



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

Interim Report
2022

廊坊美东



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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

JIP Ki Chi

AUTHORISED REPRESENTATIVE

YE Tao

COMPANY SECRETARY

WONG Cheung Ki Johnny, FCPA, FCCG
(CS, CGP), FCS (CS, CGP)

AUDIT COMMITTEE

JIP Ki Chi (*Chairman*)

CHEN Guiyi

WANG, Michael Chou

REMUNERATION COMMITTEE

WANG, Michael Chou (*Chairman*)

CHEN Guiyi

JIP Ki Chi

NOMINATION COMMITTEE

YE Fan (*Chairman*)

JIP Ki Chi

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

CORPORATE INFORMATION

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
Financial Reporting Council Ordinance
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

HONG KONG LEGAL ADVISORS

HW Lawyers
Units 2511–2512, 25/F
K11 Atelier King's Road
728 King's Road
Hong Kong

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, amid the volatility of the COVID-19 pandemic and a more severe external environment, China's economy faced downward pressure and consumption of automobile has also been significantly affected. Coupled with the shortage in supply of automobiles of certain brands, traditional premium brands were impacted to varying degrees and performance was not satisfactory both in terms of production and sales volume. According to the data of the China Passenger Car Association, the retail sales volume of premium brand vehicles for the six months ended 30 June 2022 (the "Period") was 1.301 million units, representing a decrease of 14% yoy.

Nevertheless, as the COVID-19 pandemic in China showed signs of being contained since late May 2022, combined with multiple impacts of the policies of halving the purchase tax and various promotional charges, sales volume of premium brand vehicles began to rebound. According to the data of the China Passenger Car Association, the retail sales volume of premium brand vehicles in June 2022 was 310 thousand units, representing an increase of 26% yoy. Despite the daunting challenges faced by the domestic automobile industry, the market for premium brand vehicles is expected to gradually recover and commence its next round of growth with the recovering market and imposition of government policies.

BUSINESS AND FINANCIAL REVIEW

During the Period, by leveraging our high operating efficiency as well as the acquisition of 7 Porsche 4S stores, the Group delivered a year-on-year growth in revenue despite the challenging operating environment. Revenue from sales of new vehicles and after-sales services both recorded a growth, whereas the sales contribution of premium brand vehicles also further increased. In particular, Porsche, riding on its strong brand value, has fully demonstrated its resilience and high potential by delivering standout performance against other premium brands. The newly acquired Porsche stores also showed synergies since the Group took over its operation, reporting a rapid growth in business and operating efficiency, which is expected to bring strong momentum to the Group's future growth. Meanwhile, after-sales services was able to maintain a satisfactory growth and profit margin during the pandemic. Although the Group's profit for the Period was adversely impacted by the unfavorable market conditions and additional non-operating expenses such as acquisition charge and associated finance expense, it was nonetheless able to maintain a high efficiency rate. Its operating metrics, including inventory turnover days, were maintained at a satisfactory level. Its balance sheet and cash flow were also fairly stable during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue for the Period

Revenue for the Period was approximately RMB12,658.4 million, representing an increase of approximately 7.2% yoy (first half of 2021: approximately RMB11,808.1 million). Revenue from new passenger vehicles sales increased by approximately 5.8% yoy to approximately RMB11,152.2 million (first half of 2021: approximately RMB10,544.1 million), accounting for approximately 88.1% (first half of 2021: approximately 89.3%) of the total revenue. Revenue from after-sales services increased by approximately 19.2% yoy to approximately RMB1,506.2 million (first half of 2021: approximately RMB1,264.0 million). Such increase was mainly due to benefits brought by efficient operations and the contributions from the newly acquired Porsche stores.

Cost of Sales

Cost of sales increased by approximately 7.5% from approximately RMB10,534.5 million in the first half of 2021 to approximately RMB11,324.2 million for the Period. The increase in cost of sales was mainly due to the growth of the Group's two major business segments, namely new passenger vehicles sales and after-sales services. Among which, the cost of sales for new passenger vehicles sales and after-sales services increased by approximately 7.3% and 10.3%, respectively.

Gross Profit

During the Period, gross profit increased by approximately 4.8% from approximately RMB1,273.6 million in the first half of 2021 to approximately RMB1,334.2 million, driven by the steady growth in total revenue. Overall gross profit margin remained stable with a slight decrease of 0.3 percentage point to approximately 10.5%. Among which, gross profit margin of new passenger vehicles sales decreased by 1.4 percentage points to approximately 5.2% (first half of 2021: approximately 6.6%) due to the combined effects of weak demand and shortage in supply under the COVID-19 pandemic; gross profit margin of after-sales services increased by 4.0 percentage points from approximately 45.8% for the first half of 2021 to approximately 49.8%, maintaining its upward trajectory in the second half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Costs and Expenses

During the Period, the Group incurred the following additional expenses arising from the acquisition of 7 Porsche stores and related financing: 1) amortized cost of approximately RMB44.3 million for the relevant issuance expenses in relation to the HK\$2,750,000,000 convertible bonds due 2027 and the liability portion of the convertible bonds using effective interest method; and 2) an amortized cost of approximately RMB25.6 million for the relevant dealership right, and other one-off expenses of approximately RMB24.6 million arose from the acquisition. In addition, the Group also incurred the following expenses for the Period: 1) an expense of approximately RMB18.3 million in relation to the issuance of share options of the Company to employees during the Period; and 2) other recurring operating expenses amounted to approximately RMB2.7 million, resulting in an increase in expenses for the Period. Among which, distribution costs were approximately RMB397.8 million, which accounted for approximately 3.1% of total revenue, representing a slight increase by 0.2 percentage point as compared to that of approximately 2.9% for the corresponding period of last year. Administrative expenses were approximately RMB377.3 million, which accounted for approximately 3.0% of total revenue, representing a slight increase by 0.6 percentage point as compared to that of approximately 2.4% for the corresponding period of last year. Finance costs amounted to approximately RMB127.1 million, increased by 0.5 percentage point from approximately 0.5% for the corresponding period of last year to approximately 1.0% as a percentage of total revenue.

Taxation

During the Period, the Group's income tax expenses amounted to approximately RMB190.9 million, representing an increase of approximately 7.1% as compared to approximately RMB178.2 million for the corresponding period of last year. The increase in income tax expenses was mainly due to the withholding deferred income tax provided against the estimated dividend distribution out of earnings of the Group's PRC subsidiaries of RMB600.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period and Profit attributable to Shareholders

During the Period, the overall sales volume of premium brand vehicles and the gross profit margin of new passenger vehicles sales were impacted by the COVID-19 pandemic. Coupled with the additional non-operating expenses mentioned above, the Group's profit for the Period decreased by approximately 33.5% yoy to approximately RMB366.6 million (first half of 2021: approximately RMB551.0 million) and the profit margin for the Period also decreased by 1.8 percentage points from approximately 4.7% for the corresponding period of last year to approximately 2.9%. The profit attributable to shareholders for the Period decreased from approximately RMB536.5 million for the corresponding period of last year to approximately RMB343.2 million during the Period.

Dividend

The Board recommended an interim dividend of RMB0.0808 per ordinary share of the Company (the "Share") for the Period (first half of 2021: RMB0.1293 per Share), with the payout ratio reaching approximately 30.0% (first half of 2021: payout ratio approximately 30.0%).

Joint Venture Entity

For the Period, share of profit of a joint venture amounted to approximately RMB16.5 million, representing a decrease of approximately 28.3% as compared to approximately RMB23.1 million for the corresponding period of the last year.

New Passenger Vehicles Sales

During the Period, the Group further expanded its store network upon completion of acquisition of 7 Porsche stores. In a market environment full of challenges and uncertainties, new passenger vehicles sales managed to record a stable growth in the first half of 2022 with a revenue of approximately RMB11,152.2 million (first half of 2021: approximately RMB10,544.1 million), representing an increase of approximately 5.8% as compared to the corresponding period of last year. Sales of premium brand vehicles remained as the major revenue source of the Group, accounting for approximately 87.2% of total new passenger vehicles sales. Sales volume of Porsche, BMW, Lexus and Audi during the Period was 20,469 units in aggregate.

MANAGEMENT DISCUSSION AND ANALYSIS

After-Sales Services

During the Period, despite the impact of COVID-19 pandemic, the after-sales service segment was able to deliver a sustainable and significant growth. Achieving a rapid growth, the Group recorded a revenue of after-sales services amounted to approximately RMB1,506.2 million, representing a significant increase of approximately 19.2% as compared to that for the corresponding period of last year (first half of 2021: approximately RMB1,264.0 million). The total number of vehicles served was 345,137 units, representing an increase of approximately 13.7% yoy. The gross profit margin from after-sales services recorded a strong increase to 49.8%, driving the gross profit of after-sales service to increase by approximately 29.6% yoy.

Current Network

The Group continues to implement its highly-effective premium brand focus, “Single City Single Store” strategy, and has continuously expanded its distribution network through new store openings and mergers and acquisitions. In the first half of 2022, the Group acquired 7 new stores. As of 30 June 2022, the Group has 77 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.

As at 30 June 2022, the number of stores operated by the Group was as follows:

Number of stores under operation	As of 30 June		Change
	2022	2021	
Porsche	16	8	+8
BMW	27	27	0
Lexus	19	17	+2
Toyota	13	12	+1
Hyundai	1	1	0
Audi	1	1	0
Total	77	66	+11

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Position

As at 30 June 2022, total equity of the Group amounted to approximately RMB4,464.0 million (31 December 2021: approximately RMB4,116.6 million), current assets amounted to approximately RMB8,144.5 million (31 December 2021: approximately RMB5,563.1 million), and current liabilities amounted to approximately RMB7,365.6 million (31 December 2021: approximately RMB4,089.5 million).

As at 30 June 2022, the Group's loans and borrowings amounted to approximately RMB1,960.5 million, representing an increase of approximately 52.1% as compared to approximately RMB1,288.9 million as of 31 December 2021, out of which short-term loans and borrowings amounted to approximately RMB1,567.7 million, long-term loans and borrowings amounted to approximately RMB392.8 million. As at 30 June 2022, convertible bonds amounted to approximately RMB2,127.6 million. The gearing ratio (being the total loans and borrowings divided by total equity attributable to equity shareholders of the Company) was approximately 45.7% as at 30 June 2022 (31 December 2021: approximately 32.7%).

As at 30 June 2022, cash and cash equivalents and pledged bank deposits amounted to approximately RMB5,160.6 million. Most of the cash and cash equivalents and pledged bank deposits were denominated in Renminbi and Hong Kong dollars. Apart from part of the cash that is denominated in Hong Kong dollars, the Group's business operations are located principally in China and a majority of its transactions are denominated in Renminbi. Therefore, the Group expects that its foreign exchange risks will have minimal effect on the Group and have no material adverse effect on its normal operations. For the six months ended 30 June 2022, the Group did not employ any significant financial instruments such as forward foreign exchange contracts, nor did it employ any major financial instruments for hedging purposes.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Change in Functional Currency

The Board has determined to change the functional currency of the Company from RMB to HK\$ with effect from 1 January 2022. Please refer to note 2 of the notes to the unaudited interim financial report in this report below for further details. As of 30 June 2022, the translation reserve arising from the change of functional currency recorded in the Group's consolidated statement of comprehensive income was approximately RMB25.1 million.

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Significant Investments, Material Acquisition and Disposals

Apart from the acquisition of MeiDong Auto Sales Group Limited (formerly known as Starchase Motorsports Limited) (the "Target Company", together with its subsidiaries the "Target Group"), the Group had no significant investments, material acquisitions nor disposals during the Period.

The Target Group is an automobile dealership group in the PRC, which operates the sales and after-sales business of Porsche and has 7 4S dealership stores in seven cities in the PRC, namely, Nanjing, Qingdao, Tianjin, Chongqing, Weifang, Jinan and Zhengzhou. The Target Company has become a wholly-owned subsidiary of the Company upon completion of the acquisition on 29 April 2022 and the financial results of the Target Company has been consolidated into the consolidated financial statements of the Company. See also the paragraph headed "Significant Events" below.

Pledged Assets of the Group

As at 30 June 2022, the Group pledged property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and pledged bank deposits of approximately RMB162.1 million in aggregate (31 December 2021: approximately RMB326.7 million) to secure certain loans and borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking forward to the second half of 2022, certain major uncertainties brought by the COVID-19 pandemic, shortages in the automobile supply chain and geopolitical environment are expected to sustain. Upholding its usual prudential approach, the Group will continue to respond to market challenges in a flexible and proactive manner. The Group will further promote integration of the newly acquired Porsche stores, continue to improve operational efficiency and strictly manage its balance sheet as well as cash flow through efficient data management, so as to ensure stable development of the Group. With the rapid progress of the integration, the newly acquired Porsche stores are expected to become a powerful driving force for the Group's business growth and efficiency enhancement. The Group's abundant cash and strong execution capabilities will also contribute to its long-term and sustainable development, allowing it to fully grasp new opportunities arising from various niche markets amidst market adversity.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the interests or short positions of the Directors and chief executives in the ordinary shares of the Company (the "Shares") and underlying shares 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 of Hong Kong Limited (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 (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions or Short Positions in Shares and Underlying Shares

Name of director	Capacity	Interest in Shares			Interest in underlying Shares pursuant to share options	Approximate percentage of shareholding as at 30 June 2022 ⁽²⁾
		Personal interest in Shares	Family interest in Shares	Total interest in Shares		
Mr. YE Fan ⁽¹⁾	Settlor of trust	—	702,712,000	702,712,000	—	55.10%
Mr. YE Tao	Beneficial owner	2,000,000	—	—	2,000,000	0.31%
Ms. LUO Liuyu	Beneficial owner	48,000	—	48,000	580,000	0.05%
Mr. CHEN Guiyi	Beneficial owner	500,000	—	500,000	500,000	0.08%
Mr. JIP Ki Chi	Beneficial owner	—	—	250,000	250,000	0.04%
Mr. WANG, Michael Chou	Beneficial owner	188,000	—	188,000	500,000	0.05%

Notes:

- ⁽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 702,712,000 Shares and by virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail.
- ⁽²⁾ The percentage is calculated based on the total number of issued shares as at 30 June 2022, being 1,275,427,364.

Details of Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares" below.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme adopted by the Shareholders on 13 November 2013 (the "SOS"), the Company has granted to certain Directors options to subscribe Shares, details of which as at 30 June 2022 were as follows:

Name of Director	Date of grant	Exercisable period	Exercise price	Number of shares subject to the outstanding options as at 01.01.2022	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed	Number of shares subject to the outstanding options as at 30.06.2022	Approximate percentage of shareholding	
YE Tao	20.01.2014	01.01.2015–12.11.2023	1.80	500,000	—	(500,000)	—	0	0%	
	20.01.2014	01.01.2016–12.11.2023	1.80	500,000	—	(500,000)	—	0	0%	
	20.01.2014	01.01.2017–12.11.2023	1.80	500,000	—	(500,000)	—	0	0%	
	20.01.2014	01.01.2018–12.11.2023	1.80	500,000	—	(500,000)	—	0	0%	
	04.01.2018	04.01.2018–03.01.2028	2.58	500,000	—	—	—	500,000	0.039%	
	04.01.2018	04.01.2019–03.01.2028	2.58	500,000	—	—	—	500,000	0.039%	
	04.01.2018	04.01.2020–03.01.2028	2.58	500,000	—	—	—	500,000	0.039%	
	04.01.2018	04.01.2021–03.01.2028	2.58	500,000	—	—	—	500,000	0.039%	
	LUO Liuyu	20.01.2014	01.01.2015–12.11.2023	1.80	75,000	—	(75,000)	—	0	0%
		20.01.2014	01.01.2016–12.11.2023	1.80	75,000	—	(75,000)	—	0	0%
		20.01.2014	01.01.2017–12.11.2023	1.80	75,000	—	(75,000)	—	0	0%
		20.01.2014	01.01.2018–12.11.2023	1.80	75,000	—	(75,000)	—	0	0%
04.01.2018		04.01.2018–03.01.2028	2.58	225,000	—	(225,000)	—	0	0%	
04.01.2018		04.01.2019–03.01.2028	2.58	225,000	—	(225,000)	—	0	0%	
04.01.2018		04.01.2020–03.01.2028	2.58	225,000	—	(225,000)	—	0	0%	
04.01.2018		04.01.2021–03.01.2028	2.58	225,000	—	—	—	225,000	0.018%	
18.07.2019		18.07.2019–17.07.2029	6.00	57,500	—	(57,500)	—	0	0%	
18.07.2019		18.07.2020–17.07.2029	6.00	57,500	—	(57,500)	—	0	0%	
18.07.2019		18.07.2021–17.07.2029	6.00	57,500	—	—	—	57,500	0.005%	
18.07.2019		18.07.2022–17.07.2029	6.00	57,500	—	—	—	57,500	0.005%	
25.05.2022		25.05.2022–24.05.2032	26.20	—	60,000	—	—	60,000	0.005%	
25.05.2022		25.05.2023–24.05.2032	26.20	—	60,000	—	—	60,000	0.005%	
25.05.2022		25.05.2024–24.05.2032	26.20	—	60,000	—	—	60,000	0.005%	
25.05.2022		25.05.2025–24.05.2032	26.20	—	60,000	—	—	60,000	0.005%	

OTHER INFORMATION

Name of Director	Date of grant	Exercisable period	Exercise price	Number of shares subject to the outstanding options as at 01.01.2022	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed	Number of shares subject to the outstanding options as at 30.06.2022	Approximate percentage of shareholding
CHEN Guiyi	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
JIP Ki Chi	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	(250,000)	—	0	0%
	18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
WANG, Michael Chou	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
	18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	0.020%
Total				6,930,000.00	240,000	(3,340,000)	—	3,830,000	0.300%

Note:

- (1) *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*

Save as disclosed above, as at 30 June 2022, none of the Directors had any interests or short positions in the Shares or underlying shares 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 Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of 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 any such person exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, 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	Approximate percentage of shareholding	
		Number of Shares held as at 30.06.2022	as at 30.06.2022
Apex Sail ^{(1), (2)}	Beneficial owner	702,712,000	55.10%
Apex Holdings ^{(1), (2)}	Interest in a controlled corporation	702,712,000	55.10%
IQ EQ (Switzerland) Limited ⁽²⁾	Trustee	702,712,000	55.10%
Ms. HU Huanran ^{(1), (3)}	Interest of spouse	702,712,000	55.10%

OTHER INFORMATION

Notes:

- (1) *This is based on the total Shares in issue as at 30 June 2022, being 1,275,427,364.*
- (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 therefore deemed to be interested in such 702,712,000 Shares by virtue of the SFO.*

Save for the shareholders as disclosed herein, so far as the Directors are aware, no persons (other than the Directors and chief executives of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded as at 30 June 2022 in the register to be kept by the Company under Section 336 of the SFO.

Short positions in Shares and underlying Shares in the Company

As at 30 June 2022, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the Company had not been notified of any interests or short positions being held by any person (other than the Directors, chief executives and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

SHARE OPTION SCHEME

Pursuant to the SOS, the Company may, at their discretion, invite full-time or part-time employees of the Company and its subsidiaries (together, the “Group”), including Directors and employees of the 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 at 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 will remain in force for a period of 10 years commencing on 13 November 2013.

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 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.

The Company granted share options to certain eligible employees on 16 January 2020 pursuant to the SOS. The closing price of the shares of the Company as stated in the daily quotation sheet issued by the Stock Exchange on 15 January 2020, being the date immediately before such date of grant, was HK\$10.44.

The Company granted a total of 8,901,000 share options to Ms. Luo Liuyu, an executive Director, and certain eligible employees on 25 May 2022 pursuant to the SOS. The closing price of the shares of the Company as stated in the daily quotation sheet issued by the Stock Exchange on 24 May 2022, being the date immediately before such date of grant, was HK\$25.5. The fair value of such options were approximately HK\$69,808,000 in aggregate, which was measured at grant date using the binomial option-pricing model, taking into account the terms and condition upon which the options were granted. See also the Company's 2021 annual report for further information about the Company's accounting policies regarding share-based payments.

OTHER INFORMATION

As at the date this report (i.e. 30 August 2022), 56,079,000 options, representing approximately 4.40% of the total issued shares of the Company as at 30 August 2022, were available to be issued under the SOS.

During the Period, 8,901,000 options were granted by the Company.

As at 30 June 2022, the Company had 19,647,250 share options outstanding under the SOS, representing approximately 1.54% of the issued share capital of the Company as at the date of this report. Details of the share options outstanding as at the date of this report are as follows:

Option type	Date of grant	Exercisable period	Exercise price
2014 Options	20.01.2014	01.01.2015-12.11.2023	HK\$1.80
	20.01.2014	01.01.2016-12.11.2023	HK\$1.80
	20.01.2014	01.01.2017-12.11.2023	HK\$1.80
	20.01.2014	01.01.2018-12.11.2023	HK\$1.80
2018 Options	04.01.2018	04.01.2018-03.01.2028	HK\$2.58
	04.01.2018	04.01.2019-03.01.2028	HK\$2.58
	04.01.2018	04.01.2020-03.01.2028	HK\$2.58
	04.01.2018	04.01.2021-03.01.2028	HK\$2.58
2019 Options	18.07.2019	18.07.2019-17.07.2029	HK\$6.00
	18.07.2019	18.07.2020-17.07.2029	HK\$6.00
	18.07.2019	18.07.2021-17.07.2029	HK\$6.00
	18.07.2019	18.07.2022-17.07.2029	HK\$6.00
2020 Options	16.01.2020	16.01.2020-15.01.2030	HK\$10.80
	16.01.2020	16.01.2021-15.01.2030	HK\$10.80
	16.01.2020	16.01.2022-15.01.2030	HK\$10.80
	16.01.2020	16.01.2023-15.01.2030	HK\$10.80
2022 Options	25.05.2022	25.05.2022-24.05.2032	HK\$26.20
	25.05.2022	25.05.2023-24.05.2032	HK\$26.20
	25.05.2022	25.05.2024-24.05.2032	HK\$26.20
	25.05.2022	25.05.2025-24.05.2032	HK\$26.20

OTHER INFORMATION

The following table discloses movements in the share options of the Company during the Period:

Name of Director	Options			Exercise price HK\$	Number of Shares outstanding options as at 01.01.2022	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares outstanding options as at 30.06.2022	Weighted average closing price of Shares immediately before the date on which the options were exercised HK\$	
	type	Date of grant	Exercisable period								
Category 1:											
Directors											
YE Tao	2014 options	20.01.2014	01.01.2015–12.11.2023	1.80	500,000	—	(500,000)	—	—	28.20	
		20.01.2014	01.01.2016–12.11.2023	1.80	500,000	—	(500,000)	—	—	28.20	
		20.01.2014	01.01.2017–12.11.2023	1.80	500,000	—	(500,000)	—	—	28.20	
		20.01.2014	01.01.2018–12.11.2023	1.80	500,000	—	(500,000)	—	—	28.20	
	2018 options	04.01.2018	04.01.2018–03.01.2028	2.58	500,000	—	—	—	500,000	—	
		04.01.2018	04.01.2019–03.01.2028	2.58	500,000	—	—	—	500,000	—	
		04.01.2018	04.01.2020–03.01.2028	2.58	500,000	—	—	—	500,000	—	
		04.01.2018	04.01.2021–03.01.2028	2.58	500,000	—	—	—	500,000	—	
	LUO Liuyu	2014 options	20.01.2014	01.01.2015–12.11.2023	1.80	75,000	—	(75,000)	—	—	25.00
			20.01.2014	01.01.2016–12.11.2023	1.80	75,000	—	(75,000)	—	—	25.00
			20.01.2014	01.01.2017–12.11.2023	1.80	75,000	—	(75,000)	—	—	25.00
			20.01.2014	01.01.2018–12.11.2023	1.80	75,000	—	(75,000)	—	—	25.00
2018 options		04.01.2018	04.01.2018–03.01.2028	2.58	225,000	—	(225,000)	—	—	25.00	
		04.01.2018	04.01.2019–03.01.2028	2.58	225,000	—	(225,000)	—	—	25.00	
		04.01.2018	04.01.2020–03.01.2028	2.58	225,000	—	(225,000)	—	—	25.00	
		04.01.2018	04.01.2021–03.01.2028	2.58	225,000	—	—	—	225,000	—	
2019 options		18.07.2019	18.07.2019–17.07.2029	6.00	57,500	—	(57,500)	—	—	25.00	
		18.07.2019	18.07.2020–17.07.2029	6.00	57,500	—	(57,500)	—	—	25.00	
		18.07.2019	18.07.2021–17.07.2029	6.00	57,500	—	—	—	57,500	—	
		18.07.2019	18.07.2022–17.07.2029	6.00	57,500	—	—	—	57,500	—	
2022 options		25.05.2022	25.05.2022–24.05.2032	26.20	—	60,000	—	—	—	60,000	—
		25.05.2022	25.05.2023–24.05.2032	26.20	—	60,000	—	—	—	60,000	—
		25.05.2022	25.05.2024–24.05.2032	26.20	—	60,000	—	—	—	60,000	—
		25.05.2022	25.05.2025–24.05.2032	26.20	—	60,000	—	—	—	60,000	—

OTHER INFORMATION

Name of Director	Options type	Date of grant	Exercisable period	Exercise price HK\$	Number of Shares subject to the outstanding options as at 01.01.2022	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares subject to the outstanding options as at 30.06.2022	Weighted average closing price of Shares immediately before the date on which the options were exercised
										HK\$
CHEN Guiyi	2019 options	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	—
JIP Ki Chi	2019 options	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	(250,000)	—	—	25.75
		18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	—
WANG, Michael Chou	2019 options	18.07.2019	18.07.2021–17.07.2029	6.00	250,000	—	—	—	250,000	—
		18.07.2019	18.07.2022–17.07.2029	6.00	250,000	—	—	—	250,000	—
Total for Directors					6,930,000	240,000	(3,340,000)	—	3,830,000	

OTHER INFORMATION

Name of Director	Options type	Date of grant	Exercisable period	Exercise price HK\$	Number of Shares subject to the outstanding options as at 01.01.2022	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Number of Shares subject to the outstanding options as at 30.06.2022	Weighted average closing price of Shares immediately before the date on which the options were exercised
										HK\$
Category 2:										
Employees	2014 options	20.01.2014	01.01.2015–12.11.2023	1.80	37,500	—	(37,500)	—	—	25.00
		20.01.2014	01.01.2016–12.11.2023	1.80	37,500	—	(37,500)	—	—	25.00
		20.01.2014	01.01.2017–12.11.2023	1.80	37,500	—	(37,500)	—	—	25.00
		20.01.2014	01.01.2018–12.11.2023	1.80	37,500	—	(37,500)	—	—	25.00
	2018 options	04.01.2018	04.01.2018–03.01.2028	2.58	432,500	—	(287,500)	—	145,000	25.50
		04.01.2018	04.01.2019–03.01.2028	2.58	532,500	—	(275,000)	—	257,500	26.69
		04.01.2018	04.01.2020–03.01.2028	2.58	682,500	—	(350,000)	—	332,500	26.49
		04.01.2018	04.01.2021–03.01.2028	2.58	850,000	—	(200,000)	—	650,000	27.83
	2019 options	18.07.2019	18.07.2019–17.07.2029	6.00	881,250	—	(183,750)	(82,500)	615,000	25.03
		18.07.2019	18.07.2020–17.07.2029	6.00	893,750	—	(183,750)	(82,500)	627,500	25.03
		18.07.2019	18.07.2021–17.07.2029	6.00	1,448,750	—	(7,500)	(97,500)	1,343,750	25.75
		18.07.2019	18.07.2022–17.07.2029	6.00	1,510,000	—	—	(97,500)	1,412,500	—
	2020 options	16.01.2020	16.01.2020–15.01.2030	10.80	450,000	—	(70,000)	(5,000)	375,000	25.00
		16.01.2020	16.01.2021–15.01.2030	10.80	467,500	—	—	(7,500)	460,000	—
		16.01.2020	16.01.2022–15.01.2030	10.80	482,500	—	(12,500)	(7,500)	462,500	28.20
		16.01.2020	16.01.2023–15.01.2030	10.80	482,500	—	—	(7,500)	475,000	—
	2022 options	25.05.2022	25.05.2022–24.05.2032	26.20	—	2,165,250	—	—	2,165,250	—
		25.05.2022	25.05.2023–24.05.2032	26.20	—	2,165,250	—	—	2,165,250	—
		25.05.2022	25.05.2024–24.05.2032	26.20	—	2,165,250	—	—	2,165,250	—
		25.05.2022	25.05.2025–24.05.2032	26.20	—	2,165,250	—	—	2,165,250	—
Total for Employees				9,263,750	8,661,000	(1,720,000)	(387,500)	15,817,250		
All Category				16,193,750	8,901,000	(5,060,000)	(387,500)	19,647,250		

Note:

- (1) *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*

Following the exercise of an aggregate of 5,060,000 share options during the Period, 5,060,000 Shares of the Company (with an aggregate nominal value of HK\$506,000) were issued with a total fund of approximately HK\$14,353,000. Such funds has not yet been applied as of the date of this report, and is expected to be applied for working capital and other corporate purposes within the next three years.

OTHER INFORMATION

ISSUE OF SHARES, BONDS AND WARRANTS

Save for issue of convertible bonds and shares set out under the paragraph headed “Issue of Convertible Bonds and Shares under General Mandate”, the grant of new options set out under the paragraph headed “Share Option Scheme”, and the allotment of a total of 5,060,000 Shares as a result of the exercise of share options granted under the SOS, there were no issue or placing of bonds, shares or warrants during the Period.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company (the “Controlling Shareholders”) has provided to the Company a written confirmation in respect of his/its compliance with the non-compete undertakings dated 13 November 2013 (the “Non-Compete Undertakings”) for the Period. 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 the Controlling Shareholders can ascertain, there is no breach of the Non-Compete Undertakings.

STAFF TRAINING AND DEVELOPMENT

As at 30 June 2022, the Group had a total of 5,428 employees (31 December 2021: 5,076), the majority of whom are based in the PRC. The total staff costs of the Group for the Period amounted to approximately RMB478.1 million (for the six months ended 30 June 2021: approximately RMB439.2 million). In addition to offering competitive remuneration packages to employees, discretionary bonuses and share options which may be granted to eligible employees based on individual performance, the Group advocates simple, direct and data-oriented corporate culture, which has become one of key elements of attracting talents. The management team of the Group values satisfaction of employees, strives for creating a better working environment and career paths for employees.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

As disclosed in the prospectus of the Company dated 22 November 2013 (the “Prospectus”), the Company will provide timely updates on the status of rectifications for properties with title defects with respect to owned and leased properties. The Group has no status update on the property title defect for the six months ended 30 June 2022. The Group will promptly announce the progress of the relevant matters in accordance with relevant regulations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period and until the date of this report.

STATUS ON USE OF PROCEEDS

In June 2020, the Company placed 81,000,000 new Shares at the subscription price of HK\$15.84 per Share. The Company received approximately HK\$1,262 million after deducting placement cost in respect of it.

In January 2022, the Company issued convertible bonds and shares under the general mandate, and received approximately HK\$3,461 million (with approximately HK\$2,690 million from the issue of Convertible Bonds, and approximately HK\$771 million from the issue of Shares) in aggregate after deducting applicable costs and expenses. See also the paragraph headed “Significant Events” below.

OTHER INFORMATION

Below sets out the use of proceeds from such issues:

Intended use of net proceeds	Percentage of total net proceeds of such issue (approximately)	Unutilized proceeds as at 31 December 2021 (in HK\$ million)	Utilized during the Period (in HK\$ million)	Unutilized proceeds as at 30 June 2022 (in HK\$ million)
Proceeds from issue in June 2020				
Opportunistic mergers and acquisitions	70%	883	883	Nil
General working capital	30%	379	379	Nil
Total	100%	1,262	1,262	Nil
Proceeds from issue in January 2022				
Business expansion (including strategic investments and acquisitions)*	90%	N/A	3,115	Nil
Working capital and other general corporate purposes**	10%	N/A	346	Nil
Total	100%		3,461	Nil

Notes:

* Including approximately HK\$2,421 million from issue of Convertible Bonds, and approximately HK\$694 million from issue of shares

** Including approximately HK\$269 million from issue of Convertible Bonds, and approximately HK\$77 million from issue of shares

The proceeds have been fully utilized on their intended purposes as previously announced and within the time frame as planned up to the date of this report.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix 14 of the Listing Rules during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

IMPORTANT EVENTS AFTER THE PERIOD

Save as disclosed in this report, or in notes 21 and 22 to the unaudited interim financial report of the Company, no important events affecting the Group has occurred since the end of the Period.

SIGNIFICANT EVENTS

Issue of Convertible Bonds and Shares under General Mandate

In January 2022, Sail Vantage Limited (“CB Issuer”, a wholly-owned subsidiary of the Company) issued zero coupon guaranteed convertible bonds (the “Convertible Bonds”) due 2027 to professional investors (as defined in Chapter 37 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)) with an aggregate principal amount of HK\$2,750,000,000 (convertible into Shares with an initial conversion price of HK\$46.75 per Share (subject to adjustments)), on the terms and conditions of a subscription agreement dated 6 January 2022 entered into between the CB Issuer, the Company, Goldman Sachs (Asia) L.L.C. and Morgan Stanley & Co. International plc. The Company has agreed to guarantee payment of all sums payable by the CB Issuer in relation to the Convertible Bonds. Assuming full conversion of the Convertible Bonds into Shares at the initial conversion price, 58,823,529 Shares might fall to be issued (with an aggregate nominal value of approximately HK\$5,882,353), and the net price of each conversion Share to the Company based on the net proceeds was approximately HK\$45.72. Listing of the Convertible Bonds commenced on the Stock Exchange on 14 January 2022.

OTHER INFORMATION

With effect from 5 August 2022, following the determination of the exchange rate of cash distribution of final dividend of the Company for the year 2021, the conversion price has been adjusted to HK\$45.4881 per Share (subject to adjustments) pursuant to the terms and conditions of the Convertible Bonds. With reference to the aggregate outstanding principal amount of HK\$2,750,000,000 as of 5 August 2022 and the date of this report and the adjusted conversion price, the maximum number of Shares to be issued upon full conversion of the Convertible Bonds will be 60,455,371 Shares (with an aggregate nominal value of approximately HK\$6,045,537 and a net price of approximately HK\$44.58 per conversion Share to the Company based on the net proceeds), and representing approximately 4.74% and 4.53% of the issued Shares as of the date of this report, assuming no and full conversion, respectively). Assuming full conversion of the Convertible Bonds at the adjusted conversion price, the shareholding of Apex Sail (a controlling shareholder of the Company) will be changed from approximately 55.10% to 52.50%. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the additional conversion Shares on the Stock Exchange.

Should the Convertible Bonds be fully converted by the end of the Period, there would be an anti-dilutive effect on earnings per share for the Period.

On 6 January 2022, the Company, Apex Sail (as vendor of Shares), Goldman Sachs (Asia) L.L.C. and Morgan Stanley & Co. International plc (both as placing agent) entered into a placing and subscription agreement, under which (i) Apex Sail agreed to place 22,500,000 existing Shares at a placing price of HK\$34.63 per Share to not less than six independent third party placees procured by the placing agents, and (ii) the Company agreed to issue 22,500,000 Shares (with an aggregate nominal value of HK\$2,250,000) to Apex Sail at a subscription price of HK\$34.63 per Share. The net price of each Share issued based on the net proceeds was approximately HK\$34.3. The share placement and subscription have been completed in 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 and issue price were fixed) was HK\$39.35 per Share.

The Directors consider that: (a) the issue of the Convertible Bonds was a cost-efficient way to raise capital to meet the capital need of the intended uses without putting a heavy short-term burden on the liquidity position of the Company; and (b) the share placement and subscription were being undertaken to enlarge the shareholders' equity base of the Company, optimize the capital structure of the Company and support a sustainable overall development and expansion of the Company.

With reference to the financial resources available to the Group and the Group's liquidity position as discussed in the section headed "Management Discussion and Analysis — Liquidity, financial resources and position", the Company believes that it has the ability to meet its redemption obligation under the Convertible Bonds if the situation requires.

The net proceeds from the issue of Convertible Bonds and the Shares (after deducting applicable costs and expenses, including commission and levies) were approximately HK\$3,461 million in aggregate.

An analysis of the Company's 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:

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

More information is set out in the Company's announcements dated 6 January 2022 and 5 August 2022, respectively.

OTHER INFORMATION

Acquisition of MeiDong Auto Sales Group Limited

On 13 December 2021, the Company entered into an acquisition agreement with Wearnes-StarChase Limited, pursuant to which the Company agreed to acquire all issued shares of the Target Company for a total cash consideration of RMB3,700,000,000 (less any completion shortfalls), subject to the terms and conditions of the acquisition agreement. The acquisition was completed in April 2022. Upon completion, the Target Company has become a direct wholly-owned subsidiary of the Company and the assets, liabilities and its financial results are being consolidated into the consolidated financial statements of the Group. Further information is set out in the Company's circular dated 6 April 2022.

Grant of share options to employees

During the Period, the Board resolved to offer to grant a total of 8,901,000 share options to a Director and certain eligible employees of the Group under the Company's share option scheme. The grantees are entitled to subscribe for a total of 8,901,000 Shares at an exercise price of HK\$26.2 per Share. Further information is set out in the Company's announcement dated 25 May 2022.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls.

An Audit Committee meeting was held on 30 August 2022 and the Audit Committee has reviewed the unaudited interim financial report for the Period. KPMG, the Group's external auditor, has carried out a review of the interim financial report for the Period in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INTERIM DIVIDEND AND CLOSURE OF THE REGISTER OF MEMBERS

The Board resolved to declare an interim dividend of RMB0.0808 per Share for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB0.1293 per Share). The interim dividend will be paid in cash. Based on the number of Shares in issue as at the date of this report, a total amount of dividend of approximately RMB103.1 million will be distributed.

The interim dividend will be distributed to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 26 September 2022 (Monday). The register of members of the Company will be closed to determine the entitlements to the interim dividend from 23 September 2022 (Friday) to 26 September 2022 (Monday) (both days inclusive), during such period no share transfer will be registered. To qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 22 September 2022 (Thursday). The interim dividend is expected to be paid on 28 December 2022 (Wednesday).

The latest time for holders of the Convertible Bonds (Debt stock code: 4401, SAIL VAN B2701) to exercise their conversion rights in order to be entitled to the interim dividend is 4:30 p.m. on 14 September 2022 (Wednesday).

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT



Review report to the board of directors of China MeiDong Auto Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 32 to 68 which comprises the consolidated statement of financial position of China MeiDong Auto Holdings Limited as of 30 June 2022 and the related consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL REPORT

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 — unaudited

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	12,658,377	11,808,117
Cost of sales	6	(11,324,227)	(10,534,501)
Gross profit		1,334,150	1,273,616
Other revenue and other net income	5	109,117	122,612
Distribution costs		(397,834)	(347,655)
Administrative expenses		(377,310)	(277,823)
Profit from operations		668,123	770,750
Finance costs	6(a)	(127,146)	(64,573)
Share of profits of a joint venture		16,531	23,070
Profit before taxation	6	557,508	729,247
Income tax	7	(190,937)	(178,210)
Profit for the period		366,571	551,037
Other comprehensive income for the period (after tax):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		12,899	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		12,198	—
Other comprehensive income for the period		25,097	—
Total comprehensive income for the period		391,668	551,037

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 — unaudited

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Profit attributable to:			
Equity shareholders of the Company		343,223	536,522
Non-controlling interests		23,348	14,515
Profit for the period		366,571	551,037
Total comprehensive income attributable to:			
Equity shareholders of the Company		368,320	536,522
Non-controlling interests		23,348	14,515
Total comprehensive income for the period		391,668	551,037
Earnings per share			
Basic (RMB cents)	8(a)	27.02	43.11
Diluted (RMB cents)	8(b)	26.75	42.53

The notes on pages 39 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	9	1,838,493	1,381,418
Right-of-use assets	10	1,815,826	1,568,809
Intangible assets	11	3,568,388	546,121
Interest in a joint venture		30,580	61,942
Other non-current assets		73,527	422,113
Goodwill	20	1,004,512	178,691
Deferred tax assets		132,844	80,459
		8,464,170	4,239,553
Current assets			
Inventories	12	1,379,544	355,256
Trade and other receivables	13	1,604,422	1,817,159
Pledged bank deposits	14	1,664,206	768,964
Cash and cash equivalents	15	3,496,358	2,621,741
		8,144,530	5,563,120
Current liabilities			
Loans and borrowings	16	1,567,712	989,490
Trade and other payables	17	5,488,217	2,787,598
Income tax payables		149,953	179,941
Lease liabilities		159,712	132,421
		7,365,594	4,089,450
Net current assets		778,936	1,473,670
Total assets less current liabilities		9,243,106	5,713,223

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current liabilities			
Loans and borrowings	16	392,828	299,388
Convertible bonds	18	2,127,634	—
Deferred tax liabilities		966,691	137,270
Lease liabilities		1,291,925	1,159,972
		4,779,078	1,596,630
NET ASSETS			
		4,464,028	4,116,593
EQUITY			
Share capital	19	101,785	99,520
Reserves		4,189,386	3,847,104
Total equity attributable to equity shareholders of the Company			
		4,291,171	3,946,624
Non-controlling interests			
		172,857	169,969
TOTAL EQUITY			
		4,464,028	4,116,593

Approved and authorised for issue by the board of directors on 30 August 2022.

Ye Fan
Director

Ye Tao
Director

The notes on pages 39 to 68 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

	Attributable to equity shareholders of the Company							Total equity RMB'000	
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	PRC statutory reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		Non-controlling interests RMB'000
Balance at 1 January 2021	99,245	790,545	986	(34,657)	309,152	2,061,395	3,226,666	117,909	3,344,575
Profit and total comprehensive income for the period	—	—	—	—	—	536,522	536,522	145,15	551,037
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	15,000	15,000
Dividends approved in respect of the previous years (Note 19(a))	—	(299,930)	—	—	—	—	(299,930)	—	(299,930)
Dividends paid to non-controlling interests (Note 19(a))	—	—	—	—	—	—	—	(5,414)	(5,414)
Equity settled share-based transactions (Note 19(b))	—	—	—	2,688	—	—	2,688	—	2,688
Issue of ordinary shares upon exercise of share options (Note 19(b))	44	1,487	—	(388)	—	—	1,143	—	1,143
Balance at 30 June 2021 and 1 July 2021	99,289	492,102	986	(32,377)	309,152	2,597,917	3,467,069	142,010	3,609,079
Profit and total comprehensive income for the period	—	—	—	—	—	629,118	629,118	33,185	662,303
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	3,000	3,000
Appropriation to reserves	—	—	—	—	81,889	(81,889)	—	—	—
Dividends declared and paid (Note 19(a))	—	(160,986)	—	—	—	—	(160,986)	—	(160,986)
Dividends paid to non-controlling interests (Note 19(a))	—	—	—	—	—	—	—	(8,226)	(8,226)
Equity settled share-based transactions (Note 19(b))	—	—	—	1,462	—	—	1,462	—	1,462
Issue of ordinary shares upon exercise of share options (Note 19(b))	231	13,438	—	(3,708)	—	—	9,961	—	9,961
Balance at 31 December 2021	99,520	344,554	986	(34,623)	391,041	3,145,146	3,946,624	169,969	4,116,593

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital reserves	Statutory reserves	Retained earnings	Exchange reserve	Other reserve	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	99,520	344,554	986	(34,623)	391,041	3,145,146	—	—	3,946,624	1,69,969	4,116,593
Profit for the period	—	—	—	—	—	343,223	—	—	343,223	23,348	366,571
Other comprehensive income for the period	—	—	—	—	—	—	25,097	—	25,097	—	25,097
Total comprehensive income for the period	—	—	—	—	—	343,223	25,097	—	368,320	23,348	391,668
Dividends approved in respect of the previous years (Note 19(a))	—	(891,651)	—	—	—	—	—	—	(891,651)	—	(891,651)
Dividends paid to non-controlling interests (Note 19(a))	—	—	—	—	—	—	—	—	—	(20,460)	(20,460)
Equity settled share-based transactions (Note 19(b))	—	—	—	—	—	—	—	—	—	—	—
Issue of ordinary shares upon exercise of share options (Note 19(b))	—	—	—	18,347	—	—	—	—	18,347	—	18,347
Issue of new shares, net of issuance expense (Note 19(c))	430	16,350	—	(4,579)	—	—	—	—	12,201	—	12,201
Equity component of convertible bonds (Note 18)	1,855	626,980	—	—	—	—	—	—	628,815	—	628,815
Balance at 30 June 2022	101,785	96,233	986	(20,855)	391,041	3,488,369	25,097	208,515	4,291,171	172,857	4,464,028

The notes on pages 39 to 68 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 – unaudited

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash generated from operations		929,489	953,324
Income tax paid		(218,380)	(191,870)
Net cash generated from operating activities		711,109	761,454
Investing activities			
Payment for the purchase of property, plant and equipment		(106,038)	(178,470)
Proceeds from disposal of property, plant and equipment		53,878	58,187
Net cash flow from business combination	20	(2,259,463)	(244,499)
Dividends received from a joint venture		47,893	42,426
Interest received		18,452	10,027
Other cash flows arising from investing activities		(253)	(5,431)
Net cash used in investing activities		(2,245,531)	(317,760)
Financing activities			
Capital element of lease rentals paid		(38,146)	(32,266)
Interest element of lease rentals paid		(40,878)	(39,035)
Proceeds from loans and borrowings		7,372,295	3,870,060
Repayment of loans and borrowings		(7,655,623)	(3,971,895)
Dividends paid to non-controlling interests	19(a)	(20,460)	(5,414)
Proceeds from exercise of share options	19(b)	12,201	1,143
Interest paid		(40,082)	(25,795)
Proceeds from issuance of new shares, net of issuance expenses	19(c)	628,815	—
Net proceeds from issuance of convertible bonds	18	2,198,814	—
Capital injection by non-controlling interests		—	15,000
Advances from a related party	22(b)	—	4,985
Repayment of advances from a related party	22(b)	(3,339)	—
Net cash generated from/(used in) financing activities		2,413,597	(183,217)
Net increase in cash		879,175	260,477
Cash at 1 January	15	2,593,083	2,538,030
Effect of foreign exchange rate changes		24,100	(11,396)
Cash at 30 June	15	3,496,358	2,787,111

The notes on pages 39 to 68 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION AND THE BASIS OF PRESENTATION

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”).

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any change in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 30.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

2 CHANGES IN FUNCTIONAL CURRENCY OF THE COMPANY

In prior years based on the primary source of income from Mainland China, the board of directors regarded RMB as the functional currency of the Company. From 2022, the Company has had more financing activities in the capital market, such as issuing bonds and placing shares which led to substantial increase in the amount of HK\$ denominated transactions while the economic source of dividend revenues is not a key factor in determining the functional currency of the Company which is not merely an investment holding entity. Considering the above reasons, the board of directors have determined to change the functional currency of the Company from RMB to HK\$ from 1 January 2022 accordingly, while the presentation currency of the Company remains unchanged as RMB.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 *"The Effects of Changes in Foreign Exchange Rates"*.

At the date of the change, the financial position is translated from RMB into the new functional currency (HK\$) using the prevailing exchange rate at that date. From 1 January 2022, the Company's financial statements are prepared with any non-HK\$ transactions translated following the requirements of foreign currency transactions. All resulting exchange differences arising from the translation from functional currency to a different presentation currency of the Company were recognised in other comprehensive income.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Sales of passenger vehicles	11,152,216	10,544,079
— After-sales services	1,506,161	1,264,038
	12,658,377	11,808,117

All revenue was recognised at a point in time.

(b) Segment reporting

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

(i) Information about geographical area

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

(ii) Information about major customers

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other revenue		
Commission income	64,687	62,537
Bank interest income	18,834	9,624
Management service income	4,210	5,799
	87,731	77,960

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Other net income		
Net gain on disposal of property, plant and equipment	14,991	16,638
Net foreign exchange loss	(6,093)	(11,265)
Gain on a bargain purchase	—	29,714
Others	12,488	9,565
	21,386	44,652
	109,117	122,612

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(a) Finance costs:		
Interest on:		
— loans and borrowings	32,110	20,366
— convertible bonds	44,267	—
— lease liabilities	40,876	39,035
Total interest expense	117,253	59,401
Other finance costs (i)	9,893	5,172
Total finance costs	127,146	64,573

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(b) Staff costs:		
Salaries, wages and other benefits	439,935	419,369
Equity settled share-based payment expenses (ii)	18,347	2,668
Contributions to defined contribution retirement plans (iii)	19,827	17,139
	478,109	439,176

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(c) Other items:		
Cost of inventories	11,210,172	10,444,469
Write-down of inventories	10,764	—
Depreciation charge		
— owned property, plant and equipment	103,105	72,467
— right-of-use assets	63,323	51,012
Amortisation of intangible assets (iv)	40,245	5,369
Lease expenses	3,651	2,592
Net foreign exchange loss	6,093	11,265

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(continued)*

- (i) It represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.
- (ii) The Group recognised an expense of RMB18,347,000 for the six months ended 30 June 2022 in relation to share options granted to certain employees of the Group pursuant to a share option scheme (six months ended 30 June 2021: RMB2,668,000) (see note 19(b)).
- (iii) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(continued)*

- (iv) The Group recognised administrative expenses of RMB40,245,000 in relation to the amortization of intangible assets for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB5,369,000).

7 INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax:		
Provision for PRC income tax for the period	180,230	191,034
Deferred tax:		
Origination of temporary differences	10,707	(12,824)
	190,937	178,210

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 subsidiaries located in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the reporting period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Under the Corporate Income Tax Law of the PRC which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to income tax at the statutory tax rate.

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.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company of RMB343,223,000 (six months ended 30 June 2021: RMB536,522,000) and the weighted average of 1,270,474,000 ordinary shares in issue (six months ended 30 June 2021: 1,244,566,000 ordinary shares) during the interim period.

Weighted average number of ordinary shares

	Six months ended 30 June	
	2022	2021
Issued ordinary shares at 1 January	1,247,867,000	1,244,521,000
Effect of exercise of share options (note 19(b))	853,000	45,000
Effect of placement of new shares (note 19(c))	21,754,000	—
Weighted average number of ordinary shares at 30 June	1,270,474,000	1,244,566,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

8 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2022 is based on the profit attributable to equity shareholders of the Company of RMB343,223,000 (six months ended 30 June 2021: RMB536,522,000) and the weighted average of 1,283,160,000 ordinary shares (six months ended 30 June 2021: 1,261,490,000 ordinary shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the period ended 30 June 2022.

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares at 30 June	1,270,474,000	1,244,566,000
Effect of deemed issue of shares under the employee share option scheme	12,686,000	16,924,000
Weighted average number of ordinary shares (diluted) at 30 June	1,283,160,000	1,261,490,000

The computation of diluted earnings per share for the six months ended 30 June 2022 does not assume the conversion of the Group's convertible bonds since its exercise had anti-dilutive effect that would result in an increase in earnings per share for the six months ended 30 June 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with original costs of RMB599,067,000 (six months ended 30 June 2021: RMB224,058,000). This amount included additions to property, plant and equipment through acquisitions of subsidiaries of RMB440,540,000 (see note 20). Items of property, plant and equipment with a net book value of RMB38,887,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB59,837,000), resulting in a gain on disposal of RMB14,991,000 (six months ended 30 June 2021: RMB16,638,000).

10 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, additions to right-of-use assets were RMB373,033,000 (six months ended 30 June 2021: RMB110,529,000). This amount included the additions to land use rights and capitalised lease payments through acquisitions of subsidiaries of RMB203,309,000 (see note 20) and the rest primarily related to the capitalised lease payments payable under new tenancy agreements.

11 INTANGIBLE ASSETS

During the six months ended 30 June 2022, additions to intangible assets were RMB3,062,512,000 (six months ended 30 June 2021: RMB200,073,000), which were attributable to the addition of 4S car dealerships through acquisitions of subsidiaries (see note 20).

The car dealership arises from the Group's relationship with the automobile manufacturer, with an estimated useful life of 20 years. The fair value of the car dealership as at the acquisition date was determined by using the multiple-period excess earning method.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

12 INVENTORIES

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Motor vehicles	1,184,657	222,853
Others	194,887	132,403
	1,379,544	355,256

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

	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	11,210,172	10,444,469
Write-down of inventories	10,764	—

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	194,028	170,114
1 to 2 months	13,707	8,986
2 to 3 months	6,183	1,145
Over 3 months	3,371	985
Trade debtors	217,289	181,230
Prepayments	643,108	921,918
Other receivables and deposits	740,750	709,147
Amounts due from third parties	1,601,147	1,812,295
Amounts due from related parties	3,275	4,864
Trade and other receivables	1,604,422	1,817,159

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

14 PLEDGED BANK DEPOSITS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings	34,815	33,729
Restricted bank deposits pledged in respect of bills payable	1,629,391	735,235
	1,664,206	768,964

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

15 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash at banks and in hand	3,496,358	2,621,741

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

16 LOANS AND BORROWINGS

(a) At 30 June 2022, loans and borrowings were repayable as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year or on demand	1,567,712	989,490
After 1 year but within 2 years	202,749	139,881
After 2 years but within 5 years	190,079	159,507
	392,828	299,388
	1,960,540	1,288,878

(b) At 30 June 2022, loans and borrowings were secured as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Secured bank loans (i)	1,913,233	1,166,958
Secured borrowings from other financial institutions (i)	47,307	121,920
	1,960,540	1,288,878

(i) As at 30 June 2022, loans and borrowings were secured by property, plant and equipment, right-of-use assets, inventories, trade and other receivables and pledged banks deposits of the Group and certain loans and borrowings were also guaranteed by related parties.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 3 months	2,685,622	1,603,975
Over 3 months but within 6 months	67,739	65,305
Total trade payables and bills payable (i)	2,753,361	1,669,280
Contract liabilities	1,095,162	711,100
Other payables and accruals (ii)	1,631,620	396,184
Amounts due to third parties	5,480,143	2,776,564
Amounts due to related parties	8,074	11,034
Trade and other payables	5,488,217	2,787,598

- (i) As at 30 June 2022, total bills payable amounted to RMB2,545,657,000 (31 December 2021: RMB1,501,292,000) and certain bills payable were guaranteed by a related party.
- (ii) As at 30 June 2022, other payable and accruals included acquisition consideration payable of RMB400 million (note 20) and dividends payable of RMB892 million.
- (iii) All trade and other payables are expected to be settled within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 CONVERTIBLE BONDS

On 14 January 2022, 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 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.

The Convertible Bonds can be settled by exchange of a fixed amount of cash in HK\$ with a fixed number of the Company's equity instruments. In accordance with the Group's accounting policy, the Convertible Bonds are accounted for as compound financial instruments which contain both a liability component and an equity component. At initial recognition, the liability component is measured 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.

Transaction costs associated with the issuance of the Convertible Bonds are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is subsequently carried at amortised cost calculated using the effective interest method. The equity component is recognised in other reserve until either the Convertible Bonds are converted or redeemed.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

18 CONVERTIBLE BONDS *(continued)*

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

	Liability component (At amortised cost)	Equity component (Residual amount)	Total
	RMB'000	RMB'000	RMB'000
At the date of issuance	1,990,299	208,515	2,198,814
Interest charge <i>(note 6(a))</i>	44,267	—	44,267
Exchange adjustment	93,068	—	93,068
At 30 June 2022	2,127,634	208,515	2,336,149

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) ***Dividends payable to equity shareholders of the Company attributable to the interim period.***

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interim dividend declared after the interim period, of RMB0.0808 per ordinary share (six months ended 30 June 2021: RMB0.1293 per ordinary share)	103,054	160,986

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

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(Expressed in RMB unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Dividends (continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.6991 per ordinary share (six months ended 30 June 2021: RMB0.241 per ordinary share)	891,651	299,930

(iii) Other dividends

During the six months ended 30 June 2022, a subsidiary of the Group declared and paid dividends of RMB20,460,000 (six months ended 30 June 2021: RMB5,414,000) in cash to non-controlling interests.

(b) Equity settled share-based transactions

(i) Share options granted on 20 January 2014

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

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

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.

During the six months ended 30 June 2022, 2,450,000 options were exercised (six months ended 30 June 2021: Nil) at a subscription price of HK\$1.80 per ordinary share for a total consideration of HK\$4,410,000 (equivalent to RMB3,745,000) and consequently, RMB208,000 and RMB3,537,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,449,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share options.

The number of options granted on 20 January 2014 still outstanding at 30 June 2022 is Nil. (31 December 2021: 2,450,000)

(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.

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(Expressed in RMB unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

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

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

During the six months ended 30 June 2022, 1,787,500 options were exercised (six months ended 30 June 2021: 537,500) at a subscription price of HK\$2.58 per ordinary share for a total consideration of HK\$4,611,750 (equivalent to RMB3,916,000) and consequently, RMB152,000 and RMB3,764,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,287,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The number of options granted on 4 January 2018 still outstanding at 30 June 2022 are 3,610,000 (31 December 2021: 5,397,500) which have an exercise price of HK\$2.58 (31 December 2021: HK\$2.58) and a remaining contractual life of 5.51 years (31 December 2021: 6.01 years).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) 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 six months ended 30 June 2022, 360,000 options were forfeited, and 740,000 options were exercised (six months ended 30 June 2021: Nil) at a subscription price of HK\$6.00 per ordinary share for a total consideration of HK\$4,440,000 (equivalent to RMB3,784,000) and consequently, RMB63,000 and RMB3,721,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,583,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of RMB610,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB1,975,000) (see note 6(b)(ii)).

The number of options granted on 18 July 2019 still outstanding at 30 June 2022 are 5,363,750 (31 December 2021: 6,463,750) which have an exercise price of HK\$6.00 (31 December 2021: HK\$6.00) and a remaining contractual life of 7.04 years (31 December 2021: 7.54 years).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

(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 six months ended 30 June 2022, 27,500 options were forfeited, and 82,500 options were exercised (six months ended 30 June 2021: Nil) at a subscription price of HK\$10.80 per ordinary share for a total consideration of HK\$891,000 (equivalent to RMB756,000) and consequently, RMB7,000 and RMB749,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB260,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of RMB265,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB693,000) (see note 6(b)(ii)).

The number of options granted on 16 January 2020 still outstanding at 30 June 2022 are 1,772,500 (31 December 2021: 1,882,500) which have an exercise price of HK\$10.80 (31 December 2021: HK\$10.80) and a remaining contractual life of 7.55 years. (31 December 2021: 8.05 years)

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(Expressed in RMB unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

(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 RMB17,472,000 for the six months ended 30 June 2022 (see note 6(b)(ii)).

The number of options granted on 25 May 2022 still outstanding at 30 June 2022 are 8,901,000 which have an exercise price of HK\$26.20 and a remaining contractual life of 9.90 years.

(c) Placement of new shares

On 6 January 2022, the Company placed 22,500,000 new ordinary shares at the subscription price of HK\$34.63 per share. The gross proceeds of HK\$779,175,000 (equivalent to RMB635,460,000), net of direct share placement expenses of HK\$8,148,000 (equivalent to RMB6,645,000), were raised, of which RMB1,835,000 and RMB626,980,000 was credited to share capital and share premium account, respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 ACQUISITION OF SUBSIDIARIES

On 13 December 2021, the Group entered into a share purchase agreement with a third party, namely Wearnes-StarChase Limited, pursuant to which the Group conditionally agreed to acquire all issued shares of Starchase Motorsports Limited. The Company obtained the control of Starchase Motorsports Limited on 29 April 2022. The maximum consideration payable for the acquisition was RMB3.7 billion in cash and the inputs used in the formula to determine the consideration at the acquisition date are subject to adjustments pursuant to the terms and conditions of the share purchase agreement based on the facts and circumstances that existed as of the acquisition date. The resulting difference in the fair value of acquisition consideration is recognised in goodwill during the measurement period.

By 30 June 2022, the Group has made non-refundable cash payments of RMB3.3 billion to Wearnes-StarChase Limited. As of 30 June 2022, the fair value of remaining consideration payable is RMB0.4 billion, which has been estimated according to the contractual formula with inputs determined on a provisional basis on the acquisition date and is recorded in other payables.

Starchase Motorsports Limited is an investment holding company. Starchase Motorsports Limited and its subsidiaries (together, the “Starchase Group”) are principally engaged in 4S dealership business in the PRC. The acquisition was accounted for under the acquisition method. The acquisition of Starchase Group was aimed at allowing the Group to extend its network of high-end dealership business and generate more revenue.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

20 ACQUISITION OF SUBSIDIARIES (continued)

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

	Pre- acquisition Carrying amount	Fair value adjustment	Recognised value on acquisition
	RMB'000	RMB'000	RMB'000
Car dealerships	—	3,062,512	3,062,512
Land use right	45,606	12,594	58,200
Property, plant and equipment	440,540	—	440,540
Other net identifiable assets	79,256	—	79,256
Deferred tax assets	35,931	—	35,931
Deferred tax liabilities	(33,484)	(768,776)	(802,260)
Net identified assets	567,849	2,306,330	2,874,179
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			2,874,179
Goodwill			825,821
Estimated total consideration in cash			3,700,000
Analysis of the net cash flow in respect of the acquisition			
Less: cash consideration paid in 2021			(350,000)
Less: cash consideration payable (note 17)			(400,000)
Less: cash acquired			(690,537)
Net cash outflow in acquisition			2,259,463

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

Acquisition-related costs of RMB15,538,000 had been charged to administrative expenses in the consolidated statement of comprehensive income for the six months ended 30 June 2022.

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(Expressed in RMB unless otherwise indicated)

20 ACQUISITION OF SUBSIDIARIES *(continued)*

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition.

The revenue and profit that Starchase Group contributed to the Group during the six months ended 30 June 2022 are RMB1,631,032,000 and RMB82,334,000 respectively.

Had the acquisition occurred on 1 January 2022, management estimates that the Group's consolidated revenue and consolidated profit for the period would have been RMB14,372,620,000 and RMB390,601,000, respectively.

21 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Contracted for	20,352	90,965

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22 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2022, 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. ("Dadong Group") 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.

(a) Recurring transactions

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Short-term rental expense:		
— Dadong Group	855	1,103
Management service income:		
— Dongguan Meidong	4,210	5,799

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Non-recurring transactions

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of passenger vehicles:		
— Dongguan Meidong	15,300	5,382
Purchases of passenger vehicles:		
— Dongguan Meidong	16,664	7,076
Repayment of advances from a related party		
— Ye Fan	3,339	—
Advances from a related party		
— Ye Fan	—	4,985
Advances to a related party		
— Ye Tao	253	—

(c) Balances with related parties

At 30 June 2022, the Group had the following balances with related parties:

	At	At
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Other receivables due from:		
— Ye Tao	253	—
— Dongguan Meidong	3,022	4,864
	3,275	4,864
Other payables due to:		
— Dongguan Meidong	30	—
— Dadong Group	1,033	684
— Ye Fan	7,011	10,350
	8,074	11,034

- (i) All the amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

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(Expressed in RMB unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Guarantees and securities issued by related parties

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
— Ye Fan	1,303,383	1,203,942
— Dadong Group	16,300	17,300
Guarantees issued by a related party in respect of bills issued by the Group:		
— Ye Fan	838,925	1,007,416

(e) Guarantees issued by the Group

	At 30 June 2022 RMB'000	The Group At 31 December 2021 RMB'000
Guarantees issued by the Group for financial facilities granted by a financial institution to a related party:		
— Dongguan Meidong	80,000	80,000
Guarantees issued by the Group for financial facilities in respect of bank loans and borrowings granted to a related party:		
— Dongguan Meidong	130,000	130,000

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(Expressed in RMB unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(f) Key management personnel remuneration

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Short-term employee benefits	9,181	6,976
Equity compensation benefits	2,653	1,795
	11,834	8,771

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

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Interim dividend

After the end of the reporting period, the directors declared an interim dividend. Further details are disclosed in note 19(a).