, so that they can grow with the Group.

**Engaging with Suppliers** – The Group deemed its suppliers as partners, and endeavoured to keep a long-term and friendly relationships with them. The Group has developed strong relationships with certain leading international automobile manufacturers and their PRC joint ventures. The Group’s proven ability to generate sales and to service its customers efficiently and to grow new markets for the automobile manufacturers with whom the Group deal with helps strengthen the on-going relationships with these manufacturers and provides the Group with credibility to attract new manufacturers and apply for dealerships selling their brands when such expansion is strategically desirable.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

The Group has developed environmental protection measures and policies to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust etc. in the course of production or other activities in accordance with the applicable environmental laws and regulations.

The Group understands that a better future depends on everyone’s participation and contribution. It has encouraged all employees to participate in environmental activities which benefit the community.

Please also refer to the Company’s Environmental, Social and Governance (“**ESG**”) Report the Group’s environmental policies and performance and its compliance with the relevant laws and regulations in the environmental and social aspects during the Year.

## REPORT OF THE DIRECTORS

### COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on its business and operation during the Year.

### RESULTS AND FINAL DIVIDEND

The results of the Group for the Year and the state of affairs of the Group as at the end of the Year are set out in the consolidated financial statements on pages 68 to 176 of this Annual Report.

The Board recommended the payment of a final cash dividend of RMB0.0445 per Share for the Year (2023: RMB0.0330 per Share) to the Shareholders whose names are on the register of members of the Company on 20 June 2025 (Friday) (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 the 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 ("**Article of Association**") 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 Annual Report, 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 27 August 2025 (Wednesday).

Please also refer to the Company's announcement dated 26 March 2025 and the notice of AGM for further information about the arrangements on closure of register of members in order to be entitled to attend the AGM, and to the final dividend, respectively.

There is no arrangement that a shareholder has waived or agreed to waive any dividend so far as the Company is aware of.

### RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity set out on page 72 of this Annual Report.

The Company's reserves available for distribution to the Shareholders as at 31 December 2024 amounted to RMB689,102,000 (31 December 2023: RMB2,706,060,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

## REPORT OF THE DIRECTORS

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2024 is set out on page 177 of this Annual Report.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the ESG information in accordance with the ESG Reporting Code in Appendix C2 to the Listing Rules, the Company has engaged an external consultant to identify material ESG issues of the Group and assist in the reporting of the Group's performance based on its ESG management approach, strategy, priorities and objective. The ESG report has been published on the websites of the Company and the Stock Exchange on the same date as this Annual Report.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the Year are set out in note 12 to the consolidated financial statements.

### TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

### SHARE CAPITAL

Details of the movement in the share capital of the Company during the Year are set out in note 29(c) to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### DIRECTORS

The Directors during the Year and up to the date of this Annual Report were as follows:

#### Executive Directors

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

#### Independent Non-Executive Directors

Mr. CHEN Guiyi  
Mr. TO Siu Lun  
Mr. WANG, Michael Chou

The biographical details of the Directors and senior management of the Company are set out on pages 17 to 21 of this Annual Report.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

#### Directors' Service Contracts

The Company has entered into letter of appointment with each of its executive Directors and its non-executive Directors, whose term of service shall continue unless and until terminated by either party by giving not less than three months' notice in writing to the other party, and subject to rotation and re-election pursuant to the Company's Articles of Association.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## REPORT OF THE DIRECTORS

### Directors' Remuneration

Details of emoluments of the Directors are set out in note 8 to the consolidated financial statements.

Mr. TO Siu Lun is entitled to a director's fee of HK\$180,000 per annum, and each of Mr. CHEN Guiyi and Mr. WANG, Michael Chou is entitled to a director's fee of HK\$100,000 per annum pursuant to their respective letter of appointment. Save for Director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Resolutions will be proposed at the AGM for the Shareholders to consider authorising the Board to fix the Directors' remuneration. Directors' emoluments are determined by the Board with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities, individual qualification and experience, comparable market statistics and the Company's operating results. There is no arrangement under which a Director has waived or agreed to waive any emoluments. Please also refer to the paragraph headed "Emolument Policy" below.

### Interests in Contracts

Other than as disclosed in this Annual Report (including note 32 to the consolidated financial statements in this Annual Report), at the end of, or at any time during the Year, (i) no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted, (ii) no contract of significance between the Company or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries subsisted, and (iii) no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted.

### Competing Business

Save as disclosed in this Annual Report, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests in any business (apart from the Group's business), which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Year and up to the date of this Annual Report.

### Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2024, the interests and short positions of the Directors and chief executive in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:



## REPORT OF THE DIRECTORS

### Long Positions or Short Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Interest in Shares (Long position)	Interest in underlying Shares pursuant to share options <sup>(3)</sup>	Approximate percentage of shareholding <sup>(2)</sup>
YE Fan <sup>(1)</sup>	Interest of controlled corporation	703,916,000	–	52.29%
YE Tao	Beneficial owner	2,000,000	2,000,000	0.30%
LUO Liuyu	Beneficial owner	48,000	415,000	0.03%
CHEN Guiyi	Beneficial owner	750,000	250,000	0.07%
WANG Michael Chou	Beneficial owner	188,000	500,000	0.05%

Note:

- (1) Mr. YE Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited ("**Apex Holdings**") is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited ("**Apex Sail**"). Apex Sail directly holds 703,916,000 Shares as of 31 December 2024. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares held by Apex Sail.
- (2) The percentage is calculated based on the total number of issued shares as at 31 December 2024, being 1,346,247,201.
- (3) Representing the Directors' interests in share options granted by the Company. More information is set out in "Share Option Scheme" below.

### Directors' Rights to Acquire Shares

Save for share options granted by the Company to certain Directors under the Company's share option scheme (the "**SOS**" or "**Share Option Scheme**", as further detailed in "Share Option Scheme" below), as of 31 December 2024, none of the Directors and chief executives had any interests or short positions in the shares, or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Arrangements to Purchase Shares or Debentures

Other than the SOS, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement whose objects are (or one of whose objects is) to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2024, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following Shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
<b>Substantial Shareholders</b>			
Apex Sail <sup>(2)</sup>	Beneficial owner	703,916,000 (L)	52.29%
Apex Holdings <sup>(2)</sup>	Interest in a controlled corporation	703,916,000 (L)	52.29%
IQ EQ (Switzerland) Limited <sup>(2)</sup>	Trustee	703,916,000 (L)	52.29%
HU Huanran <sup>(3)</sup>	Interest of spouse	703,916,000 (L)	52.29%
<b>Other persons</b>			
FIL Limited <sup>(4)</sup>	Interest of controlled corporation	121,146,000 (L)	9.00%
Pandanus Partners L.P. <sup>(4)</sup>	Interest of controlled corporation	121,146,000 (L)	9.00%
Pandanus Associates Inc. <sup>(4)</sup>	Interest of controlled corporation	121,146,000 (L)	9.00%
Fidelity Funds	Beneficial owner	94,140,000 (L)	6.99%
Brown Brothers Harriman & Co.	Approved lending agent	80,262,708 (L)	5.96%
		80,262,708 (P)	5.96%
Aikya Investment Management Limited	Investment manager	70,424,150 (L)	5.23%

*Notes:*

- (1) The percentage is calculated based on the total Shares in issue as at 31 December 2024, being 1,346,247,201. (L) denotes long position, (P) denotes lending pool.
- (2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by IQ EQ (Switzerland) Limited as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. YE Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.
- (3) Mr. YE Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail. Mr. YE Fan's spouse, Ms. HU Huanran, is deemed to be interested in such shareholding interests of Mr. YE Fan by virtue of the SFO.
- (4) Based on the notification provided to the Company:

Pandanus Associates Inc. 100%-controlled Pandanus Partners L.P., who in turn, controlled 41% of FIL Limited (with indirect interest in 121,146,000 Shares).

FIL Limited 100%-controlled FIL Asia Holdings Pte Limited ("**FIL Asia**", with indirect interest in 1,170,000 Shares). FIL Asia, in turn, controlled 59% and 41% of FIL Asset Management (Korea) Limited (with indirect interest in 1,040,000 Shares). FIL Asia also controlled 100% of FIL Japan Holdings KK (who 100%-controlled FIL Investments (Japan) Limited (with indirect interest in 130,000 Shares)). FIL Limited 100%-controlled FIL Financial Services Holdings Limited ("**FIL-FSHL**", with indirect interest in 121,146,000 Shares). FIL-FSHL 100%-controlled FIL Responsible Entity (Australia) Limited (with indirect interest in 370,000 Shares). FIL-FSHL 100%-controlled FIL Investment Management (Singapore) Limited (with direct interest in 105,286,000 Shares and indirect interest in 346,000 Shares). FIL-FSHL 100%-controlled FIL Fund Management Limited (with indirect interest in 93,274,000 Shares). FIL-FSHL 100%-controlled FIL Holdings (UK) Limited ("**FIL-UK**") (with indirect interest in 26,116,000 Shares). FIL-UK 100% controls FIL Investment Services (UK) Limited ("**FIL Investment**", who in turn, had indirect interest in 10,256,000 Shares and direct interest in 15,860,000 Shares). FIL-UK 100%-controlled FIL Investments International (with indirect interest in 8,966,000 Shares). FIL-FSHL 82%-controlled 483A Bay Street Holdings LP (with indirect interest in 216,000 Shares). 483A Bay Street Holdings LP 100%-controlled Fidelity Canada Holdings (UK) Limited, which in turn, 100%-controlled Fidelity Investments Canada ULC (with indirect interest in 216,000 Shares). FIL-FSHL 100%-controlled FIL Investment Management (Hong Kong) Limited, with direct interest in 33,326,000 Shares. FIL Limited 100%-controlled FIL Holdings (Luxembourg) S.A., which in turn 100%-controlled FIL Investment Management (Luxembourg) S.A., with indirect interest in 93,274,000 Shares).

## REPORT OF THE DIRECTORS

Save for the Shareholders as disclosed herein, the Company had not been notified of any substantial shareholder or other person (other than the Directors and chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded as at 31 December 2024 in the register to be kept by the Company under Section 336 of the SFO or was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

### SHARE OPTION SCHEME

The Company adopted the SOS with the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The SOS, with its broadened basis of participation, was adopted to enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

Pursuant to the SOS, the Company may, at their discretion, invite full-time or part-time employees of the Group, including Directors and subsidiaries of the Company, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares. The exercise price of the share option will be determined by the Board but in any event cannot fall below the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS lapsed in November 2023. No further share options would therefore be granted thereunder. The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the date of the listing of the Company on 5 December 2013 (the “**Listing Date**”) without prior approval from the Shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 21 days of the date of grant, upon payment of HK\$1.00 per grant.

During the Year, no options were granted by the Company. The number of shares that may be issued in respect of options and awards, if any, granted under all schemes of the issuer during the Year divided by the weighted average total issued share capital of the Company for the Year was nil.

## REPORT OF THE DIRECTORS

Further information of the outstanding Options under the Share Option Scheme during the Year is set out below:

Name of grantees	Date of grant	Exercise price (HK\$)	Outstanding as of	During the Year				Outstanding as of	Exercise period
			1 January 2024	Granted	Exercised (Relevant closing price <sup>3</sup> )	Cancelled	Lapsed	31 December 2024	
Directors									
YE Tao	04.01.2018	2.58	500,000	—	—	—	—	500,000	04.01.2018–03.01.2028
		2.58	500,000	—	—	—	—	500,000	04.01.2019–03.01.2028
		2.58	500,000	—	—	—	—	500,000	04.01.2020–03.01.2028
		2.58	500,000	—	—	—	—	500,000	04.01.2021–03.01.2028
LUO Liuyu	04.01.2018	2.58	75,000	—	—	—	—	75,000	04.01.2021–03.01.2028
		18.07.2019	6.00	42,500	—	—	—	—	42,500
	25.05.2022	6.00	57,500	—	—	—	—	57,500	18.07.2022–17.07.2029
		26.20	60,000	—	—	—	—	60,000	25.05.2022–24.05.2032
		26.20	60,000	—	—	—	—	60,000	25.05.2023–24.05.2032
		26.20	60,000	—	—	—	—	60,000	25.05.2024–24.05.2032
		26.20	60,000	—	—	—	—	60,000	25.05.2025–24.05.2032
		26.20	60,000	—	—	—	—	60,000	25.05.2026–24.05.2032
CHEN Guiyi	18.07.2019	6.00	250,000	—	—	—	—	250,000	18.07.2022–17.07.2029
WANG Michael Chou	18.07.2019	6.00	250,000	—	—	—	—	250,000	18.07.2021–17.07.2029
		6.00	250,000	—	—	—	—	250,000	18.07.2022–17.07.2029
Subtotal			3,165,000	—	—	—	—	3,165,000	

## REPORT OF THE DIRECTORS

Name of grantees	Date of grant	Exercise price (HK\$)	Outstanding as of	During the Year				Outstanding as of	Exercise period
			1 January 2024	Granted	Exercised (Relevant closing price <sup>3</sup> )	Cancelled	Lapsed	31 December 2024	
Employees									
Employee(s) who is/ are five highest paid individual(s) (not being Director or chief executive of the Company)	04.01.2018	2.58	75,000	-	-	-	-	75,000	04.01.2018-03.01.2028
		2.58	157,500	-	-	-	-	157,500	04.01.2019-03.01.2028
		2.58	157,500	-	-	-	-	157,500	04.01.2020-03.01.2028
		2.58	157,500	-	-	-	-	157,500	04.01.2021-03.01.2028
	18.07.2019	6.00	288,750	-	-	-	-	288,750	18.07.2019-03.01.2029
		6.00	303,750	-	-	-	-	303,750	18.07.2020-03.01.2029
		6.00	303,750	-	-	-	-	303,750	18.07.2021-03.01.2029
		6.00	303,750	-	-	-	-	303,750	18.07.2022-03.01.2029
	25.05.2022	26.20	112,500	-	-	-	-	112,500	25.05.2022-24.05.2032
		26.20	112,500	-	-	-	-	112,500	25.05.2023-24.05.2032
		26.20	112,500	-	-	-	-	112,500	25.05.2024-24.05.2032
		26.20	112,500	-	-	-	-	112,500	25.05.2025-24.05.2032
Other senior management (Not being a Director, chief executive or five highest paid individuals)	25.05.2022	26.20	60,000	-	-	-	-	60,000	25.05.2022-24.05.2032
		26.20	60,000	-	-	-	-	60,000	25.05.2023-24.05.2032
		26.20	60,000	-	-	-	-	60,000	25.05.2024-24.05.2032
		26.20	60,000	-	-	-	-	60,000	25.05.2025-24.05.2032

## REPORT OF THE DIRECTORS

Name of grantees	Date of grant	Exercise price (HK\$)	Outstanding as of	During the Year				Outstanding as of	Exercise period
			1 January 2024	Granted	Exercised (Relevant closing price <sup>3</sup> )	Cancelled	Lapsed	31 December 2024	
Other employees	04.01.2018	2.58	75,000	-	-	-	-	75,000	04.01.2020-03.01.2028
		2.58	192,500	-	-	-	(75,000)	117,500	04.01.2021-03.01.2028
	18.07.2019	6.00	298,750	-	-	-	(250,000)	48,750	18.07.2019-17.07.2029
		6.00	311,250	-	-	-	(262,500)	48,750	18.07.2020-17.07.2029
		6.00	426,250	-	-	-	(262,500)	163,750	18.07.2021-17.07.2029
		6.00	437,500	-	-	-	(262,500)	175,000	18.07.2022-17.07.2029
	16.01.2020	10.80	362,500	-	-	-	(362,500)	-	16.01.2020-15.01.2030
		10.80	437,500	-	-	-	(380,500)	57,500	16.01.2021-15.01.2030
		10.80	452,500	-	-	-	(392,500)	60,000	16.01.2022-15.01.2030
		10.80	445,000	-	-	-	(380,000)	65,000	16.01.2023-15.01.2030
	25.05.2022	26.20	1,658,000	-	-	-	(125,000)	1,533,000	25.05.2022-24.05.2032
		26.20	1,658,000	-	-	-	(125,000)	1,533,000	25.05.2023-24.05.2032
		26.20	1,658,000	-	-	-	(125,000)	1,533,000	25.05.2024-24.05.2032
		26.20	1,658,000	-	-	-	(125,000)	1,533,000	25.05.2025-24.05.2032
Subtotal			10,310,750	-	-	-	(3,127,500)	7,183,250	
(All employees, not being a director, senior management or five highest paid individual)									
Total			15,605,750 <sup>4</sup>	-	-	-	(3,127,500)	12,478,250 <sup>5</sup>	

## Notes:

1. The term of the Share Option Scheme ended prior to the Year, and no further Options were available for grant thereunder throughout the Year.
2. A consideration of HK\$1 was payable by each grantee upon acceptance of the Option.

## REPORT OF THE DIRECTORS

3. The Options are subject to a vesting period from the date of grant to the date immediately before the commencement of the exercise period. The vesting period and exercise period is also subject to earlier cancellation, lapse or termination in accordance with the Share Option Scheme.
4. Representing approximately 1.16% of the total issued Shares as of the beginning of the Year.
5. Representing approximately 0.93% of the total issued Shares as of end of the Year.

## CONNECTED TRANSACTIONS

There were no significant connected transactions which are not fully exempt under Chapter 14A of the Listing Rules during the Year.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 32 to the consolidated financial statements. All the related party transactions as disclosed in such note did not constitute connected transactions or continuing connected transactions of the Company which are subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The disclosure requirements under Chapter 14A of the Listing Rules is therefore not applicable to such related party transactions.

## UPDATE ON DIRECTORS' INFORMATION

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. TO Siu Lun, an independent non-executive Director, ceased to be an independent non-executive director of Autotoll Limited and China Bright Culture Group (a company previously listed on the Main Board of the Stock Exchange) on 1 October 2024 and on 24 January 2025, respectively.

Mr. CHEN Guiyi, an independent non-executive Director, has been appointed as an independent non-executive director of Luckin Coffee Inc., a leading coffee provider in China (OTC: LKNCY) on 30 October 2024.



## REPORT OF THE DIRECTORS

### NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Non-Compete Undertakings dated 13 November 2013 (the “**Non-Compete Undertakings**”) for the Year. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

### BORROWINGS

Particulars of borrowings of the Group as at 31 December 2024 are set out in note 23 to the consolidated financial statements.

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%).

### DONATIONS

During the Year, the Group did not make charitable and other donations.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Shares in issue as required under the Listing Rules during the Year and as of the date of this Annual Report.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for approximately 0.06% of the total revenue, and sales to the largest customer accounted for approximately 0.02% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 96.77% of its operating costs for the Year. Purchases from the largest supplier accounted for about 33.9% of its operating costs for the Year. None of the Directors, their close associates, or any Shareholder (who to the knowledge of the Directors owned more than 5% of the Company's issued Shares (excluding treasury shares)) had any interest in the Group's five largest customers or suppliers.

## REPORT OF THE DIRECTORS

### MANAGEMENT CONTRACTS

No contract (not being a contract of service with a director or full-time employee of the Group) concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

### EQUITY-LINKED AGREEMENTS

For the Year, save as disclosed in this Annual Report, the Company has not entered into any equity-linked agreement.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this Annual Report, 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 Annual Report.

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

### EMOLUMENT POLICY

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). Employees' remuneration is determined with regard principally to individual duties, responsibilities, qualification and experience, performance and comparable market data. In addition to offering competitive remuneration packages to employee, discretionary bonuses, retirement scheme contribution and share incentive may also be granted to eligible employees based on individual performance. The Group's contributions made to the defined contribution retirement scheme are non-refundable, and forfeited contributions cannot be used by the employer to reduce the existing level of contribution. See also note 6(iii) to the consolidated financial statements in this Annual Report for more information about the Group's contribution to the retirement scheme.

## REPORT OF THE DIRECTORS

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group. The Group attached great importance to talent retention and cultivation, and paid attention to mutual progress between employees and the Group. The Group determines career development intentions with employees and formulates vocational development schemes for them. The Group also arranges tutors to guide employees in their career development, to deal with the training, review and promotion matters for employees, enabling employees to develop solidly and steadily in their careers.

The Remuneration Committee, having regard to the Company's operating results, individual duties, responsibilities, performance, qualification and experience and comparable market statistics, makes recommendations to the Board on the emoluments of the Directors and senior management. No Director, or any of his/her close associates, and executive, is involved in dealing with his/her own remuneration.

More information about the Share Option Scheme as an incentive to Directors and eligible employees, is set out in note 27 to the consolidated financial statements and in "Share Option Scheme" above.

### PERMITTED DIRECTORS' INDEMNITY

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. During the Year, the Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company.

### CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions as set out in Part 2 of the Corporate Governance Code as contained in Appendix C1 to the Listing Rules (the "**Code**") in force during the Year. Details of the corporate governance of the Group are set out in the "Corporate Governance Report" in this Annual Report.

### SIGNIFICANT LEGAL PROCEEDINGS

During the Year, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company save as disclosed in this Annual Report.

## REPORT OF THE DIRECTORS

### STATUS ON USE OF PROCEEDS

Information about the Company's use of proceeds from allotment in the prior year is set out in "Management Discussion and Analysis – Use of proceeds from placing and subscription". Such content forms part of this Report of the Directors.

### IMPORTANT EVENTS AFTER END OF YEAR

Particulars of important events affecting the Group that have occurred since the end of the Year are provided in note 34 to the consolidated financial statements.

### AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2024 have been audited by KPMG, the Company's external auditors (the "**Auditors**"). A resolution will be proposed at the AGM to re-appoint KPMG as the Auditors.

On behalf of the Board

**YE Fan**

*Chairman*

Hong Kong, 26 March 2025

# CORPORATE GOVERNANCE REPORT

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve the Company's long-term objective of continuing prosperity and to act in the best interests of the Company and its Shareholders as a whole in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the core of the Company's corporate governance culture and practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of the Shareholders and stakeholders, and enhance Shareholders' value.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code as its own code on corporate governance practices. The principles of the Code were applied in general to the corporate governance structure and practices of the Group. The Company has taken various measures to cope with the latest development in the corporate governance regime and apply corporate policies and procedures based on the principles of the Code with reference to the Company's own individuality.

The Company has complied with the applicable code provisions as set out in Part 2 of the Code in force during the Year. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

## BOARD OF DIRECTORS

### Composition of the Board

As at the date of this Annual Report, the Board comprises six members as follows:

#### Executive Directors

Mr. YE Fan (*Chairman*)

Mr. YE Tao (*Chief Executive Officer*)

Ms. LUO Liuyu

#### Independent Non-executive Directors

Mr. CHEN Guiyi

Mr. TO Siu Lun

Mr. WANG, Michael Chou

## CORPORATE GOVERNANCE REPORT

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 17 to 21 of this Annual Report.

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. Details of the directors' indemnity are provided on page 37 of this Annual Report. The insurance coverage is reviewed on an annual basis.

Each independent non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules that he is independent of the Company. The Nominations Committee and the Board have reviewed these confirmations and assessed the independence of the independent non-executive Directors and continue to consider each of them to be independent. Except for the family relationship between Mr. YE Fan and Mr. YE Tao as disclosed in the biographical details on pages 17 to 18 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

The independent non-executive Directors are expressly identified in all corporate communications published pursuant to the Listing Rules.

Directors are appointed for a service term which shall continue until terminated by three month's notice as set out in his/her letter of appointment, subject to the Company's Articles of Association and applicable laws, rules and regulations relating to matters such as rotation, retirement and termination. See also "Report of the Directors – Board of Directors" in this Annual Report regarding the Directors' service term.

Pursuant to the Articles of Association, at least one-third of the Directors shall retire from office but are eligible for re-election by the Shareholders at each annual general meeting of the Company and each Director shall retire on a rotational basis at least once every three years. More information about the Directors proposed for re-election in the forthcoming annual general meeting is set out in the Company's circular issued with this Annual Report.

During the Year, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the requirement of having independent non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

### Functions of the Board

The Board, headed by the chairman of the Board (the "**Chairman**"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

## CORPORATE GOVERNANCE REPORT

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board. In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

The Articles of Association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.

### BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the “**Board Diversity Policy**”) which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

As at the date of this Annual Report, the Board comprises six Directors, one of whom is female. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business, and allowed opinion from different gender and background be heard and discussed, and Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company. The Board targets to maintain the current level of at least one female representation on the Board. The Board will continue review its structure to ensure it suits the requirement of its business and support the development of the Group. If situation evolves and the Board determines that an additional or replacement Director is required to achieve gender diversity or to suits the business requirements and support the development of the Group, the Company will deploy multiple channels for identifying suitable director candidates, including without limitation, referral from management, shareholders and advisors of the Company, or internal promotion, with regards to the range of diversity perspectives set forth in the Board Diversity Policy.



## CORPORATE GOVERNANCE REPORT

### NOMINATION POLICY

The Company has adopted a nomination policy, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

### DIVIDEND POLICY

The Company has adopted a dividend policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

- (a) the Company's current and future operations, actual and expected financial performance;
- (b) any corporate development plans;
- (c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;
- (d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;
- (e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;
- (f) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- (h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Functions

The Board is responsible for performing corporate governance functions set out in code provision A.2.1 of Part 2 of the Code, which includes:

- (a) developing and reviewing the Company's policies and practices on corporate governance;
- (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- (e) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Board and the committees are provided with sufficient resources to discharge their duties including, retention of independent professional advisers, if necessary, at the cost of the Company, to provide advice on any specific matter. The Board reviews its corporate governance duties and the terms of reference of its board committees at least annually.

## CORPORATE GOVERNANCE REPORT

### Directors' Training and Continuous Professional Development

The Company provides each newly appointed Director necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are briefed from time to time on the latest development and on the amendments to or updates on the relevant laws, rules and regulations related to the Group's operating environment and listing status. In addition, the Company encourages its Directors and management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, company laws and corporate governance practices organized by professional bodies so that they can continuously update and further improve their relevant knowledge and skills.

According to the records provided by the Directors, a summary of training received by the Directors during the Year are as follows:

Name of Directors	Attending seminars	Reading the seminar materials prepared by professional bodies
<b>Executive Directors</b>		
Mr. YE Fan		✓
Mr. YE Tao		✓
Ms. LUO Liuyu		✓
<b>Independent Non-executive Directors</b>		
Mr. CHEN Guiyi	✓	✓
Mr. TO Siu Lun	✓	✓
Mr. WANG, Michael Chou	✓	✓

## CORPORATE GOVERNANCE REPORT

### Board Meetings

Code provision C.5.1 of the Code prescribes that at least four regular board meetings should be held in each year at approximately quarterly intervals with active participation of majority of Directors, either in person or through electronic means of communication. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles of Association and the Code.

During the Year, four Board meetings were held. Details of individual attendance of each of the Directors are set out below:

Name of Directors	Attendance/ Number of meetings eligible to attend
<b>Executive Directors</b>	
Mr. YE Fan	4/4
Mr. YE Tao	4/4
Ms. LUO Liuyu	4/4
<b>Independent Non-executive Directors</b>	
Mr. CHEN Guiyi	4/4
Mr. TO Siu Lun	4/4
Mr. WANG, Michael Chou	4/4

Apart from the regular Board meetings, the Chairman has also met with independent non-executive Directors without the presence of other Directors during the Year.

## CORPORATE GOVERNANCE REPORT

### Board Process

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquiries if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial Shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

### Chairman and Chief Executive Officer

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Chairman is Mr. YE Fan; and the chief executive officer of the Company (the "**Chief Executive Officer**") is Mr. YE Tao. The roles of Chairman and Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by other executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all the Directors fully informed of all major business developments and issues.

## CORPORATE GOVERNANCE REPORT

### Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

### The Board and the Management

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management staff under the supervision of the Board and its committees. The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval, such as policy matters, strategies and budgets, internal control and risk management, material transactions (in particular, transactions that may involve conflict of interests), approval of financial results, decision on dividend distribution, the setting of budget and dividend policy, matters relating to the Company's share capital, appointment of Directors and other significant operational matters of the Company. The management reports to, and is accountable to, the Board. Decisions of the Board are communicated to the management through, among others, executive Directors who have attended the board meetings.

## CORPORATE GOVERNANCE REPORT

### BOARD COMMITTEES

The Company has set up a number of committees of the Board, including the Remuneration Committee, the and the Nomination Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

#### Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. WANG, Michael Chou, Mr. TO Siu Lun and Mr. CHEN Guiyi.

The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The main roles and functions of the Remuneration Committee are sets out in the terms of reference, which include, among other things to make recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management, to make recommendations to the Board on the remuneration packages of individual Director executive Directors and senior management under the model described in code provision E.1.2(c)(ii) of Part 2 of the Code; to make recommendations to the Board on the remuneration of non-executive Directors; to review and approve the compensation payable to Directors and senior management in the event of loss or termination of office, dismissal or removal, and to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the Year with individual attendance as follows:

<b>Members of the Remuneration Committee</b>	<b>Attendance/ Number of meeting held</b>
Mr. WANG, Michael Chou ( <i>Chairman</i> )	1/1
Mr. CHEN Guiyi	1/1
Mr. TO Siu Lun	1/1



## CORPORATE GOVERNANCE REPORT

The Group remunerates its employees based on their individual performance, job nature and responsibilities. The Group also provides training and various benefits to its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment to maximize their potential and contribution to the Group.

Please also refer to the section headed “Management Discussion and Analysis” and the “Report of the Directors” for more information about the Directors’ remuneration policy.

During the Year, the Remuneration Committee performed their functions as set out in the terms of reference. They, among other things, reviewed the Company’s remuneration policy and structure (including reviewing and/or approving matters relating to share incentive and scheme), and assessed performance of individual executive Directors, reviewed and approved service terms of executive Directors and senior management, and made recommendation to the Board regarding the remuneration package of Directors, and senior management with reference to the Company’s remuneration policy.

### Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. CHEN Guiyi, Mr. WANG, Michael Chou and Mr. TO Siu Lun. Mr. TO Siu Lun possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company’s external auditor.

The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee reports directly to the Board. The main roles and functions of the Audit Committee are sets out in the terms of reference, which includes, without limitation: reviewing the Company’s financial information, overseeing the Group financial reporting system, risk management and internal control system, reviewing and monitoring the Group’s corporate governance functions, and to make recommendation on matters relating to the appointment/removal of external auditors and monitoring their independence and scope of audit.

The Audit Committee meets regularly with the Auditors to discuss various accounting issues, and reviews the effectiveness of internal controls and risk management systems.

## CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the Year with individual attendance as follows:

<b>Members of the Audit Committee</b>	<b>Attendance/ Number of meetings held</b>
Mr. TO Siu Lun ( <i>Chairman</i> )	2/2
Mr. CHEN Guiyi	2/2
Mr. WANG, Michael Chou	2/2

During the Year, the Audit Committee performed its functions according to the terms of references and other applicable duties under the Code. They have, among other things, reviewed the financial information of the Group (including its annual and interim results), the financial reporting, risk management and internal control system and certain other policies and procedures of the Group, the effectiveness of the Group's internal audit function, the Group's regulatory and statutory compliance, the external auditors work and independence, significant accounting and audit issue, made recommendation to the Group on auditors' re-appointment, and other work required to be performed under the Articles of Association, and/or the Listing Rules.

The Audit Committee has reviewed the annual results for the Year and this Annual Report.

### Nomination Committee

The Nomination Committee comprises one executive Director, Mr. YE Fan and two independent non-executive Directors, Mr. WANG, Michael Chou, and Mr. TO Siu Lun.

The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

## CORPORATE GOVERNANCE REPORT

The Nomination Committee's responsibilities are set out in its written terms of reference, which include, among other things, maintaining a nomination policy and procedures regarding candidates for directorship; reviewing the Board's composition, structure, size, and diversity; assessing independence of independent non-executive Directors; making recommendation to the Board on various matters relating to Board directorship, policy and succession planning, with a view to complement the Company's corporate value and strategy.

During the Year, the Nomination Committee performed its functions as required under the terms of references, among others, it examined the structure, size, composition and diversity (including gender and other diversity aspects) of the Board, and made recommendations the Board to ensure the Board has the necessary expertise, skills and experience required to meet the Company's business objective. It also reviewed the performance of the retiring Directors, the independence of all independent non-executive Directors, and made recommendations to the Board on their re-election; and reviewed the nomination policy of Directors, the Board Diversity Policy and their implementation, and measurable objectives fitting the Company's individuality. During the Year, the Nomination Committee assisted the Board with respect to the re-election of Directors. In reaching its recommendation to the Board, the Nomination Committee considered a range of different factors, such as: the individual merits and commitment, the need. balance, structure and size of the Board, as well as other diversity aspects in accordance with the Group's policies (e.g. nomination policy and Board diversity policy) and corporate goal.

The Nomination Committee held one meeting during the Year with individual attendance as follows:

<b>Members of the Nomination Committee</b>	<b>Attendance/ Number of meeting held</b>
Mr. YE Fan ( <i>Chairman</i> )	1/1
Mr. TO Siu Lun	1/1
Mr. WANG, Michael Chou	1/1

## CORPORATE GOVERNANCE REPORT

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 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 they have complied with the required standards set out in the Model Code throughout the Year.

### EXTERNAL AUDITOR

The Auditors is KPMG, a Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance. KPMG provided services in respect of the audit of Company’s consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the Year. KPMG also reviewed the 2024 unaudited interim financial report of the Group prepared in accordance with Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the HKICPA.

During the Year, total fees charged by KPMG in respect of audit services amounted to RMB6,150,000, including interim review of the financial report of the Company for the six months ended 30 June 2024. No non-audit service fees were charged by KPMG during the Year.

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor’s Report on pages 58 to 67 of this Annual Report.

There were no changes in the Company’s auditors in the three years preceding the date of this Annual Report.

### DIRECTORS’ RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

### GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

## CORPORATE GOVERNANCE REPORT

### EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the Company's risk management and internal control systems and for reviewing its effectiveness on an ongoing basis. The Group's internal audit department and senior management conduct reviews of the effectiveness of the risk management and internal control systems of the Group. The Audit Committee reviews the findings and recommendations of the internal audit department and the senior management in their meetings held at least twice a year and reports to the Board on such review.

The key feature of the Group's risk management and internal control systems is to effectively identify and evaluate emerging risks and risk changes both quantitatively and qualitatively, and to promptly manage such risks with appropriate responses and mitigation strategies.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

The Company has developed and adopted various risk management guidelines and procedures with defined authority for implementation. Such guidelines and procedures cover, including but not limited to, policy on securities trading, safety control system for production and fire, methods of prevention from occupational disease, guidelines on the use of office seal, policy on confidential control (as updated and amended from time to time), policy on employees' external training, guidelines regarding information management and transition.

In respect of the Year, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. The Board conducts such review at least once every year.

The Company has also developed its disclosure policy to guide the Company's Directors, officers, senior management and relevant employees to handle confidential information, monitor information disclosure and respond to enquiries. Monitoring and control procedures have been implemented to prohibit the unauthorised access and use of inside information.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence and anonymity, concerns about improprieties (such as criminal offences or financial impropriety) or other matters of the Company.

## CORPORATE GOVERNANCE REPORT

The Company has in place written measures and procedures on guiding Directors, officers and relevant employees regarding securities dealing restrictions and handling of confidential and inside information.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Year.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

## COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and Mr. WONG Cheung Ki Johnny was the Company Secretary during the Year. The primary contact person in the Company for the external company secretary in relation to corporate secretarial matters is Ms. YUAN Ying, the Company's Financial Controller. Mr. Wong has confirmed his compliance with the relevant training requirement under Rule 3.29 of the Listing Rules for the Year. With effect from 18 February 2025, Ms. CHAN Charmayne was appointed as the Company Secretary in place of Mr. Wong whose resignation became effective on the same date.

## SENIOR MANAGEMENT EMOLUMENTS BY BAND

The emoluments to members of senior management during the Year fell within the following band(s):

Emoluments	Number of individuals
RMB1,000,001 to RMB1,500,000	3

## STAFF DIVERSITY

The Group had a workforce of 3,706 employees as at 31 December 2024. Among them, approximately 42.2% of the workforce (including senior management) were female, and 66.7% of the Group's senior management positions (excluding Directors) were held by female. The Group considers the total diversity (including gender diversity) of the Group is balanced as a whole and intends to maintain a similar level of gender diversity of the overall workforce, and will continue to promote diversity through training programs, employee networks, equitable hiring and recruitment practices.

## CORPORATE GOVERNANCE REPORT

### MECHANISM FOR ENSURING INDEPENDENT VIEWS AND INPUT

Mechanism is available for ensuring independent views and input are available to the Board. The Board currently comprises three independent non-executive Directors. They have full and timely access to the Group's information, and are entitled to seek advice from the company secretary as well as independent professional advisers at the Company's expenses in appropriate circumstances. Supported also by the Company's conflict management and other internal control measures, these independent non-executive Directors provide balance in the Board, bring in views and opinions independent of the executive Directors and the management, and oversee the Group's operation and corporate action. The Board and the Nomination Committee review, at least once every year, the Company's governance structure and such mechanism. Periodic review and evaluations are also being conducted to assess the Board and management's performance, monitoring and enhancing the effectiveness of the Company's governance structure and mechanism.

### CONSTITUTIONAL DOCUMENTS

A copy of the consolidated version of the memorandum of association and articles of association of the Company is posted on the websites of the Company and the Stock Exchange. There were no significant changes in the Company's constitutional documents in the Year.

### COMMUNICATION WITH SHAREHOLDERS

The Directors are aware of the importance of maintaining good relations and communications with the Shareholders. The Board established a Shareholders' Communication Policy setting out the principles of the Company in relation to Shareholders' communications, with the objective of ensuring that its communication with the Shareholders are timely and accurate.

The Company uses a range of communication tools, such as general meetings, annual and interim reports, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at [www.meidongauto.com](http://www.meidongauto.com) which serves as a forum for corporate communications with the Shareholders and the general public. Corporate communications required under the Listing Rules are displayed and archived on the Company's website and there are established procedures to ensure timely update in compliance with the Listing Rules.



## CORPORATE GOVERNANCE REPORT

The Company holds annual general meeting (and other general meeting if the circumstances require), providing shareholders with opportunities to exercise their right to speak and communicate with the Company's chief executive, representatives of the Board and Board committee, members of senior management. Notices and circular are being published prior to the general meetings with information and disclosure no less than required according to the Company's Articles of Association and the Listing Rules prior to the meetings to provide information to the Shareholders.

During the Year, one general meeting (i.e. the AGM) was held, details of individual attendance of each of the Directors are as follows:

Name of Directors	Attendance/ General meeting held
<b>Executive Directors</b>	
Mr. YE Fan ( <i>Chairman</i> )	1/1
Mr. YE Tao ( <i>Chief Executive Officer</i> )	1/1
Ms. LUO Liuyu	1/1
<b>Independent Non-executive Directors</b>	
Mr. CHEN Guiyi	1/1
Mr. WANG, Michael Chou	1/1
Mr. TO Siu Lun	1/1

Having reviewed the implementation and effectiveness of different channels of communication available to the Shareholders, and with reference to the Shareholders' participation and feedbacks in meetings and corporate activities, the Company considered that the Shareholders' Communication Policy to be effective during the Year.

## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

#### Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Articles of Association, an extraordinary general meeting (“**EGM**”) may be convened by the Directors and resolution shall be added to the meeting agenda on the requisition of one or more Shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary for the purpose of requiring an EGM to be called by the Directors for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

#### Making Enquiries to the Board

Shareholders may send written enquiries to the Board, either by post or by facsimiles, together with his/her/its contact details, such as postal address or fax, addressing to the office of the Company at Room 2404, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or facsimile number (852) 2668 5798.

#### Publication of ESG Report

The ESG Report, setting out more information about ESG matters related to the Group and information pursuant to Appendix C2 to the Listing Rules, is available on the Company's website at [www.meidongauto.com](http://www.meidongauto.com) under the “Investor Relations” section; or the Hong Kong Exchanges and Clearing Limited's website at [www.hkexnews.hk](http://www.hkexnews.hk).

# INDEPENDENT AUDITOR'S REPORT



**Independent auditor's report to the shareholders of China MeiDong Auto Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of China MeiDong Auto Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 68 to 176, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (“**the Code**”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Timing of revenue recognition</b>	
<i>Refer to note 4 to the consolidated financial statements and the accounting policies on page 88 to 89.</i>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group's revenue principally comprises sales of passenger motor vehicles and the provision of after-sales services to a significant number of individual customers.</p> <p>Sales of passenger motor vehicles are recognised when the Group satisfies the performance obligation by transferring control of the vehicle promised in the contract to the customer, which is evidenced by the customer's acceptance of the vehicle and signature on the car delivery note.</p> <p>Revenue arising from after-sales services is recognised when the Group satisfies its performance obligation, which is evidenced by signed customer acceptance for after-sales service transaction.</p> <p>The Group manually records revenue according to car delivery notes and signed customer acceptances.</p> <p>We identified the timing of revenue recognition as a key audit matter because manual tracking and recording processes increase the risk of error whereby revenue may not be recognised in the correct financial period.</p>	<p>Our audit procedures to assess the accuracy of timing of revenue recognition included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;</li> <li>inspecting standard sales contracts for sales of passenger motor vehicles and after-sales services to identify terms and conditions which may affect revenue recognition and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

Timing of revenue recognition	
<i>Refer to note 4 to the consolidated financial statements and the accounting policies on page 88 to 89.</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>selecting samples of sales of passenger motor vehicles recorded during the year and after-sales services rendered during the year, plus additional samples of revenue recorded during 15 days before and after the year end and comparing details of the selected transactions with the related sales contracts, car delivery notes and evidence of signed customer acceptance for passenger vehicles sales and after-sales service transactions, where applicable, to assess whether the related performance obligations were satisfied and the revenue had been recognised appropriately in the correct accounting period; and</li> <li>inspecting underlying documentation for journal entries relating to revenue which meet specified risk-based criteria.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

Recognition of vendor rebates	
<i>Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on page 89.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group earns vendor rebates under numerous different arrangements with automobile manufacturers. Rebate arrangements vary between different automobile manufactures and in different fiscal years and principally comprise volume based purchase rebates, sales rebates for certain specific car models, performance rebates and other specific rebates.</p> <p>Volume based purchase rebates and sales rebates are usually granted by the vendors if certain purchase or sales targets are met.</p> <p>Performance rebates are granted by vendors in accordance with their comprehensive assessment of the Group's business performance.</p> <p>In addition, other specific rebates are granted to the Group, which include, but are not limited to regional annual awards.</p>	<p>Our audit procedures to assess the accuracy of recognition of vendor rebates included the following:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates;</li> <li>assessing the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of vendor rebate arrangements for all automobile manufacturers with reference to the requirements under prevailing accounting standards;</li> <li>selecting samples of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or bank payment slips;</li> <li>for vendor rebate receivables at the reporting date, performing recalculations of the receivable amounts, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements;</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (continued)

Recognition of vendor rebates	
<i>Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on page 89.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group manually calculates vendor rebates and recognises them when the associated conditions for recognition are met.</p> <p>We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because manual calculation of the Group's entitlement to such rebates increases the risk that vendor rebates could be recognised before the entitlement conditions have been met.</p>	<ul style="list-style-type: none"> <li>evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and</li> <li>for vendor rebate receivables at the previous financial reporting date, performing retrospective review by assessing the subsequent settlement, on a sample basis, in the current year.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

Impairment of goodwill and intangible assets – car dealership	
<i>Refer to note 14 &amp; note 15 to the consolidated financial statements and the accounting policies on page 82.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As a result of acquisitions of 4S dealerships stores in prior years, the Group recognised goodwill and intangible assets – car dealership in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealerships stores, which are considered to represent individual cash generating units (“CGUs”).</p> <p>As at 31 December 2024, goodwill and intangible assets – car dealership, after impairment, amounted to RMB18 million (31 December 2023: RMB961 million) and RMB1,128 million (31 December 2023: RMB3,274 million), respectively.</p> <p>The 4S dealerships business in China operates in a highly competitive and regulated market which increases the risk of sales volatility of the 4S dealerships stores. Consequently, there are uncertainties as to whether the acquired 4S dealerships stores can meet forecast growth projections.</p> <p>Management reviews internal and external sources of information at the end of each reporting period to identify indications that goodwill and intangible assets may be impaired, and if such indication exists, the recoverable amount is estimated. As at 31 December 2024, management assessed goodwill and intangible assets – car dealership for potential impairment by determining the recoverable amount for each CGU with allocated goodwill and/or intangible assets – car dealership, with reference to a valuation report prepared by an external valuer appointed by management.</p>	<p>Our audit procedures to assess impairment of goodwill and intangible assets – car dealership included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding and evaluating the design and implementation of the key internal controls over the impairment assessment;</li> <li>• evaluating the appropriateness of management’s identification of CGUs with reference to the requirements of the prevailing accounting standards;</li> <li>• evaluating the reasonableness of management’s identification of impairment indications on goodwill and intangible assets – car dealership and determination of recoverable amount;</li> <li>• assessing the competence, capabilities and objectivity of the external valuer appointed by management;</li> <li>• with the assistance of our internal valuation specialists, evaluating the appropriateness of the methodology with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry;</li> </ul>



## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (continued)

Impairment of goodwill and intangible assets – car dealership	
<i>Refer to note 14 &amp; note 15 to the consolidated financial statements and the accounting policies on page 82.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Management compared the carrying amount of each CGU with its recoverable amount, which is determined by assessing the value-in-use based on discounted cash flow forecasts.</p> <p>The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in determining forecast revenue, forecast gross profit margins and discount rates.</p> <p>We identified impairment of goodwill and intangible assets – car dealership as a key audit matter because these assets are material to the Group and because the impairment assessments prepared by management involve judgements and assumptions which are inherently uncertain and could be subject to management bias.</p>	<ul style="list-style-type: none"> <li>assessing the reasonableness of the most significant inputs used in the discounted cash flow forecast of each individual CGU, including forecast revenue, and forecast gross profit margins, by comparing with the historical performance and the financial budget approved by the directors. For forecast revenue growth trends, we also compared with the sales forecasts issued by industry research institutions;</li> <li>obtaining management's sensitivity analyses of the key assumptions including future revenue growth rates, future gross profit margins and the discount rates adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indication of management bias; and</li> <li>evaluating appropriateness of the disclosures in respect of impairment assessment of goodwill and intangible assets – car dealership in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Kim Tak.

#### KPMG

*Certified Public Accountants*

8<sup>th</sup> Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 March 2025

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024 (Expressed in RMB'000)

	Note	2024	2023
<b>Revenue</b>	4	<b>22,153,952</b>	28,554,553
Cost of sales		<b>(20,592,921)</b>	(26,476,606)
Gross profit		<b>1,561,031</b>	2,077,947
Other revenue and other net income	5	<b>183,982</b>	249,100
Distribution costs		<b>(584,698)</b>	(763,604)
Administrative expenses		<b>(662,047)</b>	(846,707)
Impairment losses on goodwill and intangible assets	6(c)	<b>(2,910,952)</b>	(61,556)
<b>(Loss)/profit from operations</b>		<b>(2,412,684)</b>	655,180
Finance costs	6(a)	<b>(239,325)</b>	(291,162)
Share of profits of a joint venture	17	<b>17,492</b>	20,456
<b>(Loss)/profit before taxation</b>	6	<b>(2,634,517)</b>	384,474
Income tax	7(a)	<b>375,685</b>	(228,694)
<b>(Loss)/profit for the year</b>		<b>(2,258,832)</b>	155,780
<b>Other comprehensive income for the year (after tax):</b>	10		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		<b>(6,888)</b>	20,524
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<b>9,151</b>	(10,409)
<b>Other comprehensive income for the year</b>		<b>2,263</b>	10,115
<b>(Loss)/profit and total comprehensive income for the year</b>		<b>(2,256,569)</b>	165,895

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024 (Expressed in RMB'000)

	Note	2024	2023
<b>(Loss)/profit attributable to:</b>			
Equity shareholders of the Company		(2,264,060)	140,203
Non-controlling interests		5,228	15,577
<b>(Loss)/profit for the year</b>		<b>(2,258,832)</b>	155,780
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		(2,261,797)	150,318
Non-controlling interests		5,228	15,577
<b>Total comprehensive income for the year</b>		<b>(2,256,569)</b>	165,895
<b>(Loss)/earnings per share</b>			
Basic (RMB cents)	11(a)	(168.18)	10.44
Diluted (RMB cents)	11(b)	(168.18)	10.41

The notes on pages 75 to 176 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024 (Expressed in RMB'000)

	Note	31 December 2024	31 December 2023
<b>Non-current assets</b>			
Property, plant and equipment	12	1,431,364	1,708,135
Right-of-use assets	13	1,545,998	1,660,705
Intangible assets	14	1,129,773	3,276,866
Goodwill	15	17,527	960,993
Interest in a joint venture	17	32,803	36,319
Other non-current assets	18	74,650	71,323
Deferred tax assets	28(b)	136,133	133,392
		<b>4,368,248</b>	7,847,733
<b>Current assets</b>			
Inventories	19	760,711	960,042
Trade and other receivables	20	1,587,709	1,517,512
Pledged bank deposits	21	2,108,108	971,543
Fixed deposits with more than three months to maturity when placed	22	12,000	561,905
Cash and cash equivalents	22	2,644,539	2,361,671
		<b>7,113,067</b>	6,372,673
<b>Current liabilities</b>			
Loans and borrowings	23	709,785	1,244,939
Trade and other payables	24	4,056,458	2,907,049
Lease liabilities	25	169,916	170,396
Convertible bonds	26	1,759,170	–
Income tax payables	28(a)	93,065	124,990
		<b>6,788,394</b>	4,447,374
<b>Net current assets</b>		<b>324,673</b>	1,925,299
<b>Total assets less current liabilities</b>		<b>4,692,921</b>	9,773,032

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024 (Expressed in RMB'000)

	Note	31 December 2024	31 December 2023
<b>Non-current liabilities</b>			
Loans and borrowings	23	291,700	199,500
Lease liabilities	25	1,150,533	1,213,218
Convertible bonds	26	–	2,206,781
Deferred tax liabilities	28(b)	293,905	867,393
		<b>1,736,138</b>	4,486,892
<b>NET ASSETS</b>		<b>2,956,783</b>	5,286,140
<b>EQUITY</b>			
Share capital	29(c)	107,888	107,888
Reserves	29(d)	2,726,413	5,044,367
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,834,301</b>	5,152,255
<b>Non-controlling interests</b>		<b>122,482</b>	133,885
<b>TOTAL EQUITY</b>		<b>2,956,783</b>	5,286,140

Approved and authorised for issue by the board of directors on 26 March 2025.

**Ye Fan**  
Director

**Ye Tao**  
Director

The notes on pages 75 to 176 form part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserves	PRC statutory reserves	Retained earnings	Exchange reserve	Other reserve	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 29(d)(i))	(note 29(d)(ii))	(note 29(d)(iii))	(note 29(d)(iv))							
<b>Balance at 1 January 2024</b>	107,888	714,317	986	2,768	470,828	3,719,830	(68,338)	203,976	5,152,255	133,885	5,286,140
Loss for the year	-	-	-	-	-	(2,264,060)	-	-	(2,264,060)	5,228	(2,258,832)
Other comprehensive income for the year (note 10)	-	-	-	-	-	-	2,263	-	2,263	-	2,263
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(2,264,060)	2,263	-	(2,261,797)	5,228	(2,256,569)
Dividends declared and paid (note 29(a) and note 29(b))	-	(44,426)	-	-	-	-	-	-	(44,426)	-	(44,426)
Dividends paid to non-controlling interests (note 29(b))	-	-	-	-	-	-	-	-	-	(16,631)	(16,631)
Equity settled share-based payment (note 27)	-	-	-	5,892	-	-	-	-	5,892	-	5,892
Repurchase of convertible bonds (note 26(ii))	-	-	-	-	-	-	-	(17,623)	(17,623)	-	(17,623)
Appropriation to reserves	-	-	-	-	20,720	(20,720)	-	-	-	-	-
<b>Balance at 31 December 2024</b>	107,888	669,891	986	8,660	491,548	1,435,050	(66,075)	186,353	2,834,301	122,482	2,956,783

The notes on pages 75 to 176 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserves	PRC statutory reserves	Retained earnings	Exchange reserve	Other reserve	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 29(d)(i))	(note 29(d)(i))	(note 29(d)(ii))	(note 29(d)(iii))	(note 29(d)(iv))						
<b>Balance at 1 January 2023</b>	101,888	1,487	986	(9,852)	435,748	3,614,707	(78,453)	208,515	4,275,026	158,754	4,433,780
Profit for the year	-	-	-	-	-	140,203	-	-	140,203	15,577	155,780
Other comprehensive income for the year (note 10)	-	-	-	-	-	-	10,115	-	10,115	-	10,115
<b>Total comprehensive income for the year</b>	-	-	-	-	-	140,203	10,115	-	150,318	15,577	165,895
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	2,450	2,450
Dividends declared and paid (note 29(a) and note 29(b))	-	(169,223)	-	-	-	-	-	-	(169,223)	-	(169,223)
Dividends paid to non-controlling interests (note 29(b))	-	-	-	-	-	-	-	-	-	(42,896)	(42,896)
Equity settled share-based payment (note 27)	-	-	-	14,515	-	-	-	-	14,515	-	14,515
Issue of ordinary shares upon exercise of share options (note 27)	129	7,235	-	(1,895)	-	-	-	-	5,469	-	5,469
Issuance of new shares, net of issuance expense (note 29(c))	5,852	865,339	-	-	-	-	-	-	871,191	-	871,191
Conversion of convertible bonds (note 26(i))	19	9,479	-	-	-	-	-	(758)	8,740	-	8,740
Repurchase of convertible bonds (note 26(iii))	-	-	-	-	-	-	-	(3,781)	(3,781)	-	(3,781)
Appropriation to reserves	-	-	-	-	35,080	(35,080)	-	-	-	-	-
<b>Balance at 31 December 2023</b>	107,888	714,317	986	2,768	470,828	3,719,830	(68,338)	203,976	5,152,255	133,885	5,286,140

The notes on pages 75 to 176 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024 (Expressed in RMB'000)

	Note	2024	2023
<b>Operating activities:</b>			
Cash generated from operations	22(b)	1,097,124	1,034,779
Income tax paid	28(a)	(232,469)	(217,992)
<b>Net cash generated from operating activities</b>		<b>864,655</b>	816,787
<b>Investing activities:</b>			
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	22(a)	549,905	150,791
Dividends received from a joint venture	17	21,008	23,122
Interest received		131,839	86,356
<b>Net cash generated from investing activities</b>		<b>730,474</b>	156,801
<b>Financing activities:</b>			
Capital element of lease rentals paid	22(c)	(80,134)	(77,950)
Interest element of lease rentals paid	22(c)	(78,533)	(82,972)
Proceeds from loans and borrowings	22(c)	7,603,056	13,789,609
Repayment of loans and borrowings	22(c)	(8,045,561)	(14,251,901)
Decrease/(Increase) in pledged bank deposits	21	5,801	(10,243)
Dividends declared and paid to equity shareholders	29(b)	(44,426)	(169,223)
Dividends paid to non-controlling interests	29(b)	(16,631)	(42,896)
Proceeds from exercise of share options	27	–	5,469
Repurchase of convertible bonds	26(i)	(585,968)	(194,253)
Interest paid	22(c)	(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	29(c)	–	871,191
Capital injection by non-controlling interests		–	2,450
Others	22(c)	731	235
<b>Net cash used in financing activities</b>		<b>(1,312,183)</b>	(250,293)
<b>Net increase in cash and cash equivalents</b>		<b>282,946</b>	723,295
<b>Cash and cash equivalents at 1 January</b>	22(a)	<b>2,361,671</b>	1,635,625
<b>Effect of foreign exchange rate changes</b>		<b>(78)</b>	2,751
<b>Cash and cash equivalents at 31 December</b>	22(a)	<b>2,644,539</b>	2,361,671

The notes on pages 75 to 176 form part of these financial statements.

# 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**”).

## 2 MATERIAL ACCOUNTING POLICIES

### (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 2(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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

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

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

#### (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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

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. The Group has provided the new disclosures in notes 23(c) and 24(i).

#### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholder of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (d) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(i)).

#### (e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 2(j)).

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(j)(i)).

#### (g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	10 – 40 years
– Leasehold improvements	over the shorter of the unexpired term of the lease and the estimated useful lives
– Plant and machinery	5 – 10 years
– Passenger vehicles	1 – 5 years
– Office equipment and furniture	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(j)(i)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years. Software is amortised from the date it is available for use over its estimated useful life of 2-10 years. Both the period and method of amortisation are reviewed annually.

#### (i) Right-of-use assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

##### (i) *As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items such as temporary exhibition halls, parking lots and staff dormitories. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (i) Right-of-use assets (continued)

##### (i) *As a lessee (continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(j)(i)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "right-of-use assets" and presents lease liabilities separately in the statement of financial position. In addition, lease prepayments carried at amortised cost are reclassified as right-of-use assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (j) Credit losses and impairment of assets

##### (i) *Impairment of other non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGUs**"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (j) Credit losses and impairment of assets (continued)

##### (ii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

#### (k) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to be incurred in selling the property.

#### (l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(u)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2(m)).

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

#### (n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(x).

#### (o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amount.

#### (p) Convertible bonds

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (p) Convertible bonds (continued)

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.

#### (q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

#### (r) Employee benefits

##### (i) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) *Defined contribution retirement plan*

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (r) Employee benefits (continued)

##### (iii) *Share-based payments*

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

#### (s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (s) Income tax (continued)

- temporary differences related to investments in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

#### (t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.



## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (t) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

#### (u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

##### (i) *Revenue from contracts with customers*

The Group is the principal for its revenue from contracts with customers and recognises revenue on a gross basis. In determine whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Controls refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

##### (a) *Sale of goods*

Revenue arising from the sale of goods is recognised when the Group satisfies the performance obligation by transferring control of the goods promised in the contract to the customer. Revenue excludes value added tax and is after deduction of any trade discounts.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (u) Revenue and other income (continued)

##### (i) Revenue from contracts with customers (continued)

###### (b) Services income

Revenue arising from services is recognised when the relevant performance obligation is satisfied.

##### (ii) Revenue from other sources and other income

###### (a) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

###### (b) Commission income

Commission income is recognised at point in time when the services have been rendered.

#### (v) Vendor rebates

Incentive rebates provided by vendors are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

#### (x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## NOTES TO THE FINANCIAL STATEMENTS

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### (z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

#### (a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

##### (i) *Recognition of income taxes and deferred tax assets*

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

##### (i) ***Depreciation and amortisation***

As described in note 2(g), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 2(h), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

##### (ii) ***Net realisable value of inventories***

As described in note 2(k), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

##### (iii) ***Determining the lease term***

As explained in policy note 2(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include early termination options exercisable by the Group, the Group evaluates the likelihood of exercising the termination options taking into account all relevant facts and circumstances that create an economic incentive for the Group not to exercise the option, including leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### (b) Sources of estimation uncertainty (continued)

##### (iv) Impairment of goodwill and intangible assets – car dealership

The Group determines whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill and intangible assets have been allocated. An impairment loss is recognised in profit or loss if the carrying amount of the goodwill and intangible assets, or the cash-generating units to which they belong, exceeds their recoverable amount. Details of the recoverable amount calculations are disclosed in notes 14 and 15.

### 4 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

##### (i) Disaggregation of revenue

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

	2024 RMB'000	2023 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
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
	<b>22,153,952</b>	<b>28,554,553</b>

All revenue was recognised at a point in time.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 REVENUE AND SEGMENT REPORTING (continued)

#### (a) Revenue (continued)

##### **(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date***

As at 31 December 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts for after-sales services is RMB437,964,000 (2023: RMB462,049,000). This amount represents revenue expected to be recognised in the future from pre-completion contracts for after-sales services entered into by the customers with the Group. The Group will recognise the expected revenue in future when the Group satisfied its performance obligation, which is expected to occur over the next 12 to 36 months (2023: next 12 to 36 months).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for passenger vehicles such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of passenger vehicles that had an original expected duration of one year or less.

#### (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.



## NOTES TO THE FINANCIAL STATEMENTS

## 5 OTHER REVENUE AND OTHER NET INCOME

	2024 RMB'000	2023 RMB'000
<b>Other revenue</b>		
Insurance commission	72,282	72,671
Interest income	103,965	108,618
Management service income	3,604	4,185
	179,851	185,474
	2024 RMB'000	2023 RMB'000
<b>Other net income</b>		
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
	4,131	63,626
	183,982	249,100

## NOTES TO THE FINANCIAL STATEMENTS

## 6 (LOSS)/PROFIT BEFORE TAXATION

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

	Note	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
Total interest expense		226,590	274,056
Other finance cost	(i)	12,735	17,106
		239,325	291,162
(b) Staff costs:			
Salaries, wages and other benefits		670,054	814,539
Equity settled share-based payment expenses	(ii)	5,892	14,515
Contributions to defined contribution retirement plans	(iii)	35,138	40,887
		711,084	869,941

## NOTES TO THE FINANCIAL STATEMENTS

### 6 (LOSS)/PROFIT BEFORE TAXATION (continued)

- (i) It represents the interest expenses borne by the Group arising from discounting of bills issued to automobile manufacturers (see note 24(i)).
- (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 (see note 27).
- (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.

## NOTES TO THE FINANCIAL STATEMENTS

## 6 (LOSS)/PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2024 RMB'000	2023 RMB'000
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 (note 15)	943,466	43,519
– intangible assets (note 14)	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

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2024 RMB'000	2023 RMB'000
<b>Current tax:</b>		
Provision for PRC income tax for the year (note 28(a))	200,544	241,231
<b>Deferred tax:</b>		
Origination of temporary differences (note 28(b))	(576,229)	(12,537)
	(375,685)	228,694

## NOTES TO THE FINANCIAL STATEMENTS

## 7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

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

	2024 RMB'000	2023 RMB'000
(Loss)/profit before taxation	(2,634,517)	384,474
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)	6,819	80,463
Actual tax expense	(375,685)	228,694

- (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.

## NOTES TO THE FINANCIAL STATEMENTS

**7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)****(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates: (continued)**

- (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 RMB 853.0 million during the year ended 31 December 2024 which realized corresponding deferred tax liabilities of RMB 42.6 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

#### Year ended 31 December 2024

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note i) RMB'000	Total RMB'000
<b>Executive directors</b>								
Mr. Ye Fan		-	605	3,400	8	4,013	-	4,013
Mr. Ye Tao		-	2,420	2,980	8	5,408	-	5,408
Ms. Luo Liuyu		-	221	684	8	913	214	1,127
<b>Non-executive directors</b>								
Mr. Wang, Michael Chou		93	-	-	-	93	-	93
Mr. Chen Guiyi		93	-	-	-	93	-	93
Mr. To Siu Lun		167	-	-	-	167	-	167
		353	3,246	7,064	24	10,687	214	10,901

## NOTES TO THE FINANCIAL STATEMENTS

## 8 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2023

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments (note i)	Total
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>							
Mr. Ye Fan	-	605	7,400	7	8,012	-	8,012
Mr. Ye Tao	-	2,420	2,980	7	5,407	-	5,407
Ms. Luo Liuyu	-	221	634	7	862	491	1,353
<b>Non-executive directors</b>							
Mr. Wang, Michael Chou	91	-	-	-	91	-	91
Mr. Chen Guiyi	91	-	-	-	91	-	91
Mr. To Siu Lun	163	-	-	-	163	-	163
	345	3,246	11,014	21	14,626	491	15,117

- (i) These represent the estimated value of share options granted to the directors under the Company's share option scheme adopted on 13 November 2013. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(r)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in report of the directors and note 27.

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.



## NOTES TO THE FINANCIAL STATEMENTS

### 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2023: three) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other two (2023: two) individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowance and benefits in kind	443	442
Discretionary bonuses	1,448	1,602
Retirement scheme contributions	16	15
Share-based payments	399	876
	<b>2,306</b>	2,935

The emoluments of the two (2023: two) individuals with the highest emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
HK\$		
1,000,001 – 1,500,000	2	–
1,500,001 – 2,000,000	–	2

## NOTES TO THE FINANCIAL STATEMENTS

## 10 OTHER COMPREHENSIVE INCOME

## Tax effect relating to each component of other comprehensive income

	2024			2023		
	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Items that will not be reclassified to profit or loss:						
Exchange differences on translation of financial statements of the Company	(6,888)	-	(6,888)	20,524	-	20,524
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	9,151	-	9,151	(10,409)	-	(10,409)
Other comprehensive income	2,263	-	2,263	10,115	-	10,115

## 11 (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 (note 27)	-	1,196,000
Effect of placement of new shares (note 29(c))	-	64,833,000
Effect of conversion of convertible bonds (note 29(c))	-	163,000
Weighted average number of ordinary shares at 31 December	1,346,247,000	1,342,764,000

## NOTES TO THE FINANCIAL STATEMENTS

## 11 (LOSS)/EARNINGS PER SHARE (continued)

## (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 (note 27)	3,733,000
Weighted average number of ordinary shares (diluted) at 31 December	1,346,497,000

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 12 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
<b>Cost:</b>							
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)
<b>At 31 December 2023</b>	<b>1,033,281</b>	<b>616,138</b>	<b>304,636</b>	<b>369,996</b>	<b>181,469</b>	<b>3,054</b>	<b>2,508,574</b>
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)
<b>At 31 December 2024</b>	<b>1,024,906</b>	<b>596,207</b>	<b>301,170</b>	<b>289,257</b>	<b>176,461</b>	<b>3,020</b>	<b>2,391,021</b>
<b>Accumulated depreciation:</b>							
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)
<b>At 31 December 2023</b>	<b>253,170</b>	<b>209,726</b>	<b>144,245</b>	<b>72,625</b>	<b>120,673</b>	<b>-</b>	<b>800,439</b>
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)
<b>At 31 December 2024</b>	<b>313,024</b>	<b>254,206</b>	<b>170,654</b>	<b>86,807</b>	<b>134,966</b>	<b>-</b>	<b>959,657</b>
<b>Net book value:</b>							
<b>At 31 December 2024</b>	<b>711,882</b>	<b>342,001</b>	<b>130,516</b>	<b>202,450</b>	<b>41,495</b>	<b>3,020</b>	<b>1,431,364</b>
<b>At 31 December 2023</b>	<b>780,111</b>	<b>406,412</b>	<b>160,391</b>	<b>297,371</b>	<b>60,796</b>	<b>3,054</b>	<b>1,708,135</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12 PROPERTY, PLANT AND EQUIPMENT (continued)

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 RMB 1,692,000 are pledged as security for bank loans (see note 23(b)(i)) as at 31 December 2024 (2023: RMB1,824,000).

### 13 RIGHT-OF-USE ASSETS

	Land use rights carried at cost <sup>(i)</sup> RMB'000	Properties and land leased for own use carried at cost <sup>(ii)</sup> RMB'000	Total RMB'000
<b>Cost:</b>			
At 1 January 2023	514,166	1,664,417	2,178,583
Additions	12,883	15,961	28,844
Derecognition	—	(38,765)	(38,765)
<b>At 31 December 2023</b>	<b>527,049</b>	<b>1,641,613</b>	<b>2,168,662</b>
Additions	—	<b>72,394</b>	<b>72,394</b>
Derecognition	—	<b>(55,140)</b>	<b>(55,140)</b>
<b>At 31 December 2024</b>	<b>527,049</b>	<b>1,658,867</b>	<b>2,185,916</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 13 RIGHT-OF-USE ASSETS (continued)

	Land use rights carried at cost <sup>(i)</sup> RMB'000	Properties and land leased for own use carried at cost <sup>(ii)</sup> RMB'000	Total RMB'000
<b>Accumulated amortisation:</b>			
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
<b>At 31 December 2023</b>	(45,787)	(462,170)	(507,957)
Charge for the year	(15,880)	(130,262)	(146,142)
Reversal for derecognition	–	14,181	14,181
<b>At 31 December 2024</b>	<b>(61,667)</b>	<b>(578,251)</b>	<b>(639,918)</b>
<b>Net book value:</b>			
<b>At 31 December 2024</b>	<b>465,382</b>	<b>1,080,616</b>	<b>1,545,998</b>
<b>At 31 December 2023</b>	481,262	1,179,443	1,660,705

## NOTES TO THE FINANCIAL STATEMENTS

### 13 RIGHT-OF-USE ASSETS (continued)

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

	2024 RMB'000	2023 RMB'000
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	130,262	128,029
	146,142	144,298
Interest on lease liabilities ( <i>note 6(a)</i> )	78,533	82,972
Expense relating to short-term leases ( <i>note 6(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).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 22(d), 25 and 31, respectively.

#### (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 (see note 23(b)(i)) 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 14 INTANGIBLE ASSETS

## The Group

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



## NOTES TO THE FINANCIAL STATEMENTS

### 14 INTANGIBLE ASSETS (continued)

#### (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

The Group is principally engaged in the sales of traditional and luxury cars. Since the second half of 2024, the macro-economic uncertainties have continued to intensify and the domestic consumer market has continued to slow; in addition, there was a significant shift in the supply-demand dynamics in the passenger vehicle market as new energy vehicles have continued to innovate rapidly and traditional automakers have not adequately adapted timely, and the price competition between new energy vehicles and traditional fuel vehicles has continued to intensify. In particular, as the luxury car consumer segment is more exposed to macroeconomic factors, certain luxury car brands offered discounts and extended discount periods that far exceeded those in prior periods, resulting in further pressure on the gross margins at certain stores of the Group that handle luxury brands. 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: RMB 43,519,000 and RMB 13,764,000, 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 14 INTANGIBLE ASSETS (continued)

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

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.

As mentioned above, given the intensified industry competition and the ongoing uncertainties since the second half of 2024, marked by lower-than-expected gross margins and significant uncertainties over the timeframe of recovery, the Group's management have lowered the longer-term expectations for future performance by adjusting down their estimates for annual revenue growth rate and gross profit margin of those underperforming CGUs for the forecast period compared to the forecasts at the end of 2023.

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	2025	2024	2027-2029
		2026	
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	2024	2023	2026-2028
		2025	
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 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 15 GOODWILL

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

## Impairment tests for cash-generating units containing goodwill

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

	<b>31 December 2024 RMB'000</b>	31 December 2023 RMB'000
4S dealerships	<b>17,527</b>	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 14).

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			
			Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China MeiDong Auto International Limited (" <b>MeiDong International</b> ") (中國美東汽車國際有限公司)	British Virgin Islands, limited company	100 shares of USD 1 each	100%	100%	–	Investment holding
China Meidong Auto (HK) Limited (" <b>MeiDong HK</b> ") (中國美東汽車(香港)有限公司)	Hong Kong, limited company	10,000 shares	100%	–	100%	Investment holding
Sail Vantage Limited (" <b>Sail Vantage</b> ")	British Virgin Islands limited company	–	100%	100%	–	Investment holding
MeiDong Auto Sales Group Limited (" <b>Meidong Sales</b> ") (美東汽車銷售集團有限公司)	Hong Kong, limited company	USD 50,000	100%	100%	–	Investment holding
Meidong Auto Holdings America Limited (" <b>Meidong America</b> ")	America, limited company	USD 100,000	100%	100%	–	Investment holding
Bestune Company Limited (" <b>Bestune</b> ") (百聖通有限公司)	Hong Kong, limited company	HKD 130,000	100%	–	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. (" <b>Dongguan Meixin</b> ") (東莞美信企業管理諮詢有限公司)	The PRC, limited liability company	RMB 200,000,000	100%	–	100%	Investment holding
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. (東莞市東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%	Automobile dealership

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest				Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary		
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. (東莞東美豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%		Automobile dealership
Dongguan Dongxin Auto Sales and Services Co., Ltd. (東莞市東鑫汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%		Automobile dealership
Xiamen Meidong Auto Sales and Services Co., Ltd. (廈門美東汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%		Automobile dealership
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd. (株洲市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%		Automobile dealership
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd. (泉州美東豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%		Automobile dealership
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%		Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%		Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%		Automobile dealership
Chengde Meibaohang Auto Sales and Services Co., Ltd. (承德美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%		Automobile dealership

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Beijing Meibaochang Auto Sales and Services Co., Ltd. (北京美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	70%	–	70%	Automobile dealership
Foshan Dongbao Auto Sales and Services Co., Ltd. (佛山東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Changsha Meidong Lexus Auto Sales and Services Co., Ltd. (長沙美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Dongguan Dongyue Used Vehicles Co., Ltd. (東莞市東粵二手車有限公司)	The PRC, limited liability company	RMB 5,000,000	100%	–	100%	Used vehicle trading
Changde Meibaochang Auto Sales and Services Co., Ltd. (常德市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 52,000,000	100%	–	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Yueyang Meibaochang Auto Sales and Services Co., Ltd. (岳陽市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Automobile dealership
Jingdezhen Meibaochang Auto Sales and Services Co., Ltd. (景德鎮美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Automobile dealership

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest				Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary		
Xinyu Dongbu Toyota Auto Sales and Services Co., Ltd. (新余東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%		Automobile dealership
Zhuhai Meidong Lexus Auto Sales and Services Co., Ltd. (珠海美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Huanggang Baoxinhang Auto Sales and Services Co., Ltd. (黃岡寶鑫行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 15,000,000	100%	–	100%		Automobile dealership
Foshan Meidong Lexus Auto Sales and Services Co., Ltd. (佛山美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%		Automobile dealership
Yangjiang Meibaochang Auto Sales and Services Co., Ltd. (陽江美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 15,000,000	100%	–	100%		Automobile dealership
Guangzhou Meibaochang Auto Sales and Services Co., Ltd. (廣州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%		Automobile dealership
Beijing Huibaochang Auto Sales and Services Co., Ltd. (北京匯寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%		Automobile dealership
Liuyang Meibaochang Auto Sales and Services Co., Ltd. (瀏陽美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%		Automobile dealership
Qingyuan Meidong Lexus Auto Sales and Services Co., Ltd. (清遠美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Zhuzhou Meidong Lexus Auto Sales and Services Co., Ltd. (株洲美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Jiujiang Dongbu Toyota Auto Sales and Services Co., Ltd. (九江東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Yongzhou Meibaohang Auto Sales and Services Co., Ltd. (永州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 8,000,000	100%	–	100%	Automobile dealership
Shangrao Meibaohang Auto Sales and Services Co., Ltd. (上饒美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Automobile dealership
Dongguan Mei Yue Auto Sales and Services Co., Ltd. (東莞美悅汽車銷售服務有限公司)	The PRC, limited liability company	RMB 12,000,000	100%	–	100%	Automobile dealership
Yangjiang Meidong Lexus Auto Sales and Services Co., Ltd. (陽江美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Ganzhou Xinbao Auto Sales and Services Co., Ltd. (贛州鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%	Automobile dealership
Tangxia Meidong Lexus Auto Sales and Services Co., Ltd. ( <b>"Tangxia Meidong"</b> ) (塘廈美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	69%	–	69%	Automobile dealership



## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			
			Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Doumen Meidong Lexus Auto Sales and Services Co., Ltd. ("Doumen Meidong") (斗門美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	71%	–	71%	Automobile dealership
Langfang Guanbaohang Auto Sales and Services Co., Ltd. (廊坊冠寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Tongling Meibaohang Auto Sales and Services Co., Ltd. (銅陵美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Chizhou Meibaohang Auto Sales and Services Co., Ltd. (池州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Huangshan Meibaohang Auto Sales and Services Co., Ltd. (黃山美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Suzhou Meibaohang Auto Sales and Services Co., Ltd. (宿州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Dongguan Meibaohang Auto Sales and Services Co., Ltd. ("Dongguan Meibaohang") (東莞美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	70%	–	70%	Automobile dealership
Wuhan Xinbao Auto Sales and Services Co., Ltd. (武漢鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%	Automobile dealership

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest				Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary		
Nanchang Jubao Auto Sales and Services Co., Ltd. (南昌聚保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%		Automobile dealership
Heyuan Guanao Auto Sales and Services Co., Ltd. (河源冠奧汽車銷售服務有限公司)	The PRC, limited liability company	RMB 40,000,000	100%	–	100%		Automobile dealership
Bazhou Guanbaohang Auto Sales and Services Co., Ltd. (霸州冠寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Huaibei Meibaohang Auto Sales and Services Co., Ltd. (淮北美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Chuzhou Meibaohang Auto Sales and Services Co., Ltd. (滁州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Bazhou Guanyue Auto Sales and Services Co., Ltd. (霸州市冠悅汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Hengyang Meidong Lexus Auto Sales and Services Co., Ltd. (衡陽美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Beijing Meidong Lexus Auto Sales and Services Co., Ltd. (北京美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%		Automobile dealership
Jinan Jubao Auto Sales and Services Co., Ltd. (濟南聚保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 70,000,000	70%	–	70%		Automobile dealership

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest				Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary		
Xinyu Meibaochang Auto Sales and Services Co., Ltd. (新余美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Shaoguan Meidong Lexus Auto Sales and Services Co., Ltd. (韶關美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Guangzhou Dongbao Auto Sales and Services Co., Ltd. (廣州東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 200,000,000	70%	–	70%		Automobile dealership
Jiujiang Huibaochang Auto Sales and Services Co., Ltd. (九江匯寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Jiangmen Meidong Lexus Auto Sales and Services Co., Ltd. (江門美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Langfang Meidong Lexus Auto Sales and Services Co., Ltd. (廊坊美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%		Automobile dealership
Nanjing Tangshan Meidong Lexus Auto Sales and Service Co., Ltd. ("Tangshan Lexus") (南京湯山美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 54,000,000	100%	–	100%		Automobile dealership
Guangan Zongshen Baotai Auto Sales and Services Co., Ltd. ("Guangan Zongshen") (廣安市宗申寶泰汽車銷售服務有限公司)	The PRC, limited liability company	RMB 36,000,000	100%	–	100%		Automobile dealership

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest				Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary		
Dongguan Wangniudun Meidong Toyota Auto Sales and Services Co., Ltd. (東莞望牛墩美東豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%		Automobile dealership
Huangshan Dongbu Toyota Auto Sales and Services Co., Ltd. (黃山東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 14,000,000	100%	–	100%		Automobile dealership
Tianjin Meidong Lexus Auto Sales and Services Co., Ltd. (天津美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%		Automobile dealership
Nanjing Meidong Lexus Auto Sales and Service Co., Ltd. ("Nanjing Meidong") (南京美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 40,000,000	100%	–	100%		Automobile dealership
Dongguan Fenggang Meixin Toyota Auto Sales and Services Co., Ltd. (東莞鳳崗美鑫豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%		Automobile dealership
Dongguan Jielin Property Investment Consulting Co., Ltd. ("Jielin Property") (東莞市捷麟物業投資顧問有限公司)	The PRC, limited liability company	RMB 12,000,000	100%	–	100%		Property management
Dongguan Meixin New Energy Investment Co., Ltd. ("Meixin New Energy") (東莞美信新能源投資有限公司)	The PRC, limited liability company	RMB 15,000,000	51%	–	51%		Investment holding
Shantou Dongying Automobile Service Co., Ltd. ("Shantou Dongying") (汕頭東盈汽車服務有限公司)	The PRC, limited liability company	RMB 9,000,000	51%	–	100%		Maintenance service

## NOTES TO THE FINANCIAL STATEMENTS

## 16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest				Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary		
Yangjiang Dongying Automobile Service Co., Ltd. ("Shantou Dongying") (陽江市東盈汽車服務有限公司)	The PRC, limited liability company	RMB 4,390,981	51%	–	100%		Maintenance service
Tianjin Dongbao Automotive Sales and Service Co., Ltd. ("Tianjin Dongbao") (天津東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 70,726,040	100%	–	100%		Automobile dealership
Weifang Xinbao Automotive Sales and Service Co., Ltd. ("Weifang Xinbao") (濰坊鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 68,650,094	100%	–	100%		Automobile dealership
Qingdao Dongbao Automotive Sales and Service Co., Ltd. ("Qingdao Dongbao") (青島東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 34,785,075	100%	–	100%		Automobile dealership
Nanjing Dongbao Automotive Sales and Service Co., Ltd. ("Nanjing Dongbao") (南京東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 32,260,000	100%	–	100%		Automobile dealership
Chongqing Dongbao Automotive Sales and Service Co., Ltd. ("Chongqing Dongbao") (重慶東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 32,399,276	100%	–	100%		Automobile dealership
Henan Dongbao Automotive Sales and Service Co., Ltd. ("Henan Dongbao") (河南東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 32,900,000	100%	–	100%		Automobile dealership
Jinan Dongbao Automotive Sales and Service Co., Ltd. ("Jinan Dongbao") (濟南東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 38,310,638	100%	–	100%		Automobile dealership

*Note:* Except for MeiDong International, MeiDong HK, MeiDong America and Sail Vantage, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

## NOTES TO THE FINANCIAL STATEMENTS

## 17 INTEREST IN A JOINT VENTURE

	2024 RMB'000	2023 RMB'000
Share of net assets	32,803	36,319

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong")	Incorporated	The PRC	RMB22,000,000	49%	–	49%	Automobile dealership

Dongguan Meidong is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Dongguan Meidong as a joint venture.

Dongguan Meidong, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

## NOTES TO THE FINANCIAL STATEMENTS

### 17 INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2024 RMB'000	2023 RMB'000
<b>Gross amounts of Dongguan Meidong's</b>		
Current assets	137,456	140,596
Non-current assets	9,138	11,353
Current liabilities	(79,650)	(77,828)
Equity	(66,944)	(74,121)
<b>Included in the above assets and liabilities:</b>		
Cash and cash equivalents	85,569	95,628
Current financial liabilities (excluding trade and other payables and provisions)	(9,573)	(4,468)
<b>Revenue</b>	624,480	758,446
Profit and total comprehensive income	35,698	41,747
Profit distribution to the Group	21,008	23,122
<b>Included in the above profit:</b>		
Depreciation and amortisation	(1,976)	(2,412)
Interest income	1,028	1,289
Interest expense	(635)	(715)
Income tax expense	(12,334)	(13,952)
<b>Reconciled to the Group's interest in Dongguan Meidong</b>		
Gross amounts of Dongguan Meidong's net assets	66,944	74,121
Group's effective interest	49%	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	32,803	36,319

## NOTES TO THE FINANCIAL STATEMENTS

## 18 OTHER NON-CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
Long-term deposits and receivables	58,696	70,236
Others	15,954	1,087
	74,650	71,323

## 19 INVENTORIES

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

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

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

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

Inventories with carrying amount of RMB116,780,000 have been pledged as security for loans and borrowings (see note 23(b)(i)) as at 31 December 2024 (2023: RMB170,513,000).

Inventories with carrying amount of RMB566,974,000 have been pledged as security for the bills payable (see note 24(b)) as at 31 December 2024 (2023: RMB367,611,000).



## NOTES TO THE FINANCIAL STATEMENTS

### 20 TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	319,838	276,385
Prepayments	290,147	260,061
Other receivables and deposits	973,122	978,539
Amounts due from third parties	1,583,107	1,514,985
Amounts due from related parties (note 32(c))	4,602	2,527
Trade and other receivables	1,587,709	1,517,512

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

- (i) Prepayments and other receivables with carrying amount of RMB38,898,000 have been pledged as security for loans and borrowings (see note 23(b)(i)) as at 31 December 2024 (2023: RMB26,362,000).

Prepayments with carrying amount of RMB216,083,000 have been pledged as security for the bills payable (see note 24(b)) as at 31 December 2024 (2023: RMB198,424,000).

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

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 RMB'000	2023 RMB'000
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
	319,838	276,385

Details on the Group's credit policy are set out in note 30(a).

## NOTES TO THE FINANCIAL STATEMENTS

**21 PLEDGED BANK DEPOSITS**

	2024 RMB'000	2023 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings ( <i>note 23(b)(i)</i> )	20,073	25,874
Restricted bank deposits pledged in respect of bills payable ( <i>note 24(b)</i> )	2,088,035	945,669
	<b>2,108,108</b>	971,543

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

**22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION****(a) Cash and cash equivalents and fixed deposits with banks comprise:**

	2024 RMB'000	2023 RMB'000
Fixed deposits with banks with more than three months to maturity when placed	12,000	561,905
Cash at bank and on hand	2,644,539	2,361,671

## NOTES TO THE FINANCIAL STATEMENTS

**22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)****(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:**

	Note	2024 RMB'000	2023 RMB'000
<b>(Loss)/profit before taxation</b>		<b>(2,634,517)</b>	384,474
Adjustments for:			
– Depreciation of property, plant and equipment	6(c)	228,943	250,676
– Depreciation of right-of-use assets	6(c)	146,142	144,298
– Amortisation of intangible assets	6(c)	179,607	182,197
– Write-down of inventories	6(c)	42,057	13,694
– Impairment losses of goodwill and intangible assets	6(c)	2,910,952	61,556
– Net loss/(gain) on disposal of property, plant and equipment	5	10,213	(25,254)
– Net gain on derecognition of right-of-use assets		(4,960)	(67)
– Finance costs	6(a)	239,325	291,162
– Share of profits of a joint venture		(17,492)	(20,456)
– Interest income	5	(103,965)	(108,618)
– Equity settled share-based payment expenses	6(b)	5,892	14,515
– Gains on repurchase of convertible bonds		(11,227)	(11,480)
– Net foreign exchange loss/(gain)		78	(2,754)
Changes in working capital:			
Decrease in inventories		157,274	95,624
(Increase)/decrease in trade and other receivables		(104,284)	60,860
Increase in pledged bank deposits		(1,142,366)	(50,993)
Increase/(decrease) in trade and other payables		1,183,912	(247,938)
Decrease in other non-current assets		11,540	3,283
<b>Cash generated from operations</b>		<b>1,097,124</b>	1,034,779

## NOTES TO THE FINANCIAL STATEMENTS

## 22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)

### (c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings RMB'000 (Note i)	Lease liabilities RMB'000 (Note 25)	Interest payables RMB'000 (Note ii)	Convertible bonds RMB'000 (Note 26)	Other payables due to a related party RMB'000 (Note 32(c))	Total RMB'000
<b>At 1 January 2024</b>	1,444,439	1,383,614	2,480	2,206,781	6,944	5,044,258
<b>Changes from financing cash flows:</b>						
Proceeds from loans and borrowings	7,603,056	-	-	-	-	7,603,056
Repayment of loans and borrowings	(8,045,561)	-	-	-	-	(8,045,561)
Repurchase of convertible bonds	-	-	-	(585,968)	-	(585,968)
Capital element of lease rentals paid	-	(80,134)	-	-	-	(80,134)
Interest element of lease rentals paid	-	(78,533)	-	-	-	(78,533)
Advances from related parties	-	-	-	-	731	731
Interest paid	-	-	(70,518)	-	-	(70,518)
<b>Total changes from financing cash flows</b>	<b>(442,505)</b>	<b>(158,667)</b>	<b>(70,518)</b>	<b>(585,968)</b>	<b>731</b>	<b>(1,256,927)</b>
<b>Exchange adjustments</b>	<b>(449)</b>	<b>-</b>	<b>-</b>	<b>41,161</b>	<b>-</b>	<b>40,712</b>
<b>Other changes:</b>						
Increase in lease liabilities from entering into new leases during the period	-	62,888	-	-	-	62,888
Derecognition of right-of-use assets	-	(45,919)	-	-	-	(45,919)
Repurchase of convertible bonds	-	-	-	6,362	-	6,362
Interest expenses (note 6(a))	-	78,533	69,958	90,834	-	239,325
<b>Total other changes</b>	<b>-</b>	<b>95,502</b>	<b>69,958</b>	<b>97,196</b>	<b>-</b>	<b>262,656</b>
<b>At 31 December 2024</b>	<b>1,001,485</b>	<b>1,320,449</b>	<b>1,920</b>	<b>1,759,170</b>	<b>7,675</b>	<b>4,090,699</b>

Note i: Bank loans and other borrowings consist of bank loans and borrowings from other financial institutions and a related party as disclosed in note 23.

Note ii: Interest payables is recorded in trade and other payables.

## NOTES TO THE FINANCIAL STATEMENTS

## 22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)

## (c) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loans and other borrowings RMB'000 (Note 1)	Lease liabilities RMB'000 (Note 25)	Interest payables RMB'000 (Note 2)	Convertible bonds RMB'000 (Note 26)	Other payables due to a related party RMB'000 (Note 32(c))	Total RMB'000
<b>At 1 January 2023</b>	1,906,731	1,455,819	1,840	2,274,932	6,709	5,646,031
<b>Changes from financing cash flows:</b>						
Proceeds from loans and borrowings	13,789,609	-	-	-	-	13,789,609
Repayment of loans and borrowings	(14,251,901)	-	-	-	-	(14,251,901)
Repurchase of convertible bonds	-	-	-	(194,253)	-	(194,253)
Capital element of lease rentals paid	-	(77,950)	-	-	-	(77,950)
Interest element of lease rentals paid	-	(82,972)	-	-	-	(82,972)
Advances from related parties	-	-	-	-	235	235
Interest paid	-	-	(98,809)	-	-	(98,809)
<b>Total changes from financing cash flows</b>	<b>(462,292)</b>	<b>(160,922)</b>	<b>(98,809)</b>	<b>(194,253)</b>	<b>235</b>	<b>(916,041)</b>
<b>Exchange adjustments</b>	-	-	-	33,800	-	33,800
<b>Other changes:</b>						
Increase in lease liabilities from entering into new leases during the period	-	15,052	-	-	-	15,052
Derecognition of right-of-use assets	-	(9,307)	-	-	-	(9,307)
Conversion of convertible bonds	-	-	-	(8,740)	-	(8,740)
Repurchase of convertible bonds	-	-	-	(7,699)	-	(7,699)
Interest expenses (note 6(a))	-	82,972	99,449	108,741	-	291,162
<b>Total other changes</b>	-	88,717	99,449	92,302	-	280,468
<b>At 31 December 2023</b>	1,444,439	1,383,614	2,480	2,206,781	6,944	5,044,258

Note 1: Bank loans and other borrowings consist of bank loans and borrowings from other financial institutions and a related party as disclosed in note 23.

Note 2: Interest payables is recorded in trade and other payables.

## NOTES TO THE FINANCIAL STATEMENTS

**22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)****(d) Total cash outflow for leases**

Amounts included in the cash flow statement for leases comprise the following:

	<b>2024</b> <b>RMB'000</b>	2023 RMB'000
Within operating cash flows	<b>3,251</b>	6,852
Within financing cash flows	<b>158,667</b>	160,922
	<b>161,918</b>	167,774

These amounts relate to the following:

	<b>2024</b> <b>RMB'000</b>	2023 RMB'000
Lease rentals paid	<b>161,918</b>	167,774
	<b>161,918</b>	167,774

## NOTES TO THE FINANCIAL STATEMENTS

## 23 LOANS AND BORROWINGS

(a) At 31 December 2024, loans and borrowings were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year or on demand (i)	709,785	1,244,939
After 1 year but within 2 years (i)	47,800	142,800
After 2 years but within 5 years (i)	243,900	56,700
	291,700	199,500
	1,001,485	1,444,439

- (i) Loans and borrowings of RMB434,561,000 repayable within 1 year were guaranteed by related parties as at 31 December 2024 (2023: RMB995,081,000) (see note 32(d)).

Loans and borrowings of RMB47,800,000 repayable after 1 year but within 2 years were guaranteed by related parties as at 31 December 2024 (2023: RMB142,800,000) (see note 32(d)).

Loans and borrowings of RMB243,900,000 repayable after 2 years but within 5 years were guaranteed by related parties as at 31 December 2024 (2023: RMB56,700,000) (see note 32(d)).

## NOTES TO THE FINANCIAL STATEMENTS

## 23 LOANS AND BORROWINGS (continued)

(b) At 31 December 2024, loans and borrowings were secured as follows:

	2024 RMB'000	2023 RMB'000
Secured bank loans – supplier finance arrangement (note (c))	96,098	174,476
Secured borrowings from other financial institutions – supplier finance arrangement (note (c))	71,201	43,489
Other secured bank loans	834,186	1,226,474
	<b>1,001,485</b>	<b>1,444,439</b>

(i) Loans and borrowings were secured by the following assets of the Group:

	2024 RMB'000	2023 RMB'000
Inventories	116,780	170,513
Trade and other receivables	38,898	26,362
Property, plant and equipment	1,692	1,824
Right-of-use assets	4,684	4,889
Pledged bank deposits	20,073	25,874
	<b>182,127</b>	<b>229,462</b>

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b).



## NOTES TO THE FINANCIAL STATEMENTS

### 23 LOANS AND BORROWINGS (continued)

#### (c) Bank loans and borrowings from other financial institutions arising from supplier finance arrangements

The Group has entered into certain credit revolving loan arrangements with banks and other financial institutions for purchase of motor vehicles or spare parts specially, under which the Group obtained extended credit in respect of the purchase from certain suppliers of motor vehicles or spare parts. The facilities in relation to these arrangements are secured by the Group's inventories, trade and other receivables and pledged bank deposits with an aggregate carrying value of RMB156,279,000 as at 31 December 2024.

Under these arrangements, the banks and other financial institutions pay suppliers the amounts in respect of purchase of motor vehicles or spare parts by the Group, which normally require advance payments before delivery. The Group then settles with the banks and other financial institutions within 180 days after the payment dates with the suppliers, or if earlier, upon the sales of the underlying motor vehicles of the Group, with interest.

In the consolidated statement of financial position, the Group has presented the payables to the banks and other financial institutions under these arrangements as "loans and borrowings", in view of the nature and function of such liabilities when compared with the Group's trade payables to suppliers. As at 31 December 2024, the carrying amount of financial liabilities under these arrangements amounted to RMB167,299,000 (1 January 2024: RMB217,965,000), all of which the suppliers have received payments from the banks and other financial institutions.

## NOTES TO THE FINANCIAL STATEMENTS

## 24 TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	168,693	194,176
Bills payable – supplier finance arrangement (i)	2,871,092	1,511,704
	3,039,785	1,705,880
Contract liabilities (ii)	721,004	831,076
Payable for legal dispute cases	3,633	40,000
Other payables and accruals	282,957	321,025
Amounts due to third parties	4,047,379	2,897,981
Amounts due to related parties (note 32(c))	9,079	9,068
Trade and other payables	4,056,458	2,907,049

- (i) The Group has entered into certain credit revolving bank acceptance bill arrangements with banks. Under these arrangements, the Group issued bank acceptance bills to settle with certain automobile manufacturers in respect of purchase from certain suppliers of motor vehicles or spare parts, which normally require advance payments before delivery, and the manufacturers can then discount the bank acceptance bills to the banks. The facilities in relation to these arrangements are secured by the Group's inventories, trade and other receivables and pledged bank deposits with an aggregate carrying value of RMB2,871,092,000 as at 31 December 2024.

The Group subsequently settles the bills payable with the banks upon the maturity date of the bill payables, up to 180 days after the issue date.

In the consolidated statement of financial position, the Group has presented the bills payable to the banks under these arrangements as “trade and other payables” because these bills payable continue to be part of the normal operating cycle of the Group.

In the consolidated statement of cash flows, the Group's payments to the banks are included within operating cash flows based on the nature of the arrangements.

## NOTES TO THE FINANCIAL STATEMENTS

**24 TRADE AND OTHER PAYABLES (continued)**

- (ii) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB369,027,000 (2023: RMB617,972,000).

**(a) All trade and other payables are expected to be settled within one year.**

**(b) Bills payable were secured by the following assets of the Group:**

	<b>2024</b> <b>RMB'000</b>	2023 RMB'000
Pledged bank deposits	<b>2,088,035</b>	945,669
Inventories	<b>566,974</b>	367,611
Trade and other receivables	<b>216,083</b>	198,424
	<b>2,871,092</b>	1,511,704

As at 31 December 2024, bills payable of RMB136,247,000 were guaranteed by a related party (2023: RMB348,369,000) (see note 32(d)).

**(c) As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:**

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

## NOTES TO THE FINANCIAL STATEMENTS

## 25 LEASE LIABILITIES

At 31 December 2024, the lease liabilities were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	169,916	170,396
After 1 year but within 2 years	161,747	160,884
After 2 years but within 5 years	450,147	432,941
After 5 years	538,639	619,393
	1,150,533	1,213,218
	1,320,449	1,383,614

## 26 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;

## NOTES TO THE FINANCIAL STATEMENTS

### 26 CONVERTIBLE BONDS (continued)

- 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.

## NOTES TO THE FINANCIAL STATEMENTS

## 26 CONVERTIBLE BONDS (continued)

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

	Liability component (At amortised cost) RMB'000	Equity component (Residual amount) RMB'000	Total RMB'000
<b>At 1 January 2023</b>	2,274,932	208,515	2,483,447
Interest charge ( <i>note 6(a)</i> )	108,741	–	108,741
Conversion	(8,740)	(758)	(9,498)
Repurchase	(202,053)	(3,781)	(205,834)
Exchange adjustment	33,901	–	33,901
<b>At 31 December 2023</b>	2,206,781	203,976	2,410,757
Interest charge ( <i>note 6(a)</i> )	90,834	–	90,834
Repurchase (i)	(579,606)	(17,623)	(597,229)
Exchange adjustment	41,161	–	41,161
<b>At 31 December 2024 (ii)</b>	<b>1,759,170</b>	<b>186,353</b>	<b>1,945,523</b>

## (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 RMB 585,968,000), with resulting gain of RMB 11,227,000 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

The number of options granted on 20 January 2014 still outstanding at 31 December 2023 and 31 December 2024 is nil.

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

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

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

During the year ended 31 December 2024, 75,000 options were forfeited, and no options were exercised (2023: 787,500).

The number of options granted on 4 January 2018 still outstanding at 31 December 2024 are 2,747,500 (2023: 2,822,500) which have an exercise price of HK\$2.58 (2023: HK\$2.58) and a remaining contractual life of 3.01 years (2023: 4.01 years).

## NOTES TO THE FINANCIAL STATEMENTS

### 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

During the year ended 31 December 2024, 1,037,500 options were forfeited (2023: 5,000), and no options were exercised (2023: 635,000).

The number of options granted on 18 July 2019 still outstanding at 31 December 2024 are 2,486,250 (2023: 3,523,750) which have an exercise price of HK\$6.00 (2023: HK\$6.00) and a remaining contractual life of 4.54 years (2023: 5.54 years).

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

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

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

During the year ended 31 December 2024, 1,515,000 options were forfeited (2023: 27,500), and no options were exercised (2023: 32,500).

The Group recorded equity settled share-base payment expenses of nil for the year ended 31 December 2024 (2023: RMB 21,000) (see note 6(b)(ii)).



## NOTES TO THE FINANCIAL STATEMENTS

### 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

#### (iv) Share options granted on 16 January 2020 (continued)

The number of options granted on 16 January 2020 still outstanding at 31 December 2024 are 182,500 (2023: 1,697,500) which have an exercise price of HK\$10.8 (2023: HK\$10.80) and a remaining contractual life of 5.05 years. (2023: 6.05 years).

#### (v) Share options granted on 25 May 2022

Pursuant to a resolution of the board of directors of the Company passed on 25 May 2022, 8,901,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 8,901,000 shares of the Company in aggregate with an exercise price of HK\$26.20, among which 240,000 share options were granted to Ms. Luo Liuyu, an executive director of the Company.

Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the Company. Each 25% of these share options will vest on 25 May 2022, 25 May 2023, 25 May 2024 and 25 May 2025, respectively, and be exercisable until 24 May 2032.

The Group recorded equity settled share-base payment expenses of RMB5,892,000 for the year ended 31 December 2024 (2023: RMB14,494,000) (see note 6(b)(ii)).

During the year ended 31 December 2024, 500,000 options were forfeited (2023: 1,051,000 options). The number of options granted on 25 May 2022 still outstanding at 31 December 2024 are 7,062,000 (2023: 7,562,000) which have an exercise price of HK\$26.20 and a remaining contractual life of 7.41 years (2023: 8.41 years).

## NOTES TO THE FINANCIAL STATEMENTS

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

## (v) Share options granted on 25 May 2022 (continued)

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

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– On 20 January 2014	4,150,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
– On 4 January 2018	4,150,000	25% on 4 January 2018 25% on 4 January 2019 25% on 4 January 2020 25% on 4 January 2021	10.00 years
– On 18 July 2019	3,230,000	25% on 18 July 2019 25% on 18 July 2020 25% on 18 July 2021 25% on 18 July 2022	10.00 years
– On 25 May 2022	240,000	25% on 25 May 2022 25% on 25 May 2023 25% on 25 May 2024 25% on 25 May 2025	10.00 years

## NOTES TO THE FINANCIAL STATEMENTS

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

## (v) Share options granted on 25 May 2022 (continued)

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

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to employees:			
– On 20 January 2014	7,250,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
– On 4 January 2018	7,830,000	25% on 4 January 2018 25% on 4 January 2019 25% on 4 January 2020 25% on 4 January 2021	10.00 years
– On 18 July 2019	6,470,000	25% on 18 July 2019 25% on 18 July 2020 25% on 18 July 2021 25% on 18 July 2022	10.00 years
– On 16 January 2020	1,940,000	25% on 16 January 2020 25% on 16 January 2021 25% on 16 January 2022 25% on 16 January 2023	10.00 years
– On 25 May 2022	8,661,000	25% on 25 May 2022 25% on 25 May 2023 25% on 25 May 2024 25% on 25 May 2025	10.00 years
Total share options granted	43,921,000		

## NOTES TO THE FINANCIAL STATEMENTS

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

## (v) Share options granted on 25 May 2022 (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2024		2023	
	Exercise price	Number of options	Exercise price	Number of options
Outstanding at the beginning of the year	HK\$15.69	15,605,750	HK\$15.37	18,144,250
Exercised during the year	–	–	HK\$4.26	(1,455,000)
Forfeited during the year	HK\$11.47	(3,127,500)	HK\$25.72	(1,083,500)
Outstanding at the end of the year	HK\$16.75	12,478,250	HK\$15.69	15,605,750
Exercisable at the end of the year	HK\$15.19	10,712,750	HK\$12.33	11,824,750

No options were exercised during the year.

The options outstanding at 31 December 2024 has an exercise price of HK\$2.58, HK\$6.00, HK\$10.80 or HK\$26.20 (2023: HK\$2.58, HK\$6.00, HK\$10.80 or HK\$26.20) and a weighted average remaining contractual life of 5.83 years (2023: 6.71 years).

## NOTES TO THE FINANCIAL STATEMENTS

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

## (v) Share options granted on 25 May 2022 (continued)

## (c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measure based on a binomial option-pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option-pricing model.

***Fair value of share options and assumptions***

	Share options granted on 20 January 2014	Share options granted on 4 January 2018	Share options granted on 18 July 2019	Share options granted on 16 January 2020	Share options granted on 25 May 2022
Fair value at measurement date (expressed as weighted average fair value under binomial option-pricing model)	HK\$ 0.75	HK\$ 0.87	HK\$ 2.35	HK\$ 4.42	HK\$ 7.84
Share price	HK\$ 1.63	HK\$ 2.48	HK\$ 5.71	HK\$ 10.29	HK\$ 26.20
Exercise price	HK\$ 1.80	HK\$ 2.58	HK\$ 6.00	HK\$ 10.80	HK\$ 26.20
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option-pricing model)	54.34%	48.08%	47.47%	48.08%	42.00%
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	9.82 years	10.00 years	10.00 years	10.00 years	10.00 years
Expected dividends	2.02%	5.75%	2.38%	2.73%	2.68%
Risk-free interest rate (based on HKMA Hong Kong Exchange Fund Notes)	2.23%	1.85%	1.56%	1.57%	2.69%

## NOTES TO THE FINANCIAL STATEMENTS

**27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)****(v) Share options granted on 25 May 2022 (continued)**

(c) Fair value of share options and assumptions: (continued)

***Fair value of share options and assumptions (continued)***

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 the historical earning per share and management's estimation of dividend payment. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

**28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION****(a) Current taxation in the consolidated statement of financial position represents:**

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

## NOTES TO THE FINANCIAL STATEMENTS

## 28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

## (b) Deferred tax assets and liabilities recognised

- (i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment arising from business combinations RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Unused tax losses RMB'000	Accruals RMB'000	Inventory provision RMB'000	Distribution of earnings RMB'000	Depreciation charge and capitalised interests of property, plant and equipment RMB'000	Total RMB'000
<b>Deferred tax (liabilities)/ assets arising from:</b>									
<b>At 1 January 2023</b>	(876,849)	(303,811)	363,955	16,737	22,624	3,784	-	27,022	(746,538)
Credited/(charged) to profit or loss (note 7(a))	50,188	29,722	(19,080)	3,415	(3,268)	(366)	(80,463)	(5,426)	(25,278)
Transfer to current taxation (note 7(b))	-	-	-	-	-	-	37,815	-	37,815
<b>At 31 December 2023</b>	(826,661)	(274,089)	344,875	20,152	19,356	3,418	(42,648)	21,596	(734,001)
<b>At 1 January 2024</b>	(826,661)	(274,089)	344,875	20,152	19,356	3,418	(42,648)	21,596	(734,001)
Credited/(charged) to profit or loss (note 7(a))	536,788	22,942	(15,372)	(6,521)	(3,873)	5,792	(6,819)	(1,175)	531,762
Transfer to current taxation (note 7(b))	-	-	-	-	-	-	44,467	-	44,467
<b>At 31 December 2024</b>	(289,873)	(251,147)	329,503	13,631	15,483	9,210	(5,000)	20,421	(157,772)

Deferred tax assets in respect of unused tax losses are considered probable that sufficient taxable profits will be available to utilise their unused tax losses before they expire.

## NOTES TO THE FINANCIAL STATEMENTS

**28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)****(b) Deferred tax assets and liabilities recognised (continued)**

(ii) Reconciliation to consolidated statement of financial position:

	<b>The Group 2024 RMB'000</b>	2023 RMB'000
<b>Representing:</b>		
Net deferred tax assets	<b>136,133</b>	133,392
Net deferred tax liabilities	<b>(293,905)</b>	(867,393)
	<b>(157,772)</b>	(734,001)

**(c) Deferred tax assets not recognised**

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB127,290,000 (2023: RMB51,662,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The PRC deductible tax losses in PRC expire within 5 years from the year when such losses were incurred. The tax losses incurred by MeiDong HK do not expire under current tax legislation.

**(d) Deferred tax liabilities not recognised**

The Corporate Income Tax Law of the PRC and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. During the year ended 31 December 2024, the Group is entitled to the reduced withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2024 in respect of undistributed earnings of RMB2,165,344,000 (2023: RMB1,871,517,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.



## NOTES TO THE FINANCIAL STATEMENTS

### 29 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

##### *The Company*

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total RMB'000
<b>Balance at 1 January 2023</b>	101,888	1,487	986	46,760	1,347,453	127,320	208,515	1,834,409
Profit for the year	-	-	-	-	644,290	-	-	644,290
Other comprehensive income for the year	-	-	-	-	-	77,154	-	77,154
Total comprehensive income for the year	-	-	-	-	644,290	77,154	-	721,444
Dividends declared and paid (note 29(b))	-	(169,223)	-	-	-	-	-	(169,223)
Equity settled share-based payment (note 27)	-	-	-	14,515	-	-	-	14,515
Issue of ordinary shares upon exercise of share options	129	7,235	-	(1,895)	-	-	-	5,469
Issuance of new shares, net of issuance expense	5,852	865,339	-	-	-	-	-	871,191
Conversion of convertible bonds	19	9,479	-	-	-	-	(758)	8,740
Repurchase of convertible bonds	-	-	-	-	-	-	(3,781)	(3,781)
<b>Balance at 31 December 2023</b>	107,888	714,317	986	59,380	1,991,743	204,474	203,976	3,282,764

## NOTES TO THE FINANCIAL STATEMENTS

## 29 CAPITAL, RESERVES AND DIVIDENDS (continued)

## (a) Movements in components of equity (continued)

*The Company (continued)*

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total RMB'000
<b>Balance at 1 January 2024</b>	107,888	714,317	986	59,380	1,991,743	204,474	203,976	3,282,764
Loss for the year	-	-	-	-	(1,972,532)	-	-	(1,972,532)
Other comprehensive income for the year	-	-	-	-	-	79,791	-	79,791
Total comprehensive income for the year	-	-	-	-	(1,972,532)	79,791	-	(1,892,741)
Dividends declared and paid (note 29(b))	-	(44,426)	-	-	-	-	-	(44,426)
Equity settled share-based payment (note 27)	-	-	-	5,892	-	-	-	5,892
Repurchase of convertible bonds (note 26(i))	-	-	-	-	-	-	(17,623)	(17,623)
<b>Balance at 31 December 2024</b>	107,888	669,891	986	65,272	19,211	284,265	186,353	1,333,866

## NOTES TO THE FINANCIAL STATEMENTS

### 29 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (b) Dividends

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

	2024 RMB'000	2023 RMB'000
Interim dividend for the year, approved and paid during the year, of RMB nil per ordinary share (2023: RMB 0.0087 per ordinary share)	–	11,712

	2024 RMB'000	2023 RMB'000
Final dividend proposed after the statement of financial position date of RMB 0.0445 per ordinary share (2023: RMB 0.0330 per ordinary share)	59,908	44,426

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 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB 0.0330 per ordinary share (2023: RMB 0.1170 per ordinary share)	44,426	157,511

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

## 29 CAPITAL, RESERVES AND DIVIDENDS (continued)

## (c) 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	
	Note	Par value HK\$	Number of shares (thousand)	Nominal value of ordinary shares HK\$'000	Number of shares (thousand)	Nominal value of ordinary shares HK\$'000
At 31 December	(i)	0.1	20,000,000	2,000,000	20,000,000	2,000,000

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

	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	220	22
At 31 December 2023, 1 January 2024 and 31 December 2024	1,346,247	134,625
RMB equivalent ('000) at 31 December 2024		107,888
RMB equivalent ('000) at 31 December 2023		107,888

## NOTES TO THE FINANCIAL STATEMENTS

### 29 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (c) Share capital (continued)

##### (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.

#### (d) Nature and purpose of reserves

##### (i) *Share premium*

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

##### (ii) *Capital redemption reserve*

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the share premium of the Company.

##### (iii) *Capital reserves*

Capital reserve comprises the following:

- contributions by the Controlling Shareholder at the respective dates;
- balances arising from transactions with owners in their capacity as the equity owners; and
- the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(iii).

## NOTES TO THE FINANCIAL STATEMENTS

**29 CAPITAL, RESERVES AND DIVIDENDS (continued)****(d) Nature and purpose of reserves (continued)****(iv) PRC statutory reserve**

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity shareholders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

**(v) Exchange reserve**

The exchange reserve comprises all foreign exchange difference arising from the translation of the financial statements of offshore companies with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2(w).

**(vi) Other reserve**

Other reserve represents the amount allocated to the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in note 2(p).

## NOTES TO THE FINANCIAL STATEMENTS

### 29 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as loans and borrowings, bills payable, convertible bonds and lease liabilities plus unaccrued proposed dividends, less pledged bank deposits, fixed deposits with more than three months to maturity and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2024, the Group's strategy, which was unchanged from 2023, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

## NOTES TO THE FINANCIAL STATEMENTS

## 29 CAPITAL, RESERVES AND DIVIDENDS (continued)

## (e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2024 and 2023 was as follows:

	Note	The Group 2024 RMB'000	2023 RMB'000
Current liabilities:			
Loans and borrowings	23	709,785	1,244,939
Bills payable	24	2,871,092	1,511,704
Convertible bonds	26	1,759,170	—
Lease liabilities	25	169,916	170,396
		5,509,963	2,927,039
Non-current liabilities:			
Loans and borrowings	23	291,700	199,500
Convertible bonds	26	—	2,206,781
Lease liabilities	25	1,150,533	1,213,218
<b>Total debt</b>		<b>6,952,196</b>	<b>6,546,538</b>
Add: Proposed dividends	29(b)	59,908	44,426
Less: Pledged bank deposits	21	(2,108,108)	(971,543)
Fixed deposits with more than three months to maturity when placed	22(a)	(12,000)	(561,905)
Cash and cash equivalents	22(a)	(2,644,539)	(2,361,671)
<b>Adjusted net debt</b>		<b>2,247,457</b>	<b>2,695,845</b>
<b>Total equity</b>		<b>2,956,783</b>	<b>5,286,140</b>
Less: Proposed dividends	29(b)	(59,908)	(44,426)
<b>Adjusted capital</b>		<b>2,896,875</b>	<b>5,241,714</b>
<b>Adjusted net debt-to-capital ratio</b>		<b>0.78</b>	<b>0.51</b>

The Group is subject to capital requirements imposed by certain banks as disclosed in note 23(b)(i).



## NOTES TO THE FINANCIAL STATEMENTS

### 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits, time deposits and trade and other receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and time deposits are limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

#### ***Trade receivables***

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.

At the end of the reporting period, 30% (2023: 32%) and 12% (2023: 13%) of the total trade receivables were due from the Group's five largest debtors and the largest single debtor respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2024 (2023: nil).

## NOTES TO THE FINANCIAL STATEMENTS

**30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****(a) Credit risk (continued)*****Prepayments and other receivables and deposits***

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

The Group measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2024 (2023: nil).

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

## NOTES TO THE FINANCIAL STATEMENTS

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

## (b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2024					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Loans and borrowings	732,979	58,213	246,050	–	1,037,242	1,001,485
Trade and other payables	3,335,454	–	–	–	3,335,454	3,335,454
Convertible bonds	1,850,889	–	–	–	1,850,889	1,759,170
Lease liabilities	173,196	171,144	512,670	900,133	1,757,143	1,320,449
	6,092,518	229,357	758,720	900,133	7,980,728	7,416,558
Financial guarantee issued:						
Maximum amount guaranteed:	130,000	–	–	–	130,000	–

## NOTES TO THE FINANCIAL STATEMENTS

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

## (b) Liquidity risk (continued)

	At 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	1,280,774	149,831	58,566	–	1,489,171	1,444,439
Trade and other payables	2,075,973	–	–	–	2,075,973	2,075,973
Convertible bonds	–	2,431,565	–	–	2,431,565	2,206,781
Lease liabilities	174,767	173,074	512,513	1,034,280	1,894,634	1,383,614
	3,531,514	2,754,470	571,079	1,034,280	7,891,343	7,110,807
Financial guarantee issued:						
Maximum amount guaranteed:	210,000	–	–	–	210,000	–

## (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits, fixed deposits with more than three months to maturity and interest-bearing borrowings. These financial instruments issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

## NOTES TO THE FINANCIAL STATEMENTS

## 30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

## (c) Interest rate risk (continued)

## (i) Interest rate profile

Cash at bank, pledged bank deposits, fixed deposits with more than three months to maturity and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank, fixed deposits with more than three months to maturity and pledged bank deposits are with fixed interest rates ranging from 0.10% to 5.46% per annum as at 31 December 2024 (2023: 0.20% to 5.78%).

The Group's interest-bearing borrowings and interest rates at the end of the reporting period are set out as follows:

	2024 Effective interest rate %	RMB'000	2023 Effective interest rate %	RMB'000
<b>Fixed rate borrowings</b>				
Bank loans	2.95 – 5.80	642,433	2.95 – 6.18	1,191,304
Convertible bonds	4.73	1,759,170	4.73	2,206,781
Lease liabilities	3.8 – 7.05	1,320,449	4.81 – 7.05	1,383,614
		3,722,052		4,781,699
<b>Variable rate borrowings</b>				
Bank loans	2.65 – 4.10	287,851	2.95 – 4.05	209,646
Borrowings from other financial institutions	1.83 – 7.02	71,201	1.83 – 8.50	43,489
		359,052		253,135
		4,081,104		5,034,834

## NOTES TO THE FINANCIAL STATEMENTS

**30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****(c) Interest rate risk (continued)****(ii) Sensitivity analysis**

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2023.

	<b>Increase/ (Decrease) in basis points</b>	<b>Effect on profit after tax and retained profits for the year RMB'000</b>
<b>At 31 December 2024</b>		
Basis points	<b>100</b>	<b>2,693</b>
Basis points	<b>(100)</b>	<b>(2,693)</b>
<b>At 31 December 2023</b>		
Basis points	100	1,899
Basis points	(100)	(1,899)

## NOTES TO THE FINANCIAL STATEMENTS

**30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****(d) Currency risk**

The Group is exposed to currency risk primarily through financing activities which give rise to cash and cash equivalents, fixed deposits with more than three months to maturity and loans and borrowings that are denominated in a foreign currency, ie. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to the risk is primarily Renminbi Yuan.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year-end date.

	<b>Exposure to foreign currencies (expressed in Renminbi)</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Renminbi Yuan* RMB'000</b>	<b>United States Dollars RMB'000</b>	<b>Renminbi Yuan* RMB'000</b>	<b>United States Dollars RMB'000</b>
Cash and cash equivalents	<b>1,048</b>	<b>1,325,295</b>	1,536	1,116,311
Fixed deposits with more than three months to maturity when placed	–	–	–	335,350
Loans and borrowings	–	–	(71,719)	–
Net exposure arising from recognised assets and liabilities	<b>1,048</b>	<b>1,325,295</b>	(70,183)	1,451,661

## NOTES TO THE FINANCIAL STATEMENTS

**30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****(d) Currency risk (continued)**

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2024		2023	
	Increase/ (Decrease) in foreign exchange rate	Effect on profit after tax and retained profits RMB'000	Increase/ (Decrease) in foreign exchange rate	Effect on profit after tax and retained profits RMB'000
United States Dollars	1% (1)%	13,253 (13,253)	1% (1)%	14,517 (14,517)
Renminbi	10% (10)%	105 (105)	10% (10)%	(7,018) 7,018

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

\* No currency risk is identified for those monetary assets or liabilities denominated in Renminbi which are in the functional currency of the relevant group entities as at 31 December 2024.

**(e) Fair value measurement**

At 31 December 2024 and 31 December 2023, all of the Group's financial instruments were carried at cost or amortised cost not materially different from their fair value.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 COMMITMENTS

Capital commitments outstanding at 31 December 2024 not provided for in the consolidated financial statements were as follows:

	The Group	
	2024 RMB'000	2023 RMB'000
Contracted for	15	441

### 32 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2024, the directors are of the view that the following companies are related parties of the Group:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

## 32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (a) Recurring transactions

	2024 RMB'000	2023 RMB'000
<b>Short-term rental expense:</b>		
Dadong Group	720	720
<b>Management service income:</b>		
Dongguan Meidong	3,604	4,185

The Company's directors are of the opinion that the above related party transactions were conducted on terms no less favorable to the Group than terms available to or from independent third parties and in the ordinary course of business.

## (b) Non-recurring transactions

	2024 RMB'000	2023 RMB'000
<b>Sales of passenger vehicles:</b>		
Dongguan Meidong	25,631	16,960
<b>Purchases of passenger vehicles:</b>		
Dongguan Meidong	29,375	30,863

## NOTES TO THE FINANCIAL STATEMENTS

**32 MATERIAL RELATED PARTY TRANSACTIONS (continued)****(c) Balances with related parties**

At 31 December 2024, the Group had the following balances with related parties:

	<b>2024</b> <b>RMB'000</b>	2023 RMB'000
<b>Other receivables due from:</b>		
Dongguan Meidong	<b>4,602</b>	2,527
<b>Other payables due to:</b>		
Dadong Group	<b>1,404</b>	2,124
Ye Fan	<b>7,675</b>	6,944
	<b>9,079</b>	9,068

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS

## 32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (d) Guarantees and securities issued by related parties

	31 December 2024 RMB'000	31 December 2023 RMB'000
<b>Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:</b>		
– Ye Fan (i)	726,261	1,181,281
– Dadong Group (ii)	–	13,300
	<b>726,261</b>	<b>1,194,581</b>

**Guarantees issued by a related party in respect of bills issued by the Group:**

– Ye Fan (iii)	136,247	348,369
----------------	---------	---------

- (i) Loans and borrowings of RMB726,261,000 as at 31 December 2024 (31 December 2023: RMB1,181,281,000) were guaranteed by Mr. Ye Fan.
- (ii) Loans and borrowings of nil as at 31 December 2024 (31 December 2023: RMB13,300,000) were guaranteed by Dadong Group.
- (iii) Bills payable of RMB 136,247,000 as at 31 December 2024 (31 December 2023: RMB348,369,000) were guaranteed by Mr. Ye Fan.

## NOTES TO THE FINANCIAL STATEMENTS

## 32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (e) Guarantees issued by the Group

	2024 RMB'000	2023 RMB'000
<b>Guarantees issued by the Group in respect of financial facilities granted to a related party:</b>		
– Dongguan Meidong	80,000	80,000
<b>Guarantees issued by the Group in respect of bank loans and borrowings granted to a related party:</b>		
– Dongguan Meidong	50,000	130,000

## (f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	14,881	18,129
Equity compensation benefits	682	2,287
	15,563	20,416

Total remuneration is included in staff costs (see note 6(b)).

## NOTES TO THE FINANCIAL STATEMENTS

### 32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

#### (g) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expense and financial assistance as disclosed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

The related party transactions in respect of management service income as disclosed above do not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## NOTES TO THE FINANCIAL STATEMENTS

## 33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2024	31 December 2023
<b>Non-current assets</b>			
Interests in a subsidiary		1,629,527	4,313,657
Long-term receivables		11,954	11,792
Other non-current assets		4,742	4,742
		<b>1,646,223</b>	4,330,191
<b>Current assets</b>			
Other receivables		213	15,380
Fixed deposits with more than three months to maturity when placed		–	309,144
Cash and cash equivalents		1,723,690	1,181,336
		<b>1,723,903</b>	1,505,860
<b>Current liabilities</b>			
Convertible bonds	(i)	1,759,170	–
Other payables		232,270	187,011
Loans and borrowings		44,820	159,495
		<b>2,036,260</b>	346,506
<b>Non-current liabilities</b>			
Convertible bonds	(i)	–	2,206,781
		–	2,206,781
<b>Net current (liabilities)/assets</b>		<b>(312,357)</b>	1,159,354
<b>Total assets less current liabilities</b>		<b>1,333,866</b>	5,489,545
<b>NET ASSETS</b>		<b>1,333,866</b>	3,282,764
<b>EQUITY</b>			
	29		
Share capital		107,888	107,888
Reserves		1,225,978	3,174,876
<b>TOTAL EQUITY</b>		<b>1,333,866</b>	3,282,764

(i) The directors consider that, the Company assumed from Sail Vantage Limited the obligations to redeem and convert the Convertible Bonds (see note 26).

## NOTES TO THE FINANCIAL STATEMENTS

### 34 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 29(b).

#### (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.

### 35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2024, the directors consider the immediate parent of the Group to be Apex Sail, which is incorporated under the laws of the British Virgin Islands, and the ultimate controlling party of the Group to be Mr. Ye Fan.

### 36 COMPARATIVE FIGURES

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



## NOTES TO THE FINANCIAL STATEMENTS

### 37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability</i>	1 January 2025
<i>Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

### RESULTS

	Year ended 31 December				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Revenue	20,207,446	23,576,689	28,654,734	28,554,553	<b>22,153,952</b>
Profit/(loss) before taxation	1,052,220	1,612,763	863,540	384,474	<b>(2,634,517)</b>
Taxation	(281,642)	(399,423)	(307,604)	(228,694)	<b>375,685</b>
Profit/(loss) for the year	770,578	1,213,340	555,936	155,780	<b>(2,258,832)</b>
Profit/(loss) attributable to equity shareholders of the Company	750,558	1,165,640	521,029	140,203	<b>(2,264,060)</b>
Non-controlling interests	20,020	47,700	34,907	15,577	<b>5,228</b>
Profit/(loss) for the year	770,578	1,213,340	555,936	155,780	<b>(2,258,832)</b>
Earnings/(loss) per share					
Basic (RMB cents)	62.19	93.62	40.93	10.44	<b>(168.18)</b>
Diluted (RMB cents)	61.36	92.38	40.61	10.41	<b>(168.18)</b>

### ASSETS AND LIABILITIES

	As at 31 December				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Total assets	7,770,349	9,802,673	14,239,403	14,220,406	<b>11,481,315</b>
Total liabilities	(4,425,774)	(5,686,080)	(9,805,623)	(8,934,266)	<b>(8,524,532)</b>
	3,344,575	4,116,593	4,433,780	5,286,140	<b>2,956,783</b>
Equity attributable to equity shareholders of the Company	3,226,666	3,946,624	4,275,026	5,152,255	<b>2,834,301</b>
Non-controlling interests	117,909	169,969	158,754	133,885	<b>122,482</b>
Total equity	3,344,575	4,116,593	4,433,780	5,286,140	<b>2,956,783</b>

## **FIVE-YEAR FINANCIAL SUMMARY**

Certain figures in this document have been subject to rounding adjustments.

This document 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.