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China MeiDong Auto Holdings Limited

中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1268)

PROFIT WARNING

This announcement is made by China MeiDong Auto Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company wishes to inform the shareholders of the Company and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2023 (the “**Year 2023**”) and other relevant information currently available, the profit for the period attributable to equity shareholders of the Company for the Year 2023 is expected to decrease as compared to that for the year ended 31 December 2022 (the “**Year 2022**”).

Based on the information currently available, the Board is of the view that the decrease in the profit for the period attributable to equity shareholders of the Company for the Year 2023 is mainly attributable to (among others) the following:

- (1) the Group’s business was impacted by the weakened consumer spending caused by the macro economy in the Year 2023. Gross profit decreased by not more than 18% for the Year 2023 as compared to that for the Year 2022;
- (2) taking into account the ever changing macroeconomic environment in the second half of the Year 2023, the increasingly fierce competition in the automobile dealership industry and the recent development of customer demand in the automobile market in China after the COVID pandemic, the Company, with the assistance of an external valuer, conducted an impairment testing and impairment on goodwill and dealership rights of approximately RMB25 million was recognized for the second half of the Year 2023 in respect of certain underperforming cash generating units; together with the impairment of approximately RMB37 million in the first half of the Year 2023, an impairment on goodwill and dealership rights of approximately RMB62 million in total was recognized for the full Year 2023;

- (3) expenses arising from the amortization of the relevant dealership rights in respect of Starchase Motorsports Limited acquired by the Company on 29 April 2022 increased to approximately RMB153 million for the Year 2023 (as compared to approximately RMB102 million for the Year 2022). The increase in expenses was mainly due to the fact that the acquisition was completed at the end of April 2022, and therefore the relevant expenses were only incurred for approximately eight months for the Year 2022 as compared to the full year for the Year 2023;
- (4) litigation expenses of approximately RMB59 million were incurred for the Year 2023 in relation to the settlement of legal disputes involving certain investments made by certain subsidiaries of the Company prior to the Year 2022;
- (5) PRC dividend withholding income tax of approximately RMB80 million was recognized with respect to dividend distributed out of earnings of PRC subsidiaries during the Year 2023 and the estimated dividend distributed out of earnings of PRC subsidiaries in the foreseeable future (as compared to approximately RMB43 million for the Year 2022); and
- (6) additional costs of approximately RMB109 million were incurred for the Year 2023 (as compared to RMB96 million for the Year 2022) from the amortization of the relevant issuance costs (such as commission) and the liability portion using the effective interest method in relation to the HK\$2,750,000,000 zero-coupon guaranteed convertible bonds due 2027 issued by Sail Vantage Limited (a wholly-owned subsidiary of the Company) and guaranteed by the Company.

Due to the above principal factors, the profit for the period attributable to equity shareholders of the Company for the Year 2023 is expected to decrease by approximately 73% as compared to that for the Year 2022.

Based on assessment of the unaudited consolidated management accounts of the Group for the Year 2023, the Board is of the view that the overall financial position of the Group is sound and healthy. The Group will continue to maintain a prudent and stable financial strategy.

As the Company is still in the course of preparing the financial results for the Year 2023, the information contained in this announcement is only a preliminary assessment by the Board based on the unaudited management accounts and the information currently available. Such information has neither been finalized nor reviewed by the auditor of the Company or the audit committee of the Company and may be subject to adjustments.

Details of the Group's financial results and performance for the Year 2023 will be set out in the forthcoming annual results announcement of the Company, which is expected to be published by the end of March 2024.

Shareholders of the Company and potential investors shall exercise caution when dealing in the securities of the Company.

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

Hong Kong, 18 March 2024

As at the date of this announcement, the Board comprises:

Executive Directors:

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

Independent Non-executive Directors:

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