



HARMONY AUTO

和諧汽車

China Harmony Auto Holding Limited

中國和諧汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3836



INTERIM REPORT

2024

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Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. SUNG Ka Woon
Mr. CHAN Ying Lung (Resigned on 3 June 2024)

Audit Committee

Mr. WANG Nengguang (*Chairman*)
Mr. LAU Kwok Fan
Mr. SUNG Ka Woon (Appointed on 3 June 2024)
Mr. CHAN Ying Lung (Resigned on 3 June 2024)

Remuneration Committee

Mr. SUNG Ka Woon (*Chairman*)
(Appointed on 3 June 2024)
Mr. CHAN Ying Lung (*Chairman*)
(Resigned on 3 June 2024)
Mr. LIU Fenglei
Mr. LAU Kwok Fan

Nomination Committee

Mr. FENG Changge (*Chairman*)
Mr. WANG Nengguang
Mr. SUNG Ka Woon (Appointed on 3 June 2024)
Mr. CHAN Ying Lung (Resigned on 3 June 2024)

Company Secretary

Ms. WONG Wai Yee, Ella

Authorized Representatives

Mr. LIU Fenglei
Ms. WONG Wai Yee, Ella

Legal Adviser

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

Auditors

ZHONGHUI ANDA CPA Limited
(Resigned on 12 September 2024)
23/F, Tower 2, Enterprise Square Five
Kowloon Bay
Hong Kong

Beijing Xinghua Caplegend CPA Limited
(Appointed on 12 September 2024)
1/F, GR8 Inno-Tech Centre
46 Tsun Yip Street
Kwun Tong
Hong Kong

Principal Banks

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

Registered Office

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

Corporate Information

Principal Place of Business and Headquarters in the People's Republic of China

15A, Tower A, World Trade Center Building
Shangwunehuan Road
CBD Zhengdong New District
Zhengzhou, Henan Province
People's Republic of China

Principal Place of Business in Hong Kong

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

Cayman Islands Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Company's website

www.hexieauto.com

Stock Code

3836

Management Discussion and Analysis

INDUSTRY REVIEW AND OUTLOOK

According to the data from the China Passenger Cars Association (“**CPCA**”), in the first half of 2024, the retail sales of the passenger cars in China reached approximately 9.9 million units, representing a year-on-year increase of 2.9%. In the first half of 2024, the growth of China’s passenger cars market slowed down. In January 2024, the retail sales of the passenger cars were approximately 2.0 million units. Subsequently, the sales saw a significant decline, with sales being only approximately 1.1 million units in February 2024. From March to June 2024, the sales did not exceed 2.0 million units, but there has been a continuous rising trend.

Affected by global economic downturn, reduced purchasing power, and intensified market competition, the cumulative sales of luxury vehicles during the first half of 2024 were approximately 1.3 million units, representing a decrease of 5.6% as compared with the same period last year. The three luxury car brands that the Company operates on, BMW, Mercedes-Benz and Audi (collectively, “**BBA**”), have all experienced varying degrees of decline in sales in China as the sales of luxury car decreased as a whole. In the first half of 2024, BBA sold a total of approximately 1.1 million units in China, occupying approximately 80% of the luxury car market share. Among them, BMW (including MINI brands) delivered approximately 376,000 new cars, representing a decrease of 4.2% as compared with the same period last year; Mercedes-Benz delivered approximately 353,000 new cars, representing a decrease of 6.5% as compared with the same period last year; Audi delivered approximately 320,000 new cars, representing a decrease of 1.9% as compared with the same period last year.

The rapid growth of the new energy vehicles (“**NEV**”) market is a bright spot in the automobile industry. With the continuous advancement in the electrification of automobiles and driven by environmental policies and changes in consumer demand, the electric vehicles market is growing rapidly. In the first half of 2024, sales of new energy passenger vehicles (Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles) were approximately 4.1 million units, representing an increase of 33.1% as compared with the same period last year. The domestic retail penetration rate of new energy passenger vehicles reached 48.4%, representing an increase of 13.5 percentage points from the penetration rate of 34.9% in the same period last year. Among them, the penetration rate of NEV among China’s own brands reached 72.5%, and the NEV of BYD brand are still in a leading position. In the first half of 2024, the cumulative sales reached approximately 1.6 million units, representing a year-on-year increase of 36%, accounting for 33.8% of the NEV market share.

In the first half of 2024, the external environment of the automobile market was uncertain. In order to ensure the security of the capital chain, domestic dealers had to strictly control the inventory level. According to the latest data from the CPCA, in the first half of 2024, the average comprehensive inventory coefficient of Chinese automobile dealers remained at around 1.54, slightly lower than the average level of 1.69 in the first half of 2023. After the introduction of the central fiscal subsidy policy which aims at encouraging trade-ins of more polluting vehicles for NEV or fuel-efficient cars at the end of April 2024, more than 110,000 applications for retirement subsidies were submitted nationwide in just two months. The policy has come into play progressively, and the automobile market is expected to gradually recover in the second half of 2024.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, the market recovered slowly and the price war lowered the final transaction price. The Company achieved a sales volume of 19,100 units for the six months ended 30 June 2024, representing a year-on-year increase of 8.7%, of which 12,351 units of BMW (including MINI brands) were delivered, representing a year-on-year decrease of 8.5%, and 2,109 units of Lexus were delivered, representing a year-on-year increase of 37.5%. The ultra-luxury car market showed weakness in the first half of 2024, with sales volume of Bentley and Ferrari dropped by 11.4% and 34.1% respectively. However, the Group's venture into the international NEV market has seen early triumph. Following the debut of the first BYD showroom in Hong Kong in October 2023, BYD's sales reached 2,245 units in the first half of 2024.

Within the NEV segment, the Group has expedited its global expansion strategy starting in 2023, forging partnerships with leading Chinese NEV brands like BYD and DENZA to establish a presence in Asia and Europe. By the end of the first half of 2024, the Group operated more than 20 international distribution outlets. Recent expansions have brought the Group's operations to countries including but not limited to Singapore, Japan, Indonesia, Australia, the United Kingdom and France.

In terms of inventory, amidst the uncertain global economic conditions and the weakening of consumer purchasing power in the first half of 2024, the Group's turnover days reached 40.3 days, representing an increase of 4.7 days as compared to that of 35.6 days for the corresponding period of 2023. The Group will continue to monitor its inventory level in response to the market fluctuations, ensuring it is within a healthy range.

Looking ahead, the Company will continue to focus on its principal business in mainland China by strategically engaging in merger and acquisition to strengthen and broaden its market share in China. Furthermore, the Company will strive to expand into overseas NEV market. In particular, the Group will actively promote the Chinese NEV brands into overseas markets. In recent years, the strong resilience of China's auto supply chain and the steady improvements in product quality have accelerated the deployment of domestic automakers in overseas markets. China's NEV brands have shown favourable competitiveness in overseas market. Under this circumstance, the Group will continue its in-depth cooperation with Chinese brands, such as BYD and DENZA, to tap into the international market.

Management Discussion and Analysis

FINANCIAL OVERVIEW

Revenue

The Group recorded a revenue of RMB7,466.3 million for the six months ended 30 June 2024 (the “**Reporting Period**”), representing a decrease of 7.9% compared with that of RMB8,109.5 million for the same period of last year. Among which, the revenue of sale of automobiles and others recorded a decrease of 8.4%, from RMB6,852.6 million for the first half of 2023 to RMB6,273.6 million, accounting for 84.0% of the total revenue of the first half of 2024. Meanwhile, the provision of after-sales services recorded a revenue of RMB1,170.5 million for the first half of 2024, representing a decrease of 4.9% compared with that of RMB1,231.4 million for the same period in 2023 and accounting for 15.7% of the total revenue of the first half of 2024.

Cost of Sales and Services

The cost of sales and services of the Group also recorded a decrease of 5.7% from RMB7,528.1 million in the first half of 2023 to RMB7,100.0 million in the same period of 2024. The cost of sale of automobiles and others, and provision of after-sales services were RMB6,377.8 million and RMB722.2 million respectively for the first half of 2024, representing a decrease of 6.2% and a decrease of 0.6% as compared with the same period in 2023, respectively.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by 37.0% from RMB581.3 million in the first half of 2023 to RMB366.3 million in the same period of 2024. During the Reporting Period, the Group recorded a gross loss of sales of automobiles and others of RMB104.2 million, while there was a gross profit of RMB50.6 million in the corresponding period of 2023; and the Group recorded a gross profit of provision of after-sales services of RMB448.3 million during the Reporting Period, representing a decrease of 11.3% from RMB505.2 million in the corresponding period of 2023.

The Group’s gross profit margin in the first half of 2024 stood at 4.9%, among which, the gross profit margin of sale of automobiles and others in the first half of 2024 was -1.7%, representing a decrease of 2.4 percentage points compared with that of the same period in 2023; and the gross profit margin of provision of after-sales services in the first half of 2024 was 38.3%, representing a decrease of 2.7 percentage points compared with that of the same period in 2023. The decline in gross profit was attributed to weakened consumer demand and industry-wide discounts and promotions.

Other Income and Gains, Net

During the Reporting Period, the Group recorded other income and gains of RMB238.2 million, which decreased by 7.7% compared to the same period of last year. Other income and gains mainly came from the commission and interest income.

Management Discussion and Analysis

Selling and Distribution Expenses and Administrative Expenses

During the Reporting Period, the Group's selling and distribution expense amounted to RMB459.3 million, representing an increase of 15.6% as compared with that of RMB397.3 million in the same period of 2023.

During the Reporting Period, the Group incurred administrative expenses of RMB131.1 million, representing an increase of 24.5% as compared to that of RMB105.3 million for the same period of 2023.

The increase in selling and distribution expenses and administrative expenses was mainly due to the expansion of international distribution outlets.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to RMB78.9 million, representing an increase of 22.7% as compared with RMB64.3 million in the same period of 2023, which was mainly due to the increase of lease interests resulted from the expansion of international distribution outlets.

Profit from Operations

During the Reporting Period, the Group recorded a profit from operations of RMB14.1 million, decreased by RMB322.7 million as compared to that of RMB336.8 million for the corresponding period of 2023. Such decrease was primarily due to the drop in gross profit and the rise in selling and distribution expenses and administrative expenses driven by the Group's international expansion strategy.

Loss Attributable to Owners of the Company

During the Reporting Period, the Company incurred a loss of RMB76.3 million attributable to its owners, while a profit of RMB201.2 million was recorded in the corresponding period of 2023.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Cash Flow

The Group primarily uses cash to purchase new automobiles, spare parts and automobile accessories, to repay its indebtedness, to fund its working capital and normal operating expenses and to establish new dealerships and acquire additional dealerships. The Group satisfies its liquidity requirements mainly through a combination of cash flows generated from its operating activities and bank loans, and currently expects that future liquidity will continue to be satisfied mainly by the foregoing.

As at 30 June 2024, the total cash and deposits of the Group was RMB1,192.2 million. For the six months ended 30 June 2024, the net cash generated from operating activities by the Group amounted to RMB125.2 million; the net cash used in investing activities by the Group amounted to RMB90.5 million, consisting primarily of purchases of property, plant and equipment; and the net cash generated from financing activities by the Group amounted to RMB130.8 million.

Net Current Assets

As at 30 June 2024, the net current assets of the Group was RMB1,867.5 million, representing a decrease of 7.9% from that of RMB2,028.1 million as of 31 December 2023.

Capital Expenditure

The Group's capital expenditure during the Reporting Period amounted to RMB178.2 million, compared with RMB18.4 million for the six months ended 30 June 2023. The Group's capital expenditure was primarily used for the purchase of property, plant and equipment in relation to sales outlets.

Management Discussion and Analysis

Inventories

The Group's inventories primarily consisted of new passenger vehicles, spare parts and automobile accessories. Inventories increased by RMB179.0 million from RMB1,479.7 million as of 31 December 2023 to RMB1,658.7 million as of 30 June 2024.

The average inventory turnover days of the Group during the Reporting Period were 40.3 days, representing an increase of 4.7 days as compared to the average inventory turnover days of 35.6 days for the corresponding period in 2023, which was mainly due to the volatilities in the new car market in the first half of 2024.

Bank Loans and Other Borrowings

As at 30 June 2024, the Group's bank loans and other borrowings amounted to RMB2,382.1 million, representing an increase of 9.2% as compared to RMB2,181.5 million as at 31 December 2023. All the bank loans and other borrowings are repayable on demand or within one year. The breakdown and maturity profile of the bank loans and other borrowings are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank loans repayable:		
On demand or within one year	1,653,177	1,428,647
Other borrowings repayable:		
On demand or within one year	728,926	752,898
	2,382,103	2,181,545

As at 30 June 2024, the Group's gearing ratio (calculated as total liabilities divided by total assets) was 47.4% (31 December 2023: 47.7%).

Management Discussion and Analysis

Pledge of assets

As at 30 June 2024, certain Group's bank loans and other borrowings are secured by:

- (i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB8,446,000 (31 December 2023: RMB8,750,000) as at 30 June 2024;
- (ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB9,805,000 (31 December 2023: RMB13,589,000) as at 30 June 2024; and
- (iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB353,730,000 (31 December 2023: RMB454,519,000) as at 30 June 2024.

Certain of the Group's bank loans and other borrowings amounting to RMB1,581,334,000 (31 December 2023: RMB1,796,308,000) were guaranteed by the Group's subsidiaries as at 30 June 2024. In addition to the mortgages mentioned above, certain of the Group's bank loans amounting to RMB668,600,000 (31 December 2023: RMB513,600,000) were guaranteed by the legal representative of certain subsidiaries of the Company and his spouse as at 30 June 2024.

Interest Rate Risk and Foreign Exchange Risk

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

The Group's subsidiaries operate in Mainland China, Hong Kong and overseas, and they are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars and US dollars. Our management considers that the business is not exposed to any major direct foreign exchange risks as the financial assets and liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities are not significant. The Group had not entered into any financial instruments for hedging purpose during the six months ended 30 June 2024. The Group also did not hedge against any fluctuation in foreign exchange rates during the six months ended 30 June 2024.

Management Discussion and Analysis

Capital Structure and Treasury Policies

The Group's business activities are primarily funded through a combination of share capital, cash generated from operating activities, interest-bearing bank loans, and other borrowings.

The Group has adopted a prudent financial management approach towards its treasury policies and will revisit such policies from time to time, taking into account, among other things, the cash flows requirement and expansion of the Group. The Group maintained a healthy liquidity position throughout the six months ended 30 June 2024.

Employees and Remuneration Policies

As at 30 June 2024, the Group had a total of 3,902 employees (31 December 2023: 3,642 employees). During the six months ended 30 June 2024, we incurred staff costs of RMB235.9 million. The salary package of employees is determined by their respective work experiences, duties and performances. The management will conduct annual review on the salary plan while taking into account employees' general performance and market conditions.

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include employees of the Company and its subsidiaries. The Share Option Scheme became effective on 26 June 2015, unless otherwise canceled or amended, will remain in force for ten years from that date. At present, the remaining life of the Share Option Scheme is approximately ten months. 50% of these share options were vested on 16 February 2020 and 50% were vested on 16 February 2021. As at 1 January 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's Shares in issue. During the six months ended 30 June 2024, no share option was granted, exercised and lapsed under the Share Option Scheme. As at 30 June 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's Shares in issue as at that date.

Management Discussion and Analysis

On 28 February 2019, the Company adopted a share award scheme (the “**Share Award Scheme**”) under which the Company may grant existing Shares to selected participants, being all employees, directors (whether executive or non-executive, but excluding independent non-executive directors and Mr. Feng Changge) and officers of the Group. The Share Award Scheme was adopted for the purpose of (i) motivating, recognizing and rewarding the contributions of the employees, directors (executive or non-executive directors but excluding independent non-executive directors) and officers of the Group; (ii) attracting and retaining talents for the long-term growth and development of the Group; and (iii) aligning the interests of the grantees of the Company with that of the shareholders of the Company (the “**Shareholders**”) to enhance the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan. Subject to early termination by the Board, the Share Award Plan shall be valid and effective from the date of adoption of the Share Award Plan, being 28 February 2019, and ending on 26 June 2025 (both days inclusive). At present, the remaining life of the Share Award Scheme is ten months. The maximum aggregate number of Shares to be acquired by the Trustee under the Share Award Scheme is 60,000,000 Shares, representing 3.94% of the Shares in issue (i.e. 1,524,725,177) as at 30 June 2024. A total of 30,000,000 shares were granted and vested under the Share Award Scheme. As at 30 June 2024, the Trustee appointed by the Company for the Share Award Scheme has purchased 59,987,500 Shares under the Share Award Scheme since its adoption. During the Reporting Period, no shares were granted, vested, lapsed and canceled under the Share Award Scheme. Details of the Share Award Scheme are set out in the announcement of the Company dated 2 April 2019.

For further details of the Share Option Scheme and the Share Award Scheme, please refer to the section headed “Corporate Governance and Other Information” of this interim report. The Company will regularly review its remuneration policies and employees’ benefits with reference to market practices and individual performance.

Corporate Governance and Other Information

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

As at 30 June 2024, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rules”) were as follows:

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

Notes:

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

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2024, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2024, the following persons (other than the Directors and chief executive of the Company) had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as follows:

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

Notes:

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

Save as disclosed above, as at 30 June 2024, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

Eligible participants of the Share Option Scheme are any director(s) of the Group (including any Director(s)) or any employee(s) or officer(s) of any member of the Group(s) who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015, which is 157,570,067 share options, representing 10.33% of the Shares in issue (i.e. 1,524,725,177) as at the date of this interim report (i.e. 30 June 2024).

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

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

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

Corporate Governance and Other Information

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

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

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

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

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

The Company also offered to grant share options to certain grantees under the Share Option Scheme on 29 June 2015, 2 July 2015 and 15 December 2017, and there were no outstanding share options from these grants during the six months ended 30 June 2024. For details, please refer to the Company's announcements dated 29 June 2015, 2 July 2015, 9 May 2017 and 15 December 2017.

Summary of the Share Option Scheme has been set out in note 16 to the consolidated financial statements.

Corporate Governance and Other Information

Details of the movements of the share options granted to subscribe for ordinary shares by the Directors, former directors and other eligible employees of the Company pursuant to the Share Option Scheme during the six months ended 30 June 2024 were as follows:

Name of Grantees	Date granted	Vesting period	Exercise period	Exercise price per Share	Number of Share Options					Outstanding as at 30 June 2024
					Outstanding as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
<i>Directors</i>										
Mr. FENG Changge — Executive Director and Chairman of the Board	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	2,500,000	—	—	—	—	2,500,000 ⁽¹⁾
Mr. LIU Fenglei — Executive Director and President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	2,500,000	—	—	—	—	2,500,000 ⁽¹⁾
<i>Former Director</i>										
Mr. HAN Yang — Former Executive Director and Vice President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	800,000	—	—	—	—	800,000 ⁽¹⁾
<i>Former Director</i>										
Ms. FENG Guo — Former Executive Director and Vice President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	400,000	—	—	—	—	400,000 ⁽¹⁾
<i>Former Director</i>										
Mr. YANG Lei — Former Executive Director, Chief Operating Officer and Vice President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	1,125,000	—	—	—	—	1,125,000 ⁽¹⁾
Other eligible employees										
	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK\$3.00	14,866,000	—	—	—	—	14,866,000 ⁽¹⁾
	17 December 2019	16/2/2020 to 16/2/2021	16/2/2020 to 17/12/2025	HK\$4.00	20,000,000	—	—	—	—	20,000,000 ⁽²⁾
Total					42,191,000	—	—	—	—	42,191,000

Corporate Governance and Other Information

Notes:

- (1) The validity period of the 70,000,000 share options is from 9 May 2017 (i.e. date of grant) till the earlier of (i) the day on which the relevant Grantee ceases to be an employee or a director of the Company and its subsidiaries on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 8(vi) of the Share Option Scheme, and (ii) 28 June 2025. 20% of these share options were vested on 1 July 2017, 30% were vested on 1 July 2018, 30% were vested on 1 July 2019 and 20% were vested on 1 July 2020. The cessation of directorship of the former Directors Mr. Yang Lei, Mr. Han Yang and Ms. Feng Guo did not involve the grounds of termination as specified in the above (i), and their share options remained valid as at 30 June 2024.
- (2) The validity period of the 20,000,000 share options is from 17 December 2019 (i.e. date of grant) till the earlier of (i) the day on which the relevant 2019 Grantee ceases to be an employee of the Group, and (ii) 17 December 2025. 50% of these share options were vested on 16 February 2020 and 50% were vested on 16 February 2021.
- (3) The closing price of the Shares immediately before the date of grant is not applicable and no review or approval on the grant of share options were required by the remuneration committee as no share options were granted during the six months ended 30 June 2024.
- (4) The weighted closing price of the Shares immediately before the exercise date is not applicable because no share options were exercised during the six months ended 30 June 2024.

As at 1 January 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's Share in issue. During the Reporting Period, no share options were granted, exercised, cancelled and lapsed under the Share Option Scheme. As at 30 June 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's Share in issue as at that date.

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

SHARE AWARD PLAN

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

Corporate Governance and Other Information

The maximum aggregate number of Shares to be acquired by the trustee under the Share Award Plan is 60,000,000 Shares, representing approximately 3.94% of the Shares in issue (i.e. 1,524,725,177) as at the date of this interim report (i.e. 30 June 2024). 30,000,000 Shares have been granted and vested under the Share Award Plan. As at 30 June 2024, the trustee appointed by the Company for the purpose of the Share Award Plan has purchased 59,987,500 Shares according to the Share Award Plan since its adoption.

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

As at both 1 January 2024 and 30 June 2024, there were no outstanding and unvested Share Awards and therefore no grantees with outstanding and unvested Share Awards. As at 1 January 2024, 29,987,500 Share Awards were available for grant. During the Reporting Period, no Share Award has been granted, vested, lapsed or cancelled under the Share Award Plan, and accordingly as at 30 June 2024, 29,987,500 Share Awards were available for grant. The closing price of the Shares immediately before the date of grant is not applicable and no review or approval on the grant of Share Awards were required by the remuneration committee as no Share Awards were granted during the six months ended 30 June 2024. The weighted closing price of the Shares immediately before the vesting date is not applicable because no Share Awards were vested during the six months ended 30 June 2024.

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

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

Corporate Governance and Other Information

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

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

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

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

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024 and up to the date of this interim report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange (including sale of treasury shares). As at 30 June 2024, the Company did not hold any treasury shares.

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

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability. For the six months ended 30 June 2024, the Company has adopted and complied with the applicable principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the Listing Rules as the standard of the Company’s corporate governance practices.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the six months ended 30 June 2024.

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

Corporate Governance and Other Information

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

Mr. Sung Ka Woon was appointed as an independent non-executive director of Energy International Investments Holdings Limited (a company listed on the Stock Exchange, stock code: 353) on 23 July 2024.

Save as disclosed above, there is no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at 30 June 2024 and up to the date of publication of this interim report.

SIGNIFICANT INVESTMENTS

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% of the Company's total assets as at 30 June 2024) during the six months ended 30 June 2024.

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

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

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

Corporate Governance and Other Information

INTERIM DIVIDEND

At the meeting of the Board held on 28 August 2024, the Board resolved not to pay interim dividends to the Shareholders (2023: Nil).

SUFFICIENCY OF THE PUBLIC FLOAT

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event that would have any material impact on the Group after the Reporting Period and up to the date of publication of this interim report.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the requirements of the Listing Rules and the CG Code. As at the date of this interim report, the Audit Committee consists of three members, namely Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Sung Ka Woon, all of whom are independent non-executive directors of the Company. Mr. Wang Nengguang is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2024 which are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2024 and 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

ADVANCE GRANTED TO ENTITIES

For the six months ended 30 June 2024, the Group did not grant any loan to any entity which is subject to disclosure requirements under Rule 13.20 of the Listing Rules.

Corporate Governance and Other Information

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

For the six months ended 30 June 2024, there was no pledge of Shares by the controlling shareholders of the Company which is subject to disclosure under Rule 13.21 of the Listing Rules.

BREACH OF LOAN AGREEMENTS

For the six months ended 30 June 2024, there was no breach of the loan agreements by the Company in which the loan involved would have a significant impact on the business operations of the Company and subject to disclosure under Rule 13.21 of the Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

For the six months ended 30 June 2024, there was no financial assistance or guarantee to affiliated companies by the Company which is subject to disclosure under Rule 13.22 of the Listing Rules.

LOAN AGREEMENTS COVENANTS RELATING TO SPECIFIC PERFORMANCE OF CONTROLLING SHAREHOLDERS

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	5	7,466,294	8,109,469
Cost of sales and services		(7,100,031)	(7,528,121)
GROSS PROFIT		366,263	581,348
Other income and gains	6	238,223	258,028
Selling and distribution expenses		(459,272)	(397,290)
Administrative expenses		(131,096)	(105,308)
PROFIT FROM OPERATIONS		14,118	336,778
Finance costs	7	(78,937)	(64,303)
Share of (losses)/profits of joint ventures		(3)	33
Share of losses of associates		(3)	(1,025)
(LOSS)/PROFIT BEFORE TAX		(64,825)	271,483
Income tax expense	8	(9,878)	(63,228)
(LOSS)/PROFIT FOR THE PERIOD	9	(74,703)	208,255
Other comprehensive loss after tax: <i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(12,093)	(32,455)
Other comprehensive loss for the period, net of tax		(12,093)	(32,455)
Total comprehensive (loss)/income for the period		(86,796)	175,800

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company		(76,275)	201,224
Non-controlling interests		1,572	7,031
		(74,703)	208,255
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(88,368)	168,769
Non-controlling interests		1,572	7,031
		(86,796)	175,800
(Loss)/earnings per share attributable to owners of the Company			
Basic (RMB)	11	(0.051)	0.113
Diluted (RMB)		(0.051)	0.113

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,948,015	2,858,226
Right-of-use assets		890,505	839,112
Intangible assets		139,571	141,603
Goodwill		149,993	149,993
Prepayments and other assets		102,633	142,685
Finance lease receivables		229,691	233,005
Investment in joint ventures		2,140	2,143
Investment in associates		—	3
Equity investment at fair value through other comprehensive income		47,500	45,000
Deferred tax assets		87,177	87,177
Total non-current assets		4,597,225	4,498,947
CURRENT ASSETS			
Finance lease receivables		198,366	209,774
Inventories		1,658,663	1,479,678
Trade receivables	13	178,769	253,424
Prepayments, other receivables and other assets		2,565,575	2,829,103
Pledged and restricted bank deposits		178,911	498,791
Cash in transit		31,901	17,256
Cash and bank balances		1,192,203	1,048,193
Total current assets		6,004,388	6,336,219

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
CURRENT LIABILITIES			
Bank loans and other borrowings		2,382,103	2,181,545
Trade and bills payables	14	816,289	1,029,908
Other payables and accruals		748,888	889,226
Lease liabilities		158,930	125,572
Income tax payable		30,657	81,871
Total current liabilities		4,136,867	4,308,122
NET CURRENT ASSETS			
		1,867,521	2,028,097
TOTAL ASSETS LESS CURRENT LIABILITIES			
		6,464,746	6,527,044
NON-CURRENT LIABILITIES			
Lease liabilities		831,339	806,261
Deferred tax liabilities		55,036	55,616
Total non-current liabilities		886,375	861,877
NET ASSETS			
		5,578,371	5,665,167
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	12,097	12,097
Reserves		5,471,834	5,560,202
		5,483,931	5,572,299
Non-controlling interests		94,440	92,868
TOTAL EQUITY		5,578,371	5,665,167

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Shares held under share award plan	Share premium	Capital reserve	Statutory reserve	Merger reserve	Fair value change reserve	Share option reserve	Exchange fluctuation reserve	Retained earnings	Total				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2023	12,293	(128,533)	2,580,476	1,635	318,572	371,200	(109,045)	98,456	35,992	2,765,777	5,946,823	79,884	6,026,707		
Profit for the year	—	—	—	—	—	—	—	—	—	201,224	201,224	7,031	208,255		
Other comprehensive loss for the year	—	—	—	—	—	—	—	—	—	—	—	—	—		
Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	(32,455)	—	(32,455)	—	(32,455)		
Total comprehensive income for the year, net of tax	—	—	—	—	—	—	—	—	(32,455)	201,224	168,769	7,031	175,800		
Shares repurchased and cancelled	(156)	29,736	(29,580)	—	—	—	—	—	—	—	—	—	—		
Shares repurchased	—	(5,171)	—	—	—	—	—	—	—	—	(5,171)	—	(5,171)		
Dividend declared to NCI	—	—	—	—	—	—	—	—	—	—	—	(2,000)	(2,000)		
Transfer from retained profits (unaudited)	—	—	—	—	419	—	—	—	—	(419)	—	—	—		
At 30 June 2023 (unaudited)	12,137	(103,968)	2,550,896	1,635	318,991	371,200	(109,045)	98,456	3,537	2,966,582	6,110,421	84,915	6,195,336		
At 1 January 2024	12,097	(101,390)	2,458,513	1,635	331,363	371,200	(109,045)	98,456	8,678	2,500,792	5,572,299	92,868	5,665,167		
(Loss)/Profit for the period	—	—	—	—	—	—	—	—	—	(76,275)	(76,275)	1,572	(74,703)		
Other comprehensive loss for the period	—	—	—	—	—	—	—	—	—	—	—	—	—		
Exchange differences on translating foreign operations	—	—	—	—	—	—	—	—	(12,093)	—	(12,093)	—	(12,093)		
Total comprehensive loss for the period	—	—	—	—	—	—	—	—	(12,093)	(76,275)	(88,368)	1,572	(86,796)		
At 30 June 2024 (unaudited)	12,097	(101,390)	2,458,513	1,635	331,363	371,200	(109,045)	98,456	(3,415)	2,424,517	5,483,931	94,440	5,578,371		

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Cash flows from operating activities		
Cash generated from operations	186,863	538,880
Income taxes paid	(61,672)	(90,332)
Net cash generated from operating activities	125,191	448,548
Cash flows from investing activities		
Interest received	13,960	7,021
Purchases of property, plant and equipment	(178,174)	(124,527)
Proceeds from disposal of property, plant and equipment	66,354	97,509
Purchase of intangible assets	(2,082)	(296)
Advance and loan made to third parties	11,904	11,904
Net cash used in investing activities	(90,538)	(8,389)
Cash flows from financing activities		
Repurchase of shares	—	(5,172)
Bank loans and other borrowings raised	6,264,458	6,125,993
Repayment of bank loans and other borrowings	(6,023,796)	(6,346,789)
Repayment of lease liabilities	(69,754)	(53,662)
Interest paid	(40,104)	(35,037)
Net cash generated from/(used in) financing activities	130,804	(314,667)
Net increase in cash and cash equivalents	165,457	125,492
Effect of foreign exchange rate changes, net	(21,447)	(32,527)
Cash and cash equivalents at 1 January	1,048,193	1,161,992
Cash and cash equivalents at 30 June	1,192,203	1,254,957

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

These condensed consolidated financial statements should be read in conjunction with the 2023 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s condensed consolidated financial statements and amounts reported for the current period and prior years.

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

3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Description	Equity investments at fair value through other comprehensive income	Total
	RMB '000	RMB'000
At 1 January 2023	—	—
Addition	45,000	45,000
At 31 December 2023 and 1 January 2024	45,000	45,000
Addition	2,500	2,500
At 30 June 2024	47,500	47,500
* Include gains or losses for assets held at 31 December 2023	—	—
* Include gains or losses for assets held at 30 June 2024	—	—

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

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

5. REVENUE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers		
— Sale of automobiles and others	6,273,647	6,852,564
— Provision of after-sales services	1,170,533	1,231,369
Revenue from other sources		
— Finance leasing services	22,114	25,536
	7,466,294	8,109,469

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

5. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers:

Type of goods or services

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Sale of automobiles and others	6,273,647	6,852,564
Provision of after-sales services	1,170,533	1,231,369
Total revenue from contracts with customers	7,444,180	8,083,933

Timing of revenue recognition

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Goods received by the customer at a point in time	6,273,647	6,852,564
After-sales services rendered at a point in time	1,170,533	1,231,369
Total revenue from contracts with customers	7,444,180	8,083,933

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

6. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Commission income	189,539	211,311
Interest income from loans and advances to a third party	24,250	22,374
Bank interest income	13,960	13,628
Government grant	471	3,652
Others	10,003	7,063
	238,223	258,028

7. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on bank loans and other borrowings	44,312	41,091
Leases interests	34,625	23,212
	78,937	64,303

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current Mainland China corporate income tax Provision for the period	10,457	60,339
Deferred tax credit	(579)	2,889
	9,878	63,228

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

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

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. There are no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People’s Republic of China, the income tax rate for Mainland China subsidiaries is 25% (2023: 25%).

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

9. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Directors' remuneration	4,415	3,552
Gain on disposal of property, plant and equipment	5,687	(5,913)
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	196,083	176,416
Other welfare	39,842	31,842
Cost of sales and services:		
Cost of sales of automobiles	6,377,811	6,801,967
Cost of after-sales services	722,220	726,154
	7,100,031	7,528,121

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

10. DIVIDENDS

At the annual general meeting of the Company held on 18 June 2024, a final dividend of HK\$0.037 per share (equivalent to approximately RMB0.034 per share) in respect of the year ended 31 December 2023 was approved, for a total of approximately HK\$56,415,000 (equivalent to approximately RMB52,184,000). The final dividend was paid on 9 August 2024 (2023: a final dividend of HK\$0.066 per share (equivalent to approximately RMB0.06 per share) in respect of the year ended 31 December 2022 with aggregate amount of HK\$100,936,748 (equivalent to approximately RMB91,761,000) and it was paid on 11 August 2023).

The Board recommended not to declare interim dividend for the six months ended 30 June 2024 (2023: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings:		
(Loss)/earning for the period attributable to owners of the Company used in the basic earnings per share calculation	(76,275)	201,224
Number of shares:	'000	'000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,488,748	1,490,138
Effect of dilution <i>weighted average number of ordinary shares:</i>		
— Share options	—	—
	1,488,748	1,490,138

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group recorded an additional property, plant and equipment of approximately RMB204,174,000.

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

13. TRADE RECEIVABLES

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 3 months	173,602	242,398
3 months to 6 months	4,667	10,231
7 to 12 months	371	732
Over 12 months	129	63
	178,769	253,424

14. TRADE AND BILLS PAYABLES

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 3 months	750,980	975,265
3 to 6 months	62,883	51,454
6 to 12 months	1,920	2,395
Over 12 months	506	794
	816,289	1,029,908

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. SHARE CAPITAL

	Number of issued and fully paid shares	Amount RMB'000
At 31 December 2023 (Audited) and at 30 June 2024 (Unaudited)	1,524,725,177	12,097

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

16. SHARE OPTION SCHEME

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

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

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

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

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

16. SHARE OPTION SCHEME (CONTINUED)

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

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

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

	At 30 June 2024 (Unaudited)		At 31 December 2023 (Audited)	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	3.47	42,191	3.47	42,191
Exercised during the period	—	—	—	—
Forfeited during the period	—	—	—	—
At the end of the period	3.47	42,191	3.47	42,191

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

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

30 June 2024 (Unaudited)

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

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

16. SHARE OPTION SCHEME (CONTINUED)

30 June 2023 (Unaudited)

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

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

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

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

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

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

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

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

16. SHARE OPTION SCHEME (CONTINUED)

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

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

17. RELATED PARTY TRANSACTIONS

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

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Transactions with a related party		
Borrowing from 河南和諧置業有限公司	—	250,000
Interest paid to 河南和諧置業有限公司	5,250	—

The loan principal of RMB250,000,000 was unsecured, beared a fixed interest rate of 4.2% per annum and was payable within one year.

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2024 and 31 December 2023.

Note to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

19. CAPITAL COMMITMENTS

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Property, plant and equipment		
— Contracted, but not provided for	72,230	59,085

20. EVENTS AFTER THE REPORTING PERIOD

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

21. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2024.