



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

2025 ANNUAL REPORT



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GEOGRAPHICAL COVERAGE

Guangdong  Porsche (1) Shunde Dongbao* (2) Shantou Dongbao* (3) Guangzhou Dongbao (70%)  BMW (4) Yangjiang Meibaohang* (5) Guangzhou Meibaohang (6) Xintang Meibaohang (7) Dongguan Meibaohang (70%)  Lexus (8) Dongguan Meidong (49%) (9) Foshan Meidong (10) Zhuhai Meidong (11) Qingyuan Meidong* (12) Yangjiang Meidong* (13) Doumen Meidong (71%) (14) Tangxia Meidong (69%) (15) Shaoguan Meidong* (16) Jiangmen Meidong  Toyota (17) Dongguan Dongbu (18) Dongguan Dongmei (19) Dongguan Dongxin (20) Dongguan Meixin (21) Wangniudun Meidong (22) Dongguan Meiyue  Tesla (23) Shantou Dongying (51%) Beijing & Hebei  BMW (24) Chengde Meibaohang* (25) Beijing Huibaohang (26) Beijing Meibaohang (70%) (27) Langfang Guanbaohang (28) Bazhou Guanbaohang*  Lexus (29) Beijing Meidong (30) Langfang Meidong	Hubei  Porsche (31) Wuhan Xinbao (32) Wuchang Xinbao  BMW (33) Huanggang Baoxinhang* Hunan  BMW (34) Zhuzhou Meibaohang* (35) Hengyang Meibaohang* (36) Changde Meibaohang* (37) Yueyang Meibaohang* (38) Liuyang Meibaohang* (39) Yongzhou Meibaohang*  Lexus (40) Changsha Meidong (41) Zhuzhou Meidong* (42) Hengyang Meidong*  Toyota (43) Yiyang Dongxin* Gansu  Lexus (44) Lanzhou Meidong* Jiangxi  Porsche (45) Ganzhou Xinbao* (46) Nanchang Jubao  BMW (47) Jingdezhen Meibaohang* (48) Shangrao Meibaohang (49) Xinyu Meibaohang* (50) Jiujiang Huibaohang  Toyota (51) Xinyu Dongbu* (52) Jiujiang Dongbu* Fujian  Lexus (53) Xiamen Meidong (54) Longyan Meidong*  Toyota (55) Quanzhou Meidong	Anhui  Toyota (56) Huangshan Dongbu*  BMW (57) Huaibei Meibaohang* (58) Suzhou Meibaohang* (59) Chizhou Meibaohang* (60) Chuzhou Meibaohang* (61) Tongling Meibaohang* (62) Huangshan Meibaohang* Shandong  Porsche (63) Jinan Jubao (70%) (64) Jinan Dongbao (65) Qingdao Dongbao* (66) Weifang Xinbao* Jiangsu  Lexus (67) Nanjing Meidong (68) Tangshan Meidong  Porsche (69) Nanjing Dongbao Tianjin  Lexus (70) Tianjin Meidong  Porsche (71) Tianjin Dongbao Sichuan  BMW (72) Guangan Baotai* Henan  Porsche (73) Henan Dongbao Chongqing  Porsche (74) Chongqing Dongbao
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Notes:

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

* Single City Single Store

GEOGRAPHICAL COVERAGE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

YE Fan (*Chairman*)

YE Tao (*Chief Executive Officer*)

LUO Liuyu

Independent Non-Executive Directors

CHEN Guiyi

WANG, Michael Chou

TO Siu Lun

AUTHORISED REPRESENTATIVES

YE Tao

CHAN Charmayne,

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

COMPANY SECRETARY

CHAN Charmayne,

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

AUDIT COMMITTEE

TO Siu Lun (*Chairman*)

CHEN Guiyi

WANG, Michael Chou

REMUNERATION COMMITTEE

WANG, Michael Chou (*Chairman*)

CHEN Guiyi

TO Siu Lun

NOMINATION COMMITTEE

YE Fan (*Chairman*)

TO Siu Lun

WANG, Michael Chou

LUO Liuyu (*Appointed on 27 August 2025*)

CHEN Guiyi (*Appointed on 27 August 2025*)

REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1

Tian An Tech Industry Building

Huangjin Road

Nancheng District, Dongguan

Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2404

24th Floor, World-Wide House

19 Des Voeux Road Central

Hong Kong

AUDITOR

KPMG

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

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

HW Lawyers

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

CORPORATE INFORMATION**HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

PRINCIPAL BANKERS

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

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

Corporate information as of the date of this Annual Report

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back at 2025, with the synergistic effects of a series of policies aimed at stabilizing growth and promoting consumption, the Chinese passenger vehicle market achieved steady growth amidst a complex environment. Benefiting from the increased strength and expanded scope of the car trade-in and scrap renewal policies (the “**Two New Policies**”), coupled with the continuation of the policy on exemption of vehicle purchase tax for new energy vehicles, fiscal interest subsidies for consumer loans and other multiple measures, overall consumption potential had been effectively released. According to data published by the China Association of Automobile Manufacturers (“**CAAM**”), the cumulative retail sales of passenger vehicles nationwide reached 30.10 million units throughout the Year, representing a year-on-year increase of 9.2%. In particular, new energy vehicles were the primary driver of market growth, with cumulative sales of 16.49 million units, a year-on-year surge of 28.2%, and a market penetration rate that further climbed to 54.0%.

However, industry competition was intense under the surface of overall growth. Affected by the continuous expansion of the market share of Chinese domestic brands and the accelerated replacement of traditional fuel vehicles by new energy vehicle models, the luxury car market experienced a profound structural adjustment, with traditional luxury brands generally facing a decline in sales volume. In order to alleviate inventory backlog and maintain market share, numerous distributors continuously increased promotions. Meanwhile, the expansion of the consumption tax policy on ultra-luxury cars further impacted the sales performance of luxury cars. The cash flow and profit margins of dealers consequently continued to be under pressure. According to data from the China Automobile Dealers Association, the number of automobile 4S stores nationwide saw a net decrease of 446 in 2025, with 4,961 stores withdrawing from networks. Against the backdrop of price inversion, the industry anticipated that the wave of network withdrawals would further intensify in 2026.

Apart from new vehicle sales, the mortgage facilitation commission rates also experienced a significant decline during the Year due to policy adjustments, which not only put further pressure on the gross profit margins of automobile dealers but also indirectly increased the car purchasing costs for consumers, thereby affecting the demand for value-added services such as after-sales maintenance and extended warranties.

Against the backdrop of insufficient consumption momentum, the failure of supply chains to adjust in a timely manner, and the decline in mortgage facilitation commission rates, dealers abandoned a development path oriented towards scale expansion and instead focused on improving store efficiency, inventory management and cash flow performance. Meanwhile, although measures such as the “Two New Policies” and the exemption of vehicle purchase tax for new energy vehicles supported sales volumes to a certain extent, the timeliness of policies, strategic adjustments of major luxury brands, the integration of dealer networks, and even the transformation of sales models for new energy vehicles had all brought more uncertainties to existing market participants.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

During the Year, despite the structural adjustments in the luxury car market, the Group's new passenger vehicle sales volume still recorded slight growth, driven by the Two New Policies and the strong performance of individual brands. For after-sales and mortgage facilitation services, the Group continued to maintain a steady performance. Although revenue decreased due to the decline in mortgage facilitation commission rates, the overall number of vehicles served still increased, and the absorption rate (excluding financial costs and impairment losses on goodwill and intangible assets) remained at a healthy level of approximately 201.0%. Facing a severe operating environment, the Group also strove to maintain rigorous expense management and a sound financial position. During the Year, the ratio of distribution costs, administrative expenses and finance costs to revenue further decreased from approximately 6.7% for the same period in 2024 to approximately 6.2%. The Group also fully redeemed and canceled convertible bonds in the total principal amount of HK\$1,873.0 million during the Year. Therefore, the total amount of loans and borrowings and the convertible bonds decreased by approximately 64.4% compared to 2024, enabling the Group to navigate market uncertainties and prudently explore market opportunities.

However, the imbalance between supply and demand in the passenger vehicle market, the accelerated replacement by new energy vehicles, and increasingly fierce price competition resulted in the operating results of certain of the Group's stores (especially those for certain luxury brands) being significantly lower than expected. In addition, the impact of the ultra-luxury car sales tax on new car sales and the decline in mortgage facilitation commission rates were expected to pose further challenges to the profitability of such stores. A net loss of approximately RMB754.0 million was therefore recorded during the Year, representing a decrease as compared to the loss of approximately RMB2,258.8 million for the same period in 2024.

In prior periods, the Group recognised impairment on goodwill and intangible assets – car dealership, respectively, in view of the prevail macro-economic uncertainties and increasingly intense competition in the automotive sector. In 2025, affected by the continuous expansion of the market share of Chinese domestic brands and the accelerated replacement of traditional fuel vehicles by new energy vehicle models, the luxury car market experienced a profound structural adjustment, with traditional luxury brands generally facing a decline in sales volume. In order to alleviate inventory backlog and maintain market share, numerous distributors continuously increased promotions. Meanwhile, in 2025, the expansion of the consumption tax policy on ultra-luxury cars and declined mortgage facilitation rates further decreased the gross profit margin compared to 2024. In 2025, these macro-economic uncertainties and price competition further intensified and exceeded the management's prior forecast, the sales prices and gross profit margins of certain of the Group's stores, especially related to certain luxury brands, showed signs of continual decline, and their operating results were also significantly lower than expected. Meanwhile, the introduction of the consumption tax policy on ultra-luxury cars and the decline in mortgage facilitation commission rates posed further challenges to the future profitability of those stores. Consequently, with the assistance of an external valuer (namely, AVISTA Business Consulting (Shanghai) Co., Ltd.), the Group conducted impairment tests on goodwill and dealership rights for stores with performance far below expectations.

MANAGEMENT DISCUSSION AND ANALYSIS

As mentioned above, the gross profit margin during the Year was further impacted by the expansion of the consumption tax policy for ultra-luxury cars, coupled with decline in mortgage facilitation commission rates which in turn affected the overall profitability of those stores. The Group adjusted key assumptions downward compared to the forecasts at the end of 2024, lowering expectations for future performance. As a result, the Group further recognised a non-cash impairment of goodwill and dealership rights, of approximately RMB17.5 million and RMB850.4 million respectively for those underperforming CGUs (cash generating units) which were acquired in 2021 and 2022 (including notifiable transactions set out in the Company's announcement dated 12 August 2021 and circular dated 6 April 2022, and other acquisitions (which did not constitute notifiable transactions of the Company under the Listing Rules)) during the Year.

The recoverable amounts of these CGUs have been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. The fair values less costs of disposal ("**FVLCD**") of the CGUs are not estimated to be materially different from their respective value-in-use amounts ("**VIU**") as the fair values of CGUs under discounted cash flow approach and VIU share similar financial forecast, forecast period and discount rate. Considering the FVLCD calculation requires specific inclusion of costs of disposal, FVLCD of CGUs are not estimated to be higher than their respective VIU amount. Thus, VIU is adopted as the recoverable amount in the impairment testing. There have been no changes in the valuation method used compared with that adopted for the year ended 31 December 2024. The pre-tax discount rates applied to the impairment test were within a range from 11.8% to 15.9% (2024: 13.5% to 15.9%) as the global economy underwent an interest rate reduction cycle in 2025, resulting in lower cost of debt and this forecast shows a significant decrease compared to historical periods, with lower realizability risks in financial projections. More information (including key inputs, basis and assumptions used in the valuation) is set out in note 14 to the consolidated financial statements in this report.

Revenue

The Group recorded a revenue of approximately RMB20,022.9 million, representing a year-on-year decrease of approximately 9.6% (2024: approximately RMB22,154.0 million). In particular, due to the decrease in the transaction prices of new vehicles, revenue from sales of passenger vehicles decreased by approximately 9.2% year-on-year to approximately RMB16,097.3 million (2024: approximately RMB17,726.3 million), accounting for approximately 80.4% (2024: approximately 80.0%) of total revenue. Revenue from after-sales and mortgage facilitation services reached RMB3,925.6 million (2024: approximately RMB4,427.6 million), representing a year-on-year decrease of approximately 11.3% and accounting for approximately 19.6% (2024: approximately 20.0%) of total revenue. During the Year, despite an increase in the number of after-sales vehicles served, affected by the structural downgrading of consumption and the decrease in mortgage facilitation commission rates, customers generally reduced the frequency of visits to workshops and scaled back on individual maintenance projects and expenditures, and the demand for mortgage services also declined, resulting in a decrease in the revenue of this business.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales decreased by approximately 8.3% year-on-year from approximately RMB20,592.9 million in 2024 to approximately RMB18,874.1 million. The decrease was mainly due to the year-on-year decrease in revenue from sales of passenger vehicles, which resulted in a year-on-year decrease of approximately 9.5% in its cost of sales.

Gross Profit

During the Year, gross profit decreased by approximately 26.4% year-on-year from approximately RMB1,561.0 million in 2024 to approximately RMB1,148.8 million. Overall gross profit margin decreased by 1.3 percentage points to approximately 5.7% (2024: approximately 7.0%). Among which, the gross profit margin of new passenger vehicle sales increased slightly by 0.4 percentage points to approximately -5.8% (2024: approximately -6.2%); whereas the gross profit margin of after-sales and mortgage facilitation services decreased by 6.9 percentage points year-on-year to approximately 53.2% (2024: approximately 60.1%) due to the decline in mortgage facilitation commission rates.

Costs and Expenses

Due to the persistent weakness in consumption confidence, the intensified imbalance between supply and demand in the passenger vehicle market, and the widespread promotional strategies among dealers, the selling prices and profit levels of luxury car are expected to remain under pressure. At the same time, the mortgage policy previously widely adopted by financial institutions to promote the automobile loan business is also facing substantive adjustments, which is expected to have a certain adverse impact on after-sales and mortgage facilitation services as well as the overall profitability of stores. As a result, the Group conducted impairment test with the assistance of an external valuer, an impairment of goodwill and dealership rights approximately RMB17.5 million and RMB850.4 million respectively (2024: approximately RMB943.5 million and RMB1,967.5 million respectively) was incurred during the Year.

Notwithstanding the challenging external environment, the Group maintained prudent cost control and sustained its profit margins by continuously enhancing operational efficiency. During the Year, total operating expenses (distribution costs, administrative expenses and finance costs) decreased year-on-year. In particular, distribution costs amounted to approximately RMB524.9 million (2024: approximately RMB584.7 million), accounting for approximately 2.6% of total revenue, same as last year. Administrative expenses amounted to approximately RMB513.9 million (2024: approximately RMB662.0 million), accounting for approximately 2.6% of total revenue, representing a decrease of 0.4 percentage points as compared to the same period of last year. Finance costs amounted to approximately RMB210.8 million (2024: approximately RMB239.3 million), accounting for approximately 1.1% of total revenue, same as last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

During the Year, the Group's income tax credit amounted to approximately RMB155.2 million, as compared to the income tax credit of approximately RMB375.7 million for the same period of last year. The decrease was mainly attributable to a reduction in the reversal of deferred tax liabilities arising from the impairment of intangible assets.

Profit/Loss for the Year

During the Year, impacted by compressed gross profit margins from new passenger vehicle sales and after-sales and mortgage facilitation services, as well as impairment of goodwill and dealership rights, the Group recorded a loss of approximately RMB754.0 million for the Year (2024: a loss of approximately RMB2,258.8 million). The profit margin increased by 6.4 percentage points from approximately -10.2% in the corresponding period last year to approximately -3.8%.

Dividend

The Board recommended a final dividend of RMB0.0337 per ordinary share of the Company ("**Share(s)**") for the year ended 31 December 2025 (2024: RMB0.0445 per Share).

The Company does not have any treasury shares or repurchased Shares pending cancellation as at the date of this report.

Joint Venture

During the Year, share of profits of a joint venture amounted to approximately RMB17.2 million, representing a year-on-year decrease of approximately 1.8% as compared to approximately RMB17.5 million for the same period of last year.

Passenger Vehicles Sales

During the Year, although favorable national policies continued to exert influence and effectively supported a slight increase in overall sales volume, affected by intensified competition and increased promotional efforts, segment revenue decreased by approximately 9.2% as compared with the same period last year to approximately RMB16,097.3 million (2024: approximately RMB17,726.3 million). Sales of luxury brand vehicles remained the Group's major revenue contributor, accounting for approximately 84.8% (2024: approximately 87.0%) of total revenue from the new passenger vehicle sales. The sales of new passenger vehicles of Porsche, BMW and Lexus amounted to approximately RMB5,229.3 million, RMB5,318.3 million, and RMB3,105.3 million respectively, accounting for approximately 32.5%, 33.0%, and 19.3% of total revenue from the new passenger vehicle sales. In terms of sales volume, benefiting from the Group's efficient operations and low inventory strategy, 57,554 units (2024: 56,930 units) of new passenger vehicles were sold during the Year, representing a year-on-year increase of 1.1%. Sales volume of Porsche, BMW and Lexus was 7,550 units, 20,074 units and 11,358 units, respectively during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

After-Sales and Mortgage Facilitation Services

Revenue from after-sales and mortgage facilitation services consists principally of spare parts sales, provision of repair and maintenance services, provision of certain other automobile-related services such as vehicle registration services and mortgage facilitation services. During the Year, although the Group's service base continued to expand, the mortgage facilitation commission rates decreased, resulting in a decrease in revenue from after-sales and mortgage facilitation services, which fell by approximately 11.3% year-on-year to approximately RMB3,925.6 million (2024: approximately RMB4,427.6 million). The number of vehicles served was 762,633 units, representing a year-on-year increase of approximately 2.2%. The gross profit margin of after-sales and mortgage facilitation services also decreased due to the decline in mortgage facilitation commission rates, falling by 6.9 percentage points year-on-year to 53.2% (2024: approximately 60.1%).

Current Stores Network

The Group continues to implement its proven strategy of focusing on luxury brands, and strives to maintain an efficient distribution network aligning with a single-city-single-store strategy. As at 31 December 2025, the Group had 74 self-operated stores situated in provinces and cities such as Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu, and Anhui, including a joint venture operated by the Group and one Tesla after-sales service center.

The number of stores/service centers operated by the Group as at 31 December 2025 was as follows:

Number of stores/service centers under operation	31 December 2025	31 December 2024	Change
Porsche	15	16	-1
BMW	27	27	-
Lexus	20	20	-
Toyota	11	12	-1
Audi	0	1	-1
Tesla after-sales service center	1	2	-1
Total	74	78	-4

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Position

As at 31 December 2025, the total equity of the Group amounted to approximately RMB2,135.9 million (31 December 2024: approximately RMB2,956.8 million). Current assets amounted to approximately RMB4,366.4 million (31 December 2024: approximately RMB7,113.1 million). The decrease in current assets was mainly due to the Group's redemption and cancellation of outstanding convertible bonds in accordance with the terms of the convertible bonds, as well as its efforts to repay its bills payable, resulting in a significant decrease in cash and cash equivalents and pledged bank deposits at the end of the Year, which decreased by 72.3% and 48.4%, respectively. Current liabilities amounted to approximately RMB3,725.4 million (31 December 2024: approximately RMB6,788.4 million). The decrease in current liabilities was mainly due to the above redemption of outstanding convertible bonds and a decrease in trade and other payables. Net current assets amounted to approximately RMB641.0 million at the end of the Period (31 December 2024: approximately RMB324.7 million).

As at 31 December 2025, the Group's loans and borrowings amounted to approximately RMB981.8 million (of which RMB539.9 million bore interest at fixed rates), representing a decrease of approximately 2.0% as compared to RMB1,001.5 million as of 31 December 2024. Of which, short-term loans and borrowings amounted to approximately RMB512.9 million; and long-term loans and borrowings amounted to approximately RMB468.8 million. The Group redeemed the outstanding convertible bonds in full during the Year (31 December 2024: approximately RMB1,759.2 million). The gearing ratio of the Group (being the sum of loans and borrowings, convertible bonds (if applicable) and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 108.5% as at 31 December 2025 (31 December 2024: approximately 144.0%).

As at 31 December 2025, cash and cash equivalents, fixed deposits with more than three months to maturity when placed, and pledged bank deposits amounted to approximately RMB1,869.9 million. Most of the cash and cash equivalents, fixed deposits with more than three months to maturity when placed, and pledged bank deposits were denominated in RMB, USD, and Hong Kong dollars. Apart from part of the cash that are denominated in USD and RMB in overseas companies, the Group's business operations are located in Chinese Mainland and a majority of its transactions are denominated in RMB. Therefore, the Group expects that foreign exchange risks will have a limited effect on the Group, and are unlikely to have any material adverse effect on its normal operations. During the Year, the Group did not employ any significant financial instruments such as forward foreign exchange contracts, nor did it employ any financial instruments for hedging purposes. The management of the Company will closely monitor foreign exchange risks, and will consider hedging significant foreign exchange risks when necessary.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As of 31 December 2025, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

The Group did not hold any significant investments, and did not make any material acquisitions nor disposals of subsidiaries, associates or joint ventures during the Year. There were no future plans for material investments or capital assets which have been approved by the Board as of the date of this report.

Pledged Assets of the Group

As at 31 December 2025, the Group pledged property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and pledged bank deposits of approximately RMB2,135.7 million in aggregate (31 December 2024: approximately RMB3,053.2 million) to secure certain bills payable, loans and borrowings.

PROSPECTS

Looking ahead to 2026, the automobile dealership industry will continue to be impacted by multiple adverse factors, including weak consumption momentum, intensifying price wars, the expansion of the ultra-luxury vehicle tax scope, and the decline in commission rates for mortgage applications. In view of this, the Group will adhere to its prudent and cautious operating strategies, focusing on increasing the operating efficiency of single store, and reducing operational risks and maintaining stable cash flow performance by maintaining a low inventory level. In terms of business expansion, the Group will adhere to its light-asset and low-risk business model, and prudently explore opportunities in the new energy vehicle sector. Meanwhile, as the brands it represents gradually consolidate their dealer networks, the Group will fully leverage its service capabilities and regional coverage advantages to proactively acquire and convert customers of dealers withdrawals from networks, thereby steadily increasing its market share, and laying a solid foundation for a return to growth in the future.

STAFF TRAINING AND DEVELOPMENT

As at 31 December 2025, the Group had a total of 3,763 employees (31 December 2024: 3,706), with the majority of them based in the PRC. The total staff costs of the Group for the Year amounted to approximately RMB755.3 million (2024: approximately RMB711.1 million). In addition to offering competitive remuneration packages, discretionary bonuses and equity-based incentive which may be granted to eligible employees based on individual performance, the Group leverages its simple, direct, and data-driven corporate culture to serve as one of its key elements in attracting talents. The management team of the Group values the satisfaction of employees, and strives to create a better working environment and career path for all employees.

MANAGEMENT DISCUSSION AND ANALYSIS

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Company has provided the Company a written confirmation in respect of his/its compliance with the non-compete undertakings dated 13 November 2013 for the Year. The independent non-executive Directors have reviewed the status of compliance of such undertakings, and have confirmed that, as far as they can ascertain, they were not aware of any breach of such non-compete undertakings in the Year.

STATUS UPDATE FOR RECTIFICATION OF PROPERTIES TITLE DEFECT

As disclosed in the prospectus of the Company dated 22 November 2013, 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 Year. Progress of the relevant matters will be announced, if required, in accordance with relevant regulations.

USE OF PROCEEDS FROM ISSUE IN PRIOR YEARS

In January 2023, the Company placed 68,000,000 new Shares at the subscription price of HK\$15.05 per Share. The Company received a net proceeds of approximately HK\$1,012 million after deducting the relevant placement cost (all of which were not yet utilised as of 1 January 2025). Set out below is the Company's plan on the use of such net proceeds:

Intended use of net proceeds previously disclosed	Percentage of total proceeds of such issue	Utilised during the Year (in HK\$ million, approximately)	Unutilised as at 31 December 2025 (in HK\$ million, approximately)
Business expansion (including strategic investments and acquisitions)	50%	–	506
Working capital and other general corporate purposes	50%	506	0
Total	100%	506	506

Upon evaluation by the Board, for more efficient use of resources and the proceeds for the benefit of the Group's operations and in light of the current business strategy of the Group, the Board resolved to change the use of the remaining unutilised net proceeds in the amount of approximately HK\$506 million to be used as working capital and other general corporate purposes, it is expected the remaining proceeds will be fully utilised by the Group by the end of 2028.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPORTANT EVENTS AND OTHER INFORMATION

Full redemption of Convertible Bonds issued by Sail Vantage Limited

In January 2022, Sail Vantage Limited (“**CB Issuer**”, a wholly-owned subsidiary of the Company) issued the Convertible Bonds to professional investors (as defined in Chapter 37 of the Rules (the “**Listing Rules**”) Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)) with an initial aggregate principal amount of HK\$2,750 million, and guaranteed by the Company. Listing of the Convertible Bonds commenced on the Stock Exchange on 14 January 2022. The closing price of the Shares as quoted on the Stock Exchange on 5 January 2022 (the date on which the initial conversion price was fixed) was HK\$39.35 per Share. The net price based on the net proceeds was approximately HK\$45.72 per Share assuming full conversion at the initial conversion price. All proceeds were utilised prior to the Year.

As of 1 January 2025, an aggregate principal amount of HK\$1,873 million of the Convertible Bonds was outstanding. No conversion took place in the Year.

Pursuant to the terms and conditions of the Convertible Bonds, the CB Issuer redeemed all outstanding Convertible Bonds with an aggregate principal amount of HK\$1,873 million (representing approximately 68.11% of the Convertible Bonds initially issued) at 106.9428 per cent. of their principal amount. Such redeemed Convertible Bonds carried rights to convert into 42,398,203 Shares based on the then prevailing conversion price of HK\$44.1764 per Share) on 13 January 2025 upon receiving the bondholders’ notice. The redemption was funded by the Group’s internal resources and external borrowings. The gross consideration paid was approximately HK\$2,003 million. All redeemed Convertible Bonds were cancelled. There are no outstanding Convertible Bonds in issue, and listing of the Convertible Bonds on the Stock Exchange was withdrawn with effect upon the close of business on 22 January 2025. See also the Company’s announcement dated 14 January 2025 and note 27 to the financial statements contained in this report.

Share option scheme

The prior share option scheme expired in November 2023. On 18 February 2025, the Company announced that it has resolved to propose the adoption of the 2025 Share Option Scheme (the “**2025 Share Option Scheme**”). The purposes of the 2025 Share Option Scheme are to recognise and acknowledge the contributions which the directors and employees of the Group (including persons who are granted options (the “**Options**”) under the 2025 Share Option Scheme as an inducement to enter into employment contracts (whether full time or part time) with these companies) have made or may make to the Group. The 2025 Share Option Scheme constitutes a share scheme involving the issue of new Shares under Chapter 17 of the Listing Rules and is accordingly subject to the approval of the shareholders of the Company (the “**Shareholders**”) in general meeting. The 2025 Share Option Scheme and a mandate (the “**Share Mandate Limit**”) for the allotment and issuance of new Shares for the satisfaction of any Options (upon exercise of the subscription rights attaching to such Options) not exceeding the Scheme Mandate Limit was approved by the Shareholders at an extraordinary general meeting held on 10 June 2025 (the “**EGM**”). Please refer to the Company’s announcement dated 18 February 2025, its circular dated 21 May 2025 and its announcement for the poll results of EGM dated 10 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2025, 10,907,250 share options were outstanding under such prior share option scheme (with 1,571,000 share options lapsed during the Year), and no Options were outstanding under the 2025 Share Option Scheme. On 29 January 2026, 8,559,000 Options (with an exercise price of HK\$1.38 per ordinary share of the Company) were granted under the 2025 Share Option Scheme. See also the Company's announcement dated 29 January 2026. More information is set out in the Report of the Directors.

Change in composition of the Board committee and other corporate changes

With effect from 27 August 2025, Ms. LUO Liuyu (an executive Director) and Mr. CHEN Guiyi (an independent non-executive Director) have been appointed as members of the Company's Nomination Committee.

Ms. CHAN Charmayne replaced Mr. WONG Cheung Ki Johnny as the company secretary, an authorised representative under Rule 3.05 of the Listing Rules, an authorized representative for accepting service of process and notice on behalf of the Company under Part 16 of the Companies Ordinance and the person authorised to accept service of process and notices on the Company's behalf under Rule 19.05(2) of the Listing Rules, with effect from 18 February 2025.

See also the Company's announcements dated 27 August 2025 and 18 February 2025.

Cornerstone investment in Seres

On 23 October 2025, the Company (as investor) entered into the cornerstone investment agreement with Seres Group Co., Ltd. ("**Seres**") and China International Capital Corporation Hong Kong Securities Limited, pursuant to which the Company has agreed to subscribe for H shares of Seres as part of Seres international offering in the amount of USD20,000,000 (exclusive of brokerage and levies; the number of H shares to be rounded down to the nearest whole board lot) at the offer price (at which Seres offered/sold its shares in its global offering). See also the Company's announcement dated 23 October 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YE Fan (*Chairman*)

Mr. YE Fan (葉帆), aged 54, is the founder of the Group. He is the younger brother of Mr. YE Tao, and is the Chairman and an executive Director of the Company. He is primarily responsible for supervising the operations of the Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. YE Fan was awarded a Bachelor's degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. YE Tao (*Chief Executive Officer*)

Mr. YE Tao (葉濤), aged 59, is the elder brother of Mr. YE Fan. He is an executive Director and the Chief Executive Officer of the Company. He is primarily responsible for overseeing the daily operations and management of the Group, planning its business and marketing strategies and supervising investor relationship. Mr. YE Tao was awarded a Bachelor's degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

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

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

Ms. LUO Liuyu

Ms. LUO Liuyu (羅劉玉) ("**Ms. Luo**"), aged 42, is an executive Director of the Company. She has been the vice president of human resources and administration unit of the Group's company, Dongguan Meixin Business Consulting Co., Ltd, primarily responsible for the overall human resources management and planning of the Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. Luo joined the Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. Before Ms. Luo joined the Group, she worked for Dongguan Zhicheng Trading Company Limited as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions. Ms. Luo completed a three-year professional study programme in Finance in Dongguan University of Technology in 2007 and a financial management degree from Peking University in 2015.

Ms. Luo is a member of the Nomination Committee.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG, Michael Chou

Mr. WANG, Michael Chou (王炬) (“**Mr. Wang**”), aged 56, was appointed as an independent non-executive Director with effect from 22 June 2015. Mr. Wang was awarded a Master of Business Administration by the Wharton School of Business at the University of Pennsylvania in 1997 and a Bachelor of Arts from Southwestern University in 1992. He is currently the managing partner and president of Abax Global Capital. Mr. Wang is responsible for the overall business management and investment activities at Abax and also focuses on the management of portfolio companies. Mr. Wang is a member of the fund’s investment committee and is the Chairman of such firm’s operating committee.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Guiyi

Mr. CHEN Guiyi (陳規易) (“**Mr. Chen**”), aged 48, was appointed as an independent non-executive Director with effect from 1 April 2017. From September 1997 to July 2001, Mr. Chen studied at the China Youth University of Political Science where he obtained a bachelor’s degree in legal studies. From September 2003 to July 2004, he studied at the University of Groningen of the Netherlands where he obtained a master’s degree in laws. From July 2001 to September 2005, he has been an associate director at the newspaper office of Beijing Times of People’s Daily. From October 2005 to September 2020, he was one of the partners and lawyers of the law firm, Jingtian & Gongcheng in Beijing and Chengdu, the PRC. From March 2016 to September 2020, he was one of the partners of W&G Investment Management Co., Ltd. From August 2017 to September 2020, he was one of foreign legal consultants of the law firm, Loeb & Loeb LLP in Hong Kong. Since October 2020, he has been a Managing Director of Centurium Capital Management (HK) Ltd. Since October 2024, Mr. Chen has been a director of Luckin Coffee Inc. (OTC: LKNCY). Mr. Chen has ample experience in the capital market, specializing in both the domestic and overseas capital market.

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

Mr. TO Siu Lun

Mr. TO Siu Lun (杜紹麟) (“**Mr. To**”), aged 57, was appointed as an independent non-executive Director with effect from 30 November 2022. Mr. To is a member of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants and an associate of The Taxation Institute of Hong Kong. He worked at RSM Hong Kong (formerly known as RSM Nelson Wheeler) from March 2003 to March 2019, first as a tax director and became a partner since January 2005. Since March 2019, he has been a partner at ORI Capital Limited (a corporation licensed under the Securities and Futures Ordinance to conduct type 9 regulated activity (asset management) since January 2020). Mr. To is currently a director of ICO Strategy Limited, an independent director of Resverlogix Corp. (the shares of which are listed on the Toronto Stock Exchange (TSX: RVX)), a director of ORI Capital Limited, and an independent non-executive director of Combine Will International Holdings Limited (the shares of which are listed on the Singapore Exchange Securities Trading Limited, SGX: N0Z). He was an executive director of Digitel Group Limited from November 2001 to March 2002, and an independent non-executive director of China Bright Culture Group (a company previously listed on the Main Board of the Stock Exchange) from February 2024 to January 2025. From October 2020 to October 2024, Mr. To served as an independent non-executive director of Autotoll Limited.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. YUAN Ying

Ms. YUAN Ying (袁英) (“**Ms. Yuan**”), aged 45, is the Financial Controller of the Company and is responsible for the overall financial planning and management of the Group. Ms. Yuan joined the Group in May 2010 as Finance Manager and was in charge of the Finance Department. She was then responsible for the Group’s asset management, internal audit, cost control and formulating of financial statements, etc. Ms. Yuan is an accountant and obtained the qualification of accountant by the Ministry of Finance of the PRC in May 2007. Prior to joining the company, she worked for Yong Feng Footwear (Bao An) Company Limited as finance supervisor in charge of audit of the Finance Department.

Mr. TANG Jian

Mr. TANG Jian (唐劍) (“**Mr. Tang**”), aged 44, is the vice president of sales and marketing of the Company. He is currently mainly responsible for the overall management of the sales and marketing functions of the Group. Mr. Tang completed all courses for the bachelor’s degree top-up program in administrative management (human resource management) at Sun Yat-sen University. Mr. Tang joined the Group in June 2008 as a sales supervisor, responsible at the time for new car sales and team management. Mr. Tang left the Group in March 2009, and later rejoined in January 2010. Since rejoining, he has served as corporate sales manager, general manager and brand general manager. Prior to rejoining the Group in January 2010, Mr. Tang served as the sales manager of Dongguan Hengxin Automobile Sales & Service Co., Ltd., where he was responsible for managing the sales department.

Ms. CHEN Saijin

Ms. CHEN Saijin (陳賽金) (“**Ms. Chen**”), aged 45, is our vice president of purchasing and projects unit. Currently, she is primarily responsible for the overall procurement of the Group and supervising internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour and Social Security Bureau. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) through Internet learning. Ms. Chen joined the Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. Before Ms. Chen joined the Group, she worked for Dongguan Hongyan Vehicle Trading Company Limited as the deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

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

REPORT OF THE DIRECTORS

Below is the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the section "Management Discussion and Analysis" of this Annual Report. The financial risk management objectives and policies of the Group can be found in note 31 to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the financial Year are provided in page 39 of this section and note 35 to the consolidated financial statements of this Annual Report. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 183 of this Annual Report.

Principal risks and uncertainties

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

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESULTS AND FINAL DIVIDEND

The results of the Group for the Year and the state of affairs of the Group as at the end of the Year are set out in the consolidated financial statements on pages 71 to 182 of this Annual Report.

The Board has considered the Company's strategy and policy regarding distributions and dividends, and the Company's financial status, including the Company's surplus balance of distributable share premium and reserves. The Board recommended the payment of a final cash dividend of RMB0.0337 per Share for the Year (2024: RMB0.0445 per Share) to the Shareholders whose names are on the register of members of the Company on Thursday, 10 September 2026 (the record date for final dividend). The declaration and payment of the final dividend is subject to, among other things, approval by Shareholders at the AGM and the applicable requirements under the Cayman Islands company law, the Listing Rules and the Company's articles of association. Subject to the fulfillment of the above conditions, the final dividend will be paid in cash in Hong Kong dollars, calculated based on an exchange rate to be announced by the Company in due course. Based on the number of Shares in issue as at the date of this Annual Report, the total amount of proposed dividend is approximately RMB45.4 million. It is expected that the cheques for cash dividends will be sent by ordinary mail to Shareholders at their own risk on Wednesday, 28 October 2026.

Please also refer to the Company's announcement dated 31 March 2026 and the notice of AGM for further information about the arrangements on closure of register of members in order to be entitled to attend the AGM, and to the final dividend, respectively.

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

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity set out on page 75 of this Annual Report.

The Company's reserves available for distribution to the Shareholders as at 31 December 2025 amounted to RMB60,144,000 (31 December 2024: RMB689,102,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

REPORT OF THE DIRECTORS

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2025 is set out on page 183 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

PROPERTY, PLANT AND EQUIPMENT

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

TAX RELIEF

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

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

SHARE CAPITAL

Details of the movement in the share capital of the Company during the Year are set out in note 30 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

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

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

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

Directors' Service Contracts

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

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

REPORT OF THE DIRECTORS

Directors' Remuneration

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

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

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

Interests in Contracts

Other than as disclosed in this Annual Report (including note 33 to the consolidated financial statements in this Annual Report), at the end of, or at any time during the Year, (i) no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted, (ii) no contract of significance between the Company or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries subsisted, and (iii) no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted.

Competing Business

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

Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2025, the interests and short positions of the Directors and chief executive in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

REPORT OF THE DIRECTORS

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

Name	Capacity	Interest in Shares (Long position)	Interest in underlying Shares pursuant to share options ⁽³⁾	Approximate percentage of shareholding ⁽²⁾
YE Fan ⁽¹⁾	Interest of controlled corporation	703,916,000	–	52.29%
YE Tao	Beneficial owner	2,000,000	2,000,000	0.30%
LUO Liuyu	Beneficial owner	48,000	415,000	0.07%
CHEN Guiyi	Beneficial owner	750,000	250,000	0.09%
WANG Michael Chou	Beneficial owner	188,000	500,000	0.06%
TO Siu Lun	Beneficial owner	–	250,000	0.01%

Note:

- (1) Mr. YE Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited (“**Apex Holdings**”) is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited (“**Apex Sail**”). Apex Sail directly holds 703,916,000 Shares as of 31 December 2025. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares held by Apex Sail.
- (2) The percentage is calculated based on the total number of issued shares as at 31 December 2025, being 1,346,247,201.
- (3) Representing the Directors’ interests in share options granted by the Company. More information is set out in “Share Option Scheme” below.

Directors’ Rights to Acquire Shares

Save for share options granted by the Company to certain Directors under the Company’s share option schemes (the “**SOS**” or “**Share Option Scheme**”, as further detailed in “Share Option Schemes” below), as of 31 December 2025, none of the Directors and chief executives had any interests or short positions in the shares, or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

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

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2025, 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	Capacity	Number of shares held	Approximate percentage of shareholding ⁽¹⁾
Substantial Shareholders			
Apex Sail ⁽²⁾	Beneficial owner	703,916,000 (L)	52.29%
Apex Holdings ⁽²⁾	Interest in a controlled corporation	703,916,000 (L)	52.29%
IQ EQ (Switzerland) Limited ⁽²⁾	Trustee	703,916,000 (L)	52.29%
HU Huanran ⁽³⁾	Interest of spouse	703,916,000 (L)	52.29%
Other persons			
Aikya Investment Management Limited	Investment manager	70,424,150 (L)	5.23%
Partners Bay Asia Limited	Investment manager	68,690,000 (L)	5.10%

Notes:

- (1) The percentage is calculated based on the total Shares in issue as at 31 December 2025, being 1,346,247,201. (L) denotes long position.
- (2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by IQ EQ (Switzerland) Limited as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. YE Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.
- (3) Mr. YE Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail. Mr. YE Fan's spouse, Ms. HU Huanran, is deemed to be interested in such shareholding interests of Mr. YE Fan by virtue of the SFO.

Save as disclosed herein, the Company had not been notified of any substantial shareholder or other person (other than the Directors and chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded as at 31 December 2025 in the register to be kept by the Company under Section 336 of the SFO or was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES

2013 Share Option Scheme

On 13 November 2013, the Company has adopted the 2013 Share Option Scheme with the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the 2013 Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

Pursuant to the 2013 Share Option Scheme, the Company may, at their discretion, invite full-time or part-time employees of the Group, including Directors and subsidiaries of the Company, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up Options to subscribe for Shares. The exercise price of the Option will be determined by the Board but in any event cannot fall below the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the Option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The 2013 Share Option Scheme lapsed in November 2023. No further share options would therefore be granted thereunder. The Options under the 2013 Share Option Scheme 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 2013 Share Option Scheme 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 2013 Share Option Scheme or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the 2013 Share Option Scheme must be taken up within 21 days of the date of grant, upon payment of HK\$1.00 per grant.

REPORT OF THE DIRECTORS

During the Year, no Options under the 2013 Share Option Scheme were granted by the Company. The number of shares that may be issued in respect of options and awards, if any, granted under all schemes of the issuer during the Year divided by the weighted average total issued share capital of the Company during the Year was nil. Further information of the outstanding Options under the 2013 Share Option Scheme during the Year is set out below:

	Date of grant	Exercise price (HK\$)	Outstanding 01.01.2025	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding 31.12.2025	Exercise period
Directors								
YE Tao	04.01.2018	2.58	500,000	-	-	-	500,000	04.01.2018-03.01.2028
		2.58	500,000	-	-	-	500,000	04.01.2019-03.01.2028
		2.58	500,000	-	-	-	500,000	04.01.2020-03.01.2028
		2.58	500,000	-	-	-	500,000	04.01.2021-03.01.2028
LUO Liuyu	04.01.2018	2.58	75,000	-	-	-	75,000	04.01.2018-03.01.2028
		18.07.2019	6.00	42,500	-	-	-	42,500
	25.05.2022	6.00	57,500	-	-	-	57,500	18.07.2022-17.07.2029
		26.20	60,000	-	-	-	60,000	25.05.2022-24.05.2032
		26.20	60,000	-	-	-	60,000	25.05.2023-24.05.2032
		26.20	60,000	-	-	-	60,000	25.05.2024-24.05.2032
		26.20	60,000	-	-	-	60,000	25.05.2025-24.05.2032
CHEN Guiyi	18.07.2019	6.00	250,000	-	-	-	250,000	18.07.2022-17.07.2029
WANG Michael Chou	18.07.2019	6.00	250,000	-	-	-	250,000	18.07.2021-17.07.2029
		6.00	250,000	-	-	-	250,000	18.07.2022-17.07.2029
Subtotal			3,165,000	-	-	-	3,165,000	
Employee(s) who is/are five highest paid individual(s) (not being Director or chief executive of the Company)	25.05.2022	26.20	60,000	-	-	(52,500)	7,500	25.05.2022-24.05.2032
		26.20	60,000	-	-	(52,500)	7,500	25.05.2023-24.05.2032
		26.20	60,000	-	-	(52,500)	7,500	25.05.2024-24.05.2032
		26.20	60,000	-	-	(52,500)	7,500	25.05.2025-24.05.2032
Other senior management (Not being a Director, chief executive or five highest paid individuals)	04.01.2018	2.58	120,000	-	-	-	120,000	04.01.2018-03.01.2028
		2.58	120,000	-	-	-	120,000	04.01.2019-03.01.2028
		2.58	120,000	-	-	-	120,000	04.01.2020-03.01.2028
		2.58	120,000	-	-	-	120,000	04.01.2021-03.01.2028
	18.07.2019	6.00	300,000	-	-	-	300,000	18.07.2019-17.07.2029
		6.00	300,000	-	-	-	300,000	18.07.2020-17.07.2029
		6.00	300,000	-	-	-	300,000	18.07.2021-17.07.2029
		6.00	300,000	-	-	-	300,000	18.07.2022-17.07.2029
25.05.2022	26.20	112,500	-	-	-	112,500	25.05.2022-24.05.2032	
	26.20	112,500	-	-	-	112,500	25.05.2023-24.05.2032	
	26.20	112,500	-	-	-	112,500	25.05.2024-24.05.2032	
	26.20	112,500	-	-	-	112,500	25.05.2025-24.05.2032	

REPORT OF THE DIRECTORS

	Date of grant	Exercise price (HK\$)	Outstanding 01.01.2025	Granted during the year	Exercised during the year	Cancelled	Outstanding 31.12.2025	Exercise period
Employees	04.01.2018	2.58	7,500	-	-	-	7,500	04.01.2018-03.01.2028
		2.58	157,500	-	-	-	157,500	04.01.2018-03.01.2028
		2.58	232,500	-	-	-	232,500	04.01.2018-03.01.2028
		2.58	275,000	-	-	-	275,000	04.01.2018-03.01.2028
	18.07.2019	6.00	337,500	-	-	-	337,500	18.07.2021-17.07.2029
		6.00	352,500	-	-	-	352,500	18.07.2021-17.07.2029
		6.00	467,500	-	-	(40,000)	427,500	18.07.2021-17.07.2029
		6.00	478,750	-	-	(32,500)	446,250	18.07.2021-17.07.2029
	16.01.2020	10.8	-	-	-	-	-	16.01.2020-15.01.2030
		10.8	57,500	-	-	(50,000)	7,500	16.01.2020-15.01.2030
		10.8	60,000	-	-	(50,000)	10,000	16.01.2020-15.01.2030
		10.8	65,000	-	-	(50,000)	15,000	16.01.2020-15.01.2030
	25.05.2022	26.2	1,705,500	-	-	(337,125)	1,368,375	25.05.2022-24.05.2032
		26.2	1,705,500	-	-	(337,125)	1,368,375	25.05.2022-24.05.2032
		26.2	1,705,500	-	-	(337,125)	1,368,375	25.05.2022-24.05.2032
		26.2	1,705,500	-	-	(337,125)	1,368,375	25.05.2022-24.05.2032
Total of employees		9,313,250	-	-	(1,571,000)	7,742,250		
All category		12,478,250	-	-	(1,571,000)	10,907,250		

REPORT OF THE DIRECTORS

Notes:

1. The term of the 2013 Share Option Scheme ended prior to the Year, and no further Options were available for grant thereunder throughout the Year.
2. A consideration of HK\$1 was payable by each grantee upon acceptance of the Option.
3. The Options are subject to a vesting period from the date of grant to the date immediately before the commencement of the exercise period. The vesting period and exercise period is also subject to earlier cancellation, lapse or termination in accordance with the 2013 Share Option Scheme.
4. Representing approximately 0.93% of the total issued Shares as of the beginning of the Year.
5. Representing approximately 0.81% of the total issued Shares as of end of the Year.

2025 Share Option Scheme

The Company has adopted the share option scheme of the Company on 10 June 2025 (the “**2025 Share Option Scheme**”). The purposes of the 2025 Share Option Scheme are to recognise and acknowledge the contributions which the eligible participants have made or may make to the Group, with the view to (i) provide the Company with a flexible means of remunerating and/or providing benefits to the eligible participants; (ii) attract, retain and motivate the eligible participants to continue to contribute to the growth and development of the Group; and (iii) to align the interests of the eligible participants with those of the Company and Shareholders by providing such eligible participants with the opportunity to acquire proprietary interests in the Company and becoming Shareholders, so as to optimise their performance and efficiency for the benefit of the Group and particularly in its fulfilment of strategic targets. The Directors consider the 2025 Share Option Scheme is an effective instrument to encourage, retain and attract talents of significant importance to the future business development of the Group.

The following is a summary of the principal terms of the 2025 Share Option Scheme:

(i) Duration of Share Option Scheme

The 2025 Share Option Scheme will remain valid and effective for a period of 10 years from 10 June 2025.

REPORT OF THE DIRECTORS

(ii) Eligible participants

In assessing the eligibility of the participants, the Remuneration Committee will consider, in its sole discretion, on a case-by-case basis, the following factors: (i) contribution or potential contribution to the development, growth and performance of the Group; (ii) quality of work performed for the Group; (iii) initiative and commitment in performing his/her duties, responsibilities or employment conditions according to the prevailing market practice and industry standard; (iv) length of service or contribution of the Group; and (v) the amount of support, assistance, guidance, advice or efforts that has been given or will be given towards the Group's success.

Eligible participant means any directors and employees of the Company or any member of the Group (including persons who are granted Options under the 2025 Share Option Scheme as an inducement to enter into employment contracts (whether full time or part time) with these companies).

(iii) The total number of shares available for issue

The total number of Shares to be issued upon exercise of all Options to be granted under the 2025 Share Option Scheme is 134,624,720 shares, being no more than 10% of the total number of Shares in issue (excluding Treasury Shares, if any) as at the Adoption Date, 10 June 2025, and 31 December 2025, respectively.

No Options were granted under the 2025 Share Option Scheme during the Year. Therefore, no option was exercised or cancelled or has lapsed during the Year and there was no outstanding option as at 31 December 2025.

8,559,000 Options were granted under the 2025 Share Option Scheme after the Year. As at the date of this report, the total number of Shares available for issue under the 2025 Share Option Scheme was 126,065,720, representing 9.36% of the entire issued share capital of the Company as at the date of this report.

(iv) The maximum entitlement of each participant

The maximum number of Shares underlying the options granted to an eligible participant under the 2025 Share Option Scheme and at any time, any other share scheme (as defined in Chapter 17 of the Listing Rules) adopted by the Company pursuant to Chapter 17 of the Listing Rules (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time.

(v) Grant of options

The Company may at any time within 10 years from 10 June 2025 offer the grant of an Option to eligible participant.

REPORT OF THE DIRECTORS

(vi) Offer and acceptance

Consideration of HK\$1.00 is required to be paid by the eligible participants for the grant under the 2025 Share Option Scheme and such payment must be made within 21 days from the date on which the option is granted.

(vii) Subscription price

The price per Share at which any Eligible Participant who accepts an offer for the grant of an Option (“**Offer**”) in accordance with the terms of the 2025 Share Option Scheme may subscribe for Shares on the exercise of an Option shall, subject to any adjustments made pursuant to the terms of the 2025 Share Option Scheme, be determined by the remuneration committee of the Company and notified to an any director or employee of, or any person who has accepted an employment offer (whether full time or part time) from, or who is being granted Options as an inducement to enter into employment contract with or as a recognition of the contribution of the employees of, any member of the Group (“**Eligible Participant(s)**”) and shall be at least the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on, in respect of any Option, the day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are open for the transaction of normal business but excluding any day in Hong Kong on which a typhoon signal number 8 or above or a “black” rainstorm warning is hoisted at any time between 9:00 a.m. and 5:00 p.m. (“**Business Day**”) on which the Board resolves to make an Offer to an Eligible Participant (unless otherwise specified in the terms of the offer and acceptance letter between the Company and the Grantee evidencing the terms and conditions of an Option) (the “**Date of Grant**”), which must be a Business Day;
- (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five Business Days immediately preceding the Date of Grant; and
- (c) the nominal value of a Share on the Date of Grant, and as subsequently adjusted pursuant to the terms of the 2025 Share Option Scheme, if relevant.

(viii) Vesting of options

The minimum period for which any Option must be held before it vests shall not be less than 24 months, unless otherwise determined and approved by the remuneration committee of the Company, and in any event shall not be less than 12 months.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in normal course of business are set out in note 33 to the consolidated financial statements. All the related party transactions as disclosed in such note did not constitute connected transactions or continuing connected transactions of the Company which are subject to the reporting, announcement, independent shareholders' approval or annual reporting requirements under Chapter 14A of the Listing Rules. The disclosure requirements under Chapter 14A of the Listing Rules is therefore not applicable to such related party transactions.

UPDATE ON DIRECTORS' INFORMATION

The Company is not aware of any change in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

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

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2025 are set out in note 24 to the consolidated financial statements.

The gearing ratio (being the sum of loans and borrowings, Convertible Bonds and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 108.5% as at 31 December 2025 (31 December 2024: approximately 144.0%).

DONATIONS

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

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors: the Company has complied with Rule 13.32B of the Listing Rules; the Company's public float represented 47.49% of its total issued shares as of 31 December 2025 (none of which were held by any persons who have disclosed their interests pursuant to Part XV of the SFO except for shares held by "Other persons" as set out in the paragraph headed "Substantial Shareholders and Other Persons" in this Annual Report); the said paragraph and the paragraph headed "Directors' interests or short positions in shares and underlying shares" in this Annual Report set out more information about the non-public shareholding of the Company as of 31 December 2025 public float of not less than 25% of its total issued shares during the Year and as of the date of this Annual Report. As of 31 December 2025, the Company's issued shares comprised ordinary shares only, ranking pari passu with each other.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for approximately 0.18% of the total revenue, and sales to the largest customer accounted for approximately 0.04% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 77.21% of its operating costs for the Year. Purchases from the largest supplier accounted for about 28.52% of its operating costs for the Year. None of the Directors, their close associates, or any Shareholder (who to the knowledge of the Directors owned more than 5% of the Company's issued Shares (excluding treasury shares)) had any interest in the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

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

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this Annual Report, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of its listed securities (including treasury shares, as defined under the Listing Rules) during the Year and until the date of this Annual Report.

As at 31 December 2025, the Company did not hold any treasury shares.

EMOLUMENT POLICY

As at 31 December 2025, the Group had a total of 3,763 employees (31 December 2024: 3,706), with the majority based in the PRC. The total staff costs of the Group for the Year amounted to approximately RMB755.3 million (2024: approximately RMB711.1 million). Employees' remuneration is determined with regard principally to individual duties, responsibilities, qualification and experience, performance and comparable market data. In addition to offering competitive remuneration packages to employee, discretionary bonuses, retirement scheme contribution and share incentive may also be granted to eligible employees based on individual performance. The Group's contributions made to the defined contribution retirement scheme are non-refundable, and forfeited contributions cannot be used by the employer to reduce the existing level of contribution. See also note 6(iii) to the consolidated financial statements in this Annual Report for more information about the Group's contribution to the retirement scheme.

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

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

More information about the Share Option Scheme as an incentive to Directors and eligible employees, is set out in note 28 to the consolidated financial statements and in "Share Option Scheme" above.

REPORT OF THE DIRECTORS

PERMITTED DIRECTORS' INDEMNITY

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by reason of any act done, concurred in or omitted in or about the execution of duty (except through own fraud or dishonesty). During the Year, the Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company.

CORPORATE GOVERNANCE

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

SIGNIFICANT LEGAL PROCEEDINGS

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

STATUS ON USE OF PROCEEDS

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

IMPORTANT EVENTS AFTER END OF YEAR

Particulars of important events affecting the Group that have occurred since the end of the Year are provided in note 35 to the consolidated financial statements.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2025 have been audited by KPMG, the Company's external auditors (the "**Auditors**"). A resolution will be proposed at the AGM to re-appoint KPMG as the Auditors.

On behalf of the Board

YE Fan

Chairman

Hong Kong, 31 March 2026

CORPORATE GOVERNANCE REPORT

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

BOARD OF DIRECTORS

Composition of the Board

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

Executive Directors

Mr. YE Fan (*Chairman*)

Mr. YE Tao (*Chief Executive Officer*)

Ms. LUO Liuyu

Independent Non-executive Directors

Mr. CHEN Guiyi

Mr. TO Siu Lun

Mr. WANG, Michael Chou

CORPORATE GOVERNANCE REPORT

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

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. Details of the directors' indemnity are provided on page 39 of this Annual Report. The insurance coverage is reviewed on an annual basis.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Functions of the Board

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

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

NOMINATION POLICY

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

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

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

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company. All dividend decisions made by the Board during the Year were made in accordance with the Company's dividend policy.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

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

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

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

Directors' Training and Continuous Professional Development

The Company provides each newly appointed Director necessary induction and information to facilitate his/her understanding of the Company's operations and businesses as well as his/her duties, responsibilities and obligations. The Directors are informed of the importance of ongoing training and development, and the associated requirements of receiving professional training under the Listing Rules.

The Directors are briefed from time to time on the latest development and on the amendments to or updates on the relevant laws, rules and regulations related to the Group's operating environment and listing status. In addition, the Company provides the Directors with updates and materials so that they can continuously update and further improve their relevant knowledge and skills and keep them abreast of industry developments, business trends, risk management and internal control, corporate governance, directors' duties and other regulatory and legal developments. The Company requires Directors to provide their training records. The Directors have confirmed that during 2025, he/she has participated in continuous professional development as required under applicable Listing Rules.

CORPORATE GOVERNANCE REPORT

During the Year, the Directors participated in continuing professional development and training as required by the Listing Rules, though attending or participating in training sessions, briefings, events such as conferences, seminars, and workshops and conducted self-training on various topics set out below:

Name of Directors	Training in the form of seminars, conferences, webinars by professionals or other training providers	Training in the form of self-study, such as reading materials, watching videos, attending e-learning course
Executive Directors		
Mr. YE Fan	✓	✓
Mr. YE Tao	✓	✓
Ms. LUO Liuyu	✓	✓
Independent Non-executive Directors		
Mr. CHEN Guiyi	✓	✓
Mr. TO Siu Lun	✓	✓
Mr. WANG, Michael Chou	✓	✓

Notes:

1. Topics of continuous professional development participated by the Directors covers topic including (among other things):
 - roles, functions and responsibilities of the board, its committees and its directors, and board effectiveness;
 - issuers' obligations and directors' duties, and key developments;
 - corporate governance and ESG matters;
 - audit, risk management and internal controls; and
 - industry-specific developments, business trends and strategies.

CORPORATE GOVERNANCE REPORT

Board Meetings

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

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

Name of Directors	Attendance/ Number of meetings eligible to attend
Executive Directors	
Mr. YE Fan	4/4
Mr. YE Tao	4/4
Ms. LUO Liuyu	4/4
Independent Non-executive Directors	
Mr. CHEN Guiyi	4/4
Mr. TO Siu Lun	4/4
Mr. WANG, Michael Chou	3/4

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

CORPORATE GOVERNANCE REPORT

Board Process

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

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

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

Chairman and Chief Executive Officer

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

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

CORPORATE GOVERNANCE REPORT

Responsibilities of the Directors

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

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

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

The Board and the Management

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

Remuneration Committee

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Audit Committee

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Members of the Audit Committee	Attendance/ Number of meetings held
Mr. TO Siu Lun (<i>Chairman</i>)	2/2
Mr. CHEN Guiyi	2/2
Mr. WANG, Michael Chou	1/2

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

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

Nomination Committee

The Nomination Committee comprises two executive Directors, Mr. YE Fan and Ms. LUO Liuyu and three independent non-executive Directors, Mr. WANG, Michael Chou, Mr. CHEN Guiyi and Mr. TO Siu Lun.

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

CORPORATE GOVERNANCE REPORT

The Nomination Committee's responsibilities are set out in its written terms of reference, which include, among other things, maintaining a nomination policy and procedures regarding candidates for directorship; reviewing the Board's composition, structure, and size (including the skills, knowledge, experience and diversity); assessing independence of independent non-executive Directors; assisting the Board in maintaining a Board skills matrix; supporting the Company's regular evaluation of the Board's performance; identifying individuals suitably qualified to become members of the Board and selecting or making recommendation to the Board on the selection of individuals nominated for directorships; making recommendations to the Board on the appointment or re-appointment Directors and succession planning for Directors, in particular the chairman and the chief executive.

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

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

Members of the Nomination Committee	Attendance/ Number of meeting held
Mr. YE Fan (<i>Chairman</i>)	2/2
Ms. LUO Liuyu (appointed on 27 August 2025)	–
Mr. TO Siu Lun	2/2
Mr. WANG, Michael Chou	1/2
Mr. CHEN Guiyi (appointed on 27 August 2025)	–

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the Year.

EXTERNAL AUDITOR

The Auditors is KPMG, a Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance. KPMG provided services in respect of the audit of Company’s consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the Year. KPMG also reviewed the 2025 unaudited interim financial report of the Group prepared in accordance with Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the HKICPA.

During the Year, total fees charged by KPMG in respect of audit services amounted to approximately RMB5,850,000, including interim review of the financial report of the Company for the six months ended 30 June 2025. Non-audit service fees of approximately RMB100,000 were charged by KPMG during the Year.

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor’s Report on pages 61 to 70 of this Annual Report.

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

DIRECTORS’ RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

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

GOING CONCERN

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and appropriate risk management and internal control system is in place for safeguarding the assets of the Group and the purposes set out in relevant Principle regarding risk management and internal control of the Code. The Group will continue to enhance the system to cope with the changes in the business environment.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and Ms. CHAN Charmayne replaced Mr. WONG Cheung Ki Johnny as the company secretary of the Company, with effect from 18 February 2025. The primary contact person in the Company for the external company secretary in relation to corporate secretarial matters is Ms. YUAN Ying, the Company's Financial Controller. Ms. CHAN has confirmed her compliance with the relevant training requirement under Rule 3.29 of the Listing Rules for the Year.

SENIOR MANAGEMENT EMOLUMENTS BY BAND

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

Emoluments	Number of individuals
Nil to RMB1,000,000	1
RMB1,000,001 to RMB1,500,000	2

CORPORATE GOVERNANCE REPORT

STAFF DIVERSITY

The Group had a workforce of 3,853 employees as at 31 December 2025. Among them, approximately 43% of the workforce (excluding senior management) were female, and 11% of the Group's senior management positions (excluding Directors) were held by female. The Group considers the total diversity (including gender diversity) of the Group is balanced as a whole and intends to maintain a similar level of gender diversity of the overall workforce, and will continue to promote diversity through training programs, employee networks, equitable hiring and recruitment practices.

MECHANISM FOR ENSURING INDEPENDENT VIEWS AND INPUT

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

CONSTITUTIONAL DOCUMENTS

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

COMMUNICATION WITH SHAREHOLDERS

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

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

CORPORATE GOVERNANCE REPORT

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

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

During the Year, two general meetings (i.e. the AGM and the EGM) were held, details of individual attendance of each of the Directors are as follows:

Name of Directors	Attendance/ General meeting held
Executive Directors	
Mr. YE Fan (<i>Chairman</i>)	2/2
Mr. YE Tao (<i>Chief Executive Officer</i>)	2/2
Ms. LUO Liuyu	2/2
Independent Non-executive Directors	
Mr. CHEN Guiyi	2/2
Mr. WANG, Michael Chou	1/2
Mr. TO Siu Lun	2/2

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

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

Making Enquiries to the Board

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

Publication of ESG Report

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

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the consolidated financial statements of China MeiDong Auto Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 71 to 182, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Timing of revenue recognition	
<i>Refer to note 4 to the consolidated financial statements and the accounting policies on pages 93 to 94.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group's revenue principally comprises sales of passenger motor vehicles and the provision of after-sales services to a significant number of individual customers.</p> <p>Sales of passenger motor vehicles are recognised when the Group satisfies the performance obligation by transferring control of the vehicle promised in the contract to the customer, which is evidenced by the customer's acceptance of the vehicle and signature on the car delivery note.</p> <p>Revenue arising from after-sales services is recognised when the Group satisfies its performance obligation, which is evidenced by the signed customer's acceptance for after-sales service transaction.</p> <p>The Group manually records revenue according to car delivery notes and signed customer acceptances.</p> <p>We identified the timing of revenue recognition as a key audit matter because manual tracking and recording processes increase the risk of error whereby revenue may not be recognised in the correct financial period.</p>	<p>Our audit procedures to assess the accuracy of timing of revenue recognition included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; inspecting standard sales contracts for sales of passenger motor vehicles and after-sales services to identify terms and conditions which may affect revenue recognition and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Timing of revenue recognition	
<i>Refer to note 4 to the consolidated financial statements and the accounting policies on pages 93 to 94.</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> selecting samples of sales of passenger motor vehicles recorded during the year and after-sales services rendered during the year, plus additional samples of revenue recorded during 15 days before and after the year end and comparing details of the selected transactions with the related sales contracts, car delivery notes and evidence of signed customer's acceptance for passenger vehicles sales and after-sales service transactions, where applicable, to assess whether the related performance obligations were satisfied and the revenue had been recognised appropriately in the correct accounting period; and inspecting underlying documentation for journal entries relating to revenue which meet specified risk-based criteria.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Recognition of vendor rebates	
<i>Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on page 94.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group earns vendor rebates under numerous different arrangements with automobile manufacturers. Rebate arrangements vary between different automobile manufactures and in different fiscal years and principally comprise volume based purchase rebates, sales rebates for certain specific car models, performance rebates and other specific rebates.</p> <p>Volume based purchase rebates and sales rebates are usually granted by the vendors if certain purchase or sales targets are met.</p> <p>Performance rebates are granted by vendors in accordance with their comprehensive assessment of the Group's business performance.</p> <p>In addition, other specific rebates are granted to the Group, which include, but are not limited to regional annual awards.</p>	<p>Our audit procedures to assess the accuracy of recognition of vendor rebates included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of vendor rebate arrangements for all automobile manufacturers with reference to the requirements under prevailing accounting standards; • selecting samples of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or bank payment slips; • for vendor rebate receivables at the reporting date, performing recalculations of the receivable amounts, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Recognition of vendor rebates	
<i>Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on page 94.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group manually calculates vendor rebates and recognises them when the associated conditions for recognition are met.</p> <p>We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because manual calculation of the Group's entitlement to such rebates increases the risk that vendor rebates could be recognised before the entitlement conditions have been met.</p>	<ul style="list-style-type: none"> • evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and • for vendor rebate receivables at the previous financial reporting date, performing retrospective review by assessing the subsequent settlement, on a sample basis, in the current year.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Impairment of intangible assets– car dealership	
<i>Refer to note 14 to the consolidated financial statements and the accounting policies on pages 86 to 87.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As a result of acquisitions of 4S dealerships stores in prior years, the Group recognised intangible assets – car dealership in the consolidated financial statements.</p> <p>The 4S dealerships business in China operates in a highly competitive and regulated market which increases the risk of sales volatility of the 4S dealerships stores. Consequently, there are uncertainties as to whether the acquired 4S dealerships stores can meet forecast growth projections.</p> <p>Management reviews internal and external sources of information at the end of each reporting period to identify indications that intangible assets may be impaired, and if such indication exists, the recoverable amount is estimated. As at 31 December 2025, management assessed intangible assets – car dealership for potential impairment by determining the recoverable amount for each cash generating units (“CGUs”) with intangible assets – car dealership, with reference to a valuation report prepared by an external valuer appointed by management.</p>	<p>Our audit procedures to assess impairment of intangible assets – car dealership included the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding and evaluating the design and implementation of the key internal controls over the impairment assessment; • evaluating the appropriateness of management’s identification of CGUs with reference to the requirements of the prevailing accounting standards; • evaluating the reasonableness of management’s identification of impairment indications on intangible assets – car dealership and determination of recoverable amount; • assessing the competence, capabilities and objectivity of the external valuer appointed by management; • with the assistance of our internal valuation specialists, evaluating the appropriateness of the methodology with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Impairment of intangible assets– car dealership	
<i>Refer to note 14 to the consolidated financial statements and the accounting policies on pages 86 to 87.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Management compared the carrying amount of each CGU with its recoverable amount, which is determined by assessing the value-in-use based on discounted cash flow forecasts.</p> <p>The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in determining forecast revenue, forecast gross profit margins and discount rates.</p> <p>We identified impairment of intangible assets – car dealership as a key audit matter because these assets are material to the Group and because the impairment assessments prepared by management involve judgements and assumptions which are inherently uncertain and could be subject to management bias.</p>	<ul style="list-style-type: none"> • assessing the reasonableness of the most significant inputs used in the discounted cash flow forecast of each individual CGU, including forecast revenue, and forecast gross profit margins, by comparing with the historical performance and the financial budget approved by the directors. For forecast revenue growth trends, we also compared with the sales forecasts issued by industry research institutions; • obtaining management's sensitivity analyses of the key assumptions including future revenue growth rates, future gross profit margins and the discount rates adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indication of management bias; and • evaluating appropriateness of the disclosures in respect of impairment assessment of intangible assets – car dealership in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kim Tak (practising certificate number: P03987).

KPMG

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

31 March 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025 (Expressed in RMB'000)

	Note	2025	2024
Revenue	4	20,022,928	22,153,952
Cost of sales		(18,874,148)	(20,592,921)
Gross profit		1,148,780	1,561,031
Other revenue and other net (loss)/income	5	42,431	183,982
Distribution costs		(524,942)	(584,698)
Administrative expenses		(513,947)	(662,047)
Impairment losses on goodwill and intangible assets	6(c)	(867,874)	(2,910,952)
Loss from operations		(715,552)	(2,412,684)
Finance costs	6(a)	(210,796)	(239,325)
Share of profits of a joint venture	17	17,176	17,492
Loss before taxation	6	(909,172)	(2,634,517)
Income tax	7(a)	155,167	375,685
Loss for the year		(754,005)	(2,258,832)
Other comprehensive income for the year (after tax):	10		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		938	(6,888)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(464)	9,151
Other comprehensive income for the year		474	2,263
Loss and total comprehensive income for the year		(753,531)	(2,256,569)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025 (Expressed in RMB'000)

	<i>Note</i>	2025	2024
Loss attributable to:			
Equity shareholders of the Company		(754,990)	(2,264,060)
Non-controlling interests		985	5,228
Loss for the year		(754,005)	(2,258,832)
Total comprehensive income attributable to:			
Equity shareholders of the Company		(754,516)	(2,261,797)
Non-controlling interests		985	5,228
Total comprehensive income for the year		(753,531)	(2,256,569)
Loss per share			
Basic (RMB cents)	<i>11(a)</i>	(56.08)	(168.18)
Diluted (RMB cents)	<i>11(b)</i>	(56.08)	(168.18)

The notes on pages 78 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025 (Expressed in RMB'000)

	Note	31 December 2025	31 December 2024
Non-current assets			
Property, plant and equipment	12	1,244,647	1,431,364
Right-of-use assets	13	1,392,751	1,545,998
Intangible assets	14	237,801	1,129,773
Goodwill	15	–	17,527
Interest in a joint venture	17	30,436	32,803
Pledged bank deposits	21	24,634	–
Other non-current assets	18	70,046	74,650
Deferred tax assets	29(b)	147,243	136,133
		3,147,558	4,368,248
Current assets			
Inventories	19	914,601	760,711
Trade and other receivables	20	1,435,094	1,587,709
Pledged bank deposits	21	1,088,668	2,108,108
Financial assets measured at fair value through profit or loss (“ FVPL ”)	22	171,375	–
Fixed deposits with more than three months to maturity when placed	23	24,000	12,000
Cash and cash equivalents	23	732,615	2,644,539
		4,366,353	7,113,067
Current liabilities			
Loans and borrowings	24	512,935	709,785
Trade and other payables	25	3,022,704	4,056,458
Lease liabilities	26	95,119	169,916
Convertible bonds	27	–	1,759,170
Income tax payables	29(a)	94,618	93,065
		3,725,376	6,788,394
Net current assets		640,977	324,673
Total assets less current liabilities		3,788,535	4,692,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025 (Expressed in RMB'000)

	<i>Note</i>	31 December 2025	31 December 2024
Non-current liabilities			
Loans and borrowings	24	468,845	291,700
Lease liabilities	26	1,116,412	1,150,533
Deferred tax liabilities	29(b)	67,351	293,905
		1,652,608	1,736,138
NET ASSETS		2,135,927	2,956,783
EQUITY			
Share capital	30(c)	107,888	107,888
Reserves	30(d)	1,913,050	2,726,413
Total equity attributable to equity shareholders of the Company		2,020,938	2,834,301
Non-controlling interests		114,989	122,482
TOTAL EQUITY		2,135,927	2,956,783

Approved and authorised for issue by the board of directors on 31 March 2026.

Ye Fan
Director

Ye Tao
Director

The notes on pages 78 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital reserves	PRC 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
	(note 30(d)(i))	(note 30(d)(ii))	(note 30(d)(iii))	(note 30(d)(iv))							
Balance at 1 January 2025	107,888	669,891	986	8,660	491,548	1,435,050	(66,075)	186,353	2,834,301	122,482	2,956,783
Loss for the year	-	-	-	-	-	(754,990)	-	-	(754,990)	985	(754,005)
Other comprehensive income for the year (note 10)	-	-	-	-	-	-	474	-	474	-	474
Total comprehensive income for the year	-	-	-	-	-	(754,990)	474	-	(754,516)	985	(753,531)
Dividends approved in respect of the previous year (note 30(b))	-	(59,908)	-	-	-	-	-	-	(59,908)	-	(59,908)
Dividends paid to non-controlling interests (note 30(b))	-	-	-	-	-	-	-	-	-	(8,478)	(8,478)
Equity settled share-based payment (note 28)	-	-	-	1,061	-	-	-	-	1,061	-	1,061
Redemption of convertible bonds (note 27)	-	-	-	-	-	186,353	-	(186,353)	-	-	-
Appropriation to reserves	-	-	-	-	12,002	(12,002)	-	-	-	-	-
Balance at 31 December 2025	107,888	609,983	986	9,721	503,550	854,411	(65,601)	-	2,020,938	114,989	2,135,927

The notes on pages 78 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserves	PRC statutory reserves	Retained earnings	Exchange reserve	Other reserve	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
		<i>(note 30(d)(i))</i>	<i>(note 30(d)(ii))</i>	<i>(note 30(d)(iii))</i>	<i>(note 30(d)(iv))</i>						
Balance at 1 January 2024	107,888	714,317	986	2,768	470,828	3,719,830	(68,338)	203,976	5,152,255	133,885	5,286,140
Loss for the year	-	-	-	-	-	(2,264,060)	-	-	(2,264,060)	5,228	(2,258,832)
Other comprehensive income for the year <i>(note 10)</i>	-	-	-	-	-	-	2,263	-	2,263	-	2,263
Total comprehensive income for the year	-	-	-	-	-	(2,264,060)	2,263	-	(2,261,797)	5,228	(2,256,569)
Dividends declared and paid <i>(note 30(b))</i>	-	(44,426)	-	-	-	-	-	-	(44,426)	-	(44,426)
Dividends paid to non-controlling interests <i>(note 30(b))</i>	-	-	-	-	-	-	-	-	-	(16,631)	(16,631)
Equity settled share-based payment <i>(note 28)</i>	-	-	-	5,892	-	-	-	-	5,892	-	5,892
Redemption/repurchase of convertible bonds <i>(note 27)</i>	-	-	-	-	-	-	-	(17,623)	(17,623)	-	(17,623)
Appropriation to reserves	-	-	-	-	20,720	(20,720)	-	-	-	-	-
Balance at 31 December 2024	107,888	669,891	986	8,660	491,548	1,435,050	(66,075)	186,353	2,834,301	122,482	2,956,783

The notes on pages 78 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2025 (Expressed in RMB'000)

	Note	2025	2024
Operating activities:			
Cash generated from operations	23(b)	563,220	1,097,124
Income tax paid	29(a)	(80,944)	(232,469)
Net cash generated from operating activities		482,276	864,655
Investing activities:			
Payment for purchase of property, plant and equipment		(141,343)	(110,911)
Proceeds from disposal of property, plant and equipment		96,255	138,633
(Increase)/decrease in fixed deposits with more than three months to maturity when placed	23(a)	(12,000)	549,905
Dividends received from a joint venture	17	19,543	21,008
Payment for investment in financial assets measured at FVPL		(213,131)	–
Interest received		9,882	131,839
Others		2,220	–
Net cash (used in)/generated from investing activities		(238,574)	730,474
Financing activities:			
Capital element of lease rentals paid	23(c)	(80,897)	(80,134)
Interest element of lease rentals paid	23(c)	(70,691)	(78,533)
Proceeds from loans and borrowings	23(c)	6,660,740	7,603,056
Repayment of loans and borrowings	23(c)	(6,680,034)	(8,045,561)
(Increase)/decrease in pledged bank deposits	21	(14,955)	5,801
Dividends declared and paid to equity shareholders	30(b)	(59,908)	(44,426)
Dividends paid to non-controlling interests	30(b)	(8,478)	(16,631)
Redemption/repurchase of convertible bonds	27(i)	(1,848,964)	(585,968)
Interest paid	23(c)	(44,076)	(70,518)
(Repayment to)/advance from a related party	23(c)	(7,675)	731
Net cash used in financing activities		(2,154,938)	(1,312,183)
Net (decrease)/increase in cash and cash equivalents		(1,911,236)	282,946
Cash and cash equivalents at 1 January	23(a)	2,644,539	2,361,671
Effect of foreign exchange rate changes		(688)	(78)
Cash and cash equivalents at 31 December	23(a)	732,615	2,644,539

The notes on pages 78 to 182 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China MeiDong Auto Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in 4S dealership business in the People’s Republic of China (the “**PRC**”).

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Material accounting policies adopted by the Group are set out below.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries and the Group’s interests in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for investments in securities which have been measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

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

These consolidated financial statements are presented in Renminbi (“**RMB**”) which is the Group’s presentation currency, rounded to the nearest thousands, except for earnings per share information.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(c) Changes in accounting policies

The Group has applied amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures

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

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

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

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

(f) Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(g) Equity investment

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

An investment in equity securities is recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31(e).

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at fair value through other comprehensive income (“**FVOCI**”) (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(h) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill)

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

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

(j) Right-of-use assets

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

(i) *As a lessee*

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(j) Right-of-use assets (continued)

(i) *As a lessee (continued)*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(j) Right-of-use assets (continued)

(i) *As a lessee (continued)*

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

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

(k) Credit losses and impairment of assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

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

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

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

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

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

(ii) *Interim financial reporting and impairment*

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(l) Inventories

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

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

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

(m) Contract liabilities

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

(n) Trade and other receivables

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

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

(o) Interest-bearing borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(p) Trade and other payables

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

(q) Convertible bonds

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

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

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

If the bonds are converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

When the Group extinguishes the bonds before maturity through an early repurchase in which the original conversion privileges are unchanged, the Group allocates consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognised in profit or loss and in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Cash and cash equivalents

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

(s) Employee benefits

(i) *Short-term employee benefits*

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

(ii) *Defined contribution retirement plan*

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

(iii) *Share-based payments*

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(t) Income tax

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

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

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

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

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

(u) Provisions and contingent liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Revenue and other income

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

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

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

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

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

(a) *Sale of goods*

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

(b) *Services income*

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(ii) Revenue from other sources and other income

(a) Interest income

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

(b) Commission income

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

(w) Vendor rebates

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(x) Translation of foreign currencies

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

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

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

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

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

(y) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(z) Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 MATERIAL ACCOUNTING POLICIES (continued)

(aa) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) **Depreciation and amortisation**

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iii) Determining the lease term

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

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

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of passenger vehicles	16,097,330	17,726,326
– After-sales and mortgage facilitation services	3,925,598	4,427,626
	20,022,928	22,153,952

All revenue was recognised at a point in time.

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

As at 31 December 2025, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts for after-sales services is RMB452,970,000 (2024: RMB437,964,000). This amount represents revenue expected to be recognised in the future from pre-completion contracts for after-sales services entered into by the customers with the Group. The Group will recognise the expected revenue in future when the Group satisfied its performance obligation, which is expected to occur over the next 12 to 36 months (2024: next 12 to 36 months).

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

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE AND SEGMENT REPORTING (continued)**(b) Segment reporting**

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

(i) Information about geographical area

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

(ii) Information about major customers

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

NOTES TO THE FINANCIAL STATEMENTS

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2025 RMB'000	2024 RMB'000
Other revenue		
Insurance commission	66,095	72,282
Interest income	9,441	103,965
Management service income	3,587	3,604
	79,123	179,851
	2025 RMB'000	2024 RMB'000
Other net (loss)/income		
Net loss on disposal of property, plant and equipment	(20,538)	(10,213)
Net foreign exchange loss	(1,617)	(21,594)
Unrealised loss on financial assets measured at FVPL	(41,756)	–
Government subsidy	1,768	3,040
Penalty income	6,672	5,397
Gain on repurchase of convertible bonds	–	11,227
Others	18,779	16,274
	(36,692)	4,131
	42,431	183,982

NOTES TO THE FINANCIAL STATEMENTS

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	<i>Note</i>	2025 RMB'000	2024 RMB'000
(a) Finance costs:			
Interest on			
– loans and borrowings		33,066	57,223
– convertible bonds		2,975	90,834
– lease liabilities		70,691	78,533
Total interest expense		106,732	226,590
Loss on redemption of convertible bonds	<i>27</i>	92,315	–
Other finance cost	<i>(i)</i>	11,749	12,735
		210,796	239,325
(b) Staff costs:			
Salaries, wages and other benefits		716,620	670,054
Equity settled share-based payment expenses	<i>(ii)</i>	1,061	5,892
Contributions to defined contribution retirement plans	<i>(iii)</i>	37,571	35,138
		755,252	711,084

NOTES TO THE FINANCIAL STATEMENTS

6 LOSS BEFORE TAXATION (continued)

- (i) The amount represents the interest expenses borne by the Group arising from discounting of bills issued to automobile manufacturers (see note 25(i)).
- (ii) The Group recognised an expense of RMB1,061,000 for the year ended 31 December 2025 (2024: RMB5,892,000) in relation to share options granted to certain employees of the Group pursuant to share option schemes (see note 28).
- (iii) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

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

The Group's contributions made to the defined contribution retirement scheme are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the schemes.

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

NOTES TO THE FINANCIAL STATEMENTS

6 LOSS BEFORE TAXATION (continued)

(c) Other items:

	2025 RMB'000	2024 RMB'000
Cost of inventories	18,548,729	20,330,016
Write-down of inventories	40,232	42,057
Depreciation		
– owned property, plant and equipment	204,635	228,943
– right-of-use assets	133,545	146,142
Impairment losses		
– goodwill (note 15)	17,527	943,466
– intangible assets (note 14)	850,347	1,967,486
Amortisation of intangible assets	41,625	179,607
Short-term lease expenses	4,366	3,251
Net foreign exchange loss	1,617	21,594
Auditors' remuneration	5,850	6,150

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2025 RMB'000	2024 RMB'000
Current tax:		
Provision for PRC income tax for the year (note 29(a))	82,497	200,544
Deferred tax:		
Origination of temporary differences (note 29(b))	(237,664)	(576,229)
	(155,167)	(375,685)

NOTES TO THE FINANCIAL STATEMENTS

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

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

	2025 RMB'000	2024 RMB'000
Loss before taxation	(909,172)	(2,634,517)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	(188,374)	(646,520)
Tax effect of non-deductible expenses	16,850	246,851
Tax effect of non-taxable income on share of profits of a joint venture	(4,294)	(4,373)
Tax effect of unused tax losses not recognised, net of utilisation of tax losses for which no deferred tax asset was recognised in previous periods	20,651	21,538
Effect of PRC dividend withholding tax (ii)	-	6,819
Actual tax expense	(155,167)	(375,685)

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting period. The payments of dividends by companies in Hong Kong are not subject to any Hong Kong withholding tax.

The Group's PRC subsidiaries are subject to income tax at the statutory tax rate of 25%. One subsidiary of the Group enjoyed preferential Corporate Income Tax rates which was lower than 25% as it operated in designated areas with preferential CIT policies in the PRC.

- (ii) The Company obtained certificate of resident status and became a resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". Under such arrangement, dividend distributions out of earnings of the PRC enterprises imposed a withholding tax at 5% during the relevant periods.

NOTES TO THE FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS

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

Year ended 31 December 2025

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors							
Mr. YE Fan	-	624	3,400	9	4,033	-	4,033
Mr. YE Tao	-	2,420	2,980	9	5,409	-	5,409
Ms. LUO Liu Yu	-	222	791	9	1,022	53	1,075
Non-executive directors							
Mr. WANG, Michael Chou	90	-	-	-	90	-	90
Mr. CHEN Guiyi	90	-	-	-	90	-	90
Mr. TO Siu Lun	163	-	-	-	163	-	163
	343	3,266	7,171	27	10,807	53	10,860

NOTES TO THE FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2024

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors							
Mr. YE Fan	-	605	3,400	8	4,013	-	4,013
Mr. YE Tao	-	2,420	2,980	8	5,408	-	5,408
Ms. LUO Liu Yu	-	221	684	8	913	214	1,127
Non-executive directors							
Mr. WANG, Michael Chou	93	-	-	-	93	-	93
Mr. CHEN Guiyi	93	-	-	-	93	-	93
Mr. TO Siu Lun	167	-	-	-	167	-	167
	353	3,246	7,064	24	10,687	214	10,901

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

NOTES TO THE FINANCIAL STATEMENTS

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2024: three) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other two (2024: two) individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowance and benefits in kind	444	443
Discretionary bonuses	2,128	1,448
Retirement scheme contributions	18	16
Share-based payments	53	399
	2,643	2,306

The emoluments of the two (2024: two) individuals with the highest emoluments are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HK\$		
1,000,001 – 1,500,000	1	2
1,500,001 – 2,000,000	1	–

NOTES TO THE FINANCIAL STATEMENTS

10 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income:

	2025			2024		
	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Items that will not be reclassified to profit or loss:						
Exchange differences on translation of financial statements of the Company	938	-	938	(6,888)	-	(6,888)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	(464)	-	(464)	9,151	-	9,151
Other comprehensive income	474	-	474	2,263	-	2,263

11 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB754,990,000 (2024 loss: RMB2,264,060,000) and the weighted average of 1,346,247,000 ordinary shares in issue (2024: 1,346,247,000 shares) during the year ended 31 December 2025.

(b) Diluted loss per share

For the year ended 31 December 2025 and 2024, the effect of share options issued under employee share option scheme and the Group's outstanding convertible bonds till the date of redemption are not included in the calculation of diluted loss per share because their effect would have been anti-dilutive.

Therefore, diluted loss per share is equal to basic loss per share for the year ended 31 December 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Passenger vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2024	1,033,281	616,138	304,636	369,996	181,469	3,054	2,508,574
Additions	-	42	2,877	96,482	1,475	142	101,018
Transfer	-	176	-	-	-	(176)	-
Disposals	(8,375)	(20,149)	(6,343)	(177,221)	(6,483)	-	(218,571)
At 31 December 2024	1,024,906	596,207	301,170	289,257	176,461	3,020	2,391,021
At 1 January 2025	1,024,906	596,207	301,170	289,257	176,461	3,020	2,391,021
Additions	-	527	3,387	131,604	2,208	-	137,726
Transfer	-	2,585	-	-	-	(2,585)	-
Disposals	(8,196)	(20,893)	(3,278)	(148,953)	(2,442)	(435)	(184,197)
At 31 December 2025	1,016,710	578,426	301,279	271,908	176,227	-	2,344,550
Accumulated depreciation:							
At 1 January 2024	253,170	209,726	144,245	72,625	120,673	-	800,439
Charge for the year	65,512	53,688	29,629	61,022	19,092	-	228,943
Written back on disposals	(5,658)	(9,208)	(3,220)	(46,840)	(4,799)	-	(69,725)
At 31 December 2024	313,024	254,206	170,654	86,807	134,966	-	959,657
At 1 January 2025	313,024	254,206	170,654	86,807	134,966	-	959,657
Charge for the year	64,464	51,557	27,006	47,739	13,869	-	204,635
Written back on disposals	(6,598)	(8,937)	(437)	(46,819)	(1,598)	-	(64,389)
At 31 December 2025	370,890	296,826	197,223	87,727	147,237	-	1,099,903
Net book value:							
At 31 December 2025	645,820	281,600	104,056	184,181	28,990	-	1,244,647
At 31 December 2024	711,882	342,001	130,516	202,450	41,495	3,020	1,431,364

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's property, plant and equipment are located in the PRC.

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB380,934,000 as at 31 December 2025 (2024: RMB410,306,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2025.

Property, plant and equipment with net book value of RMB1,560,000 are pledged as security for bank loans (see note 24(b)(i)) as at 31 December 2025 (2024: RMB1,692,000).

13 RIGHT-OF-USE ASSETS

	Land use rights carried at cost ⁽ⁱ⁾ RMB'000	Properties and land leased for own use carried at cost ⁽ⁱⁱ⁾ RMB'000	Total RMB'000
Cost:			
At 1 January 2024	527,049	1,641,613	2,168,662
Additions	–	72,394	72,394
Derecognition	–	(55,140)	(55,140)
At 31 December 2024	527,049	1,658,867	2,185,916
Additions	–	45,355	45,355
Derecognition	–	(98,538)	(98,538)
At 31 December 2025	527,049	1,605,684	2,132,733

NOTES TO THE FINANCIAL STATEMENTS

13 RIGHT-OF-USE ASSETS (continued)

	Land use rights carried at cost ⁽ⁱ⁾ RMB'000	Properties and land leased for own use carried at cost ⁽ⁱⁱ⁾ RMB'000	Total RMB'000
Accumulated amortisation:			
At 1 January 2024	(45,787)	(462,170)	(507,957)
Charge for the year	(15,880)	(130,262)	(146,142)
Reversal for derecognition	–	14,181	14,181
At 31 December 2024	(61,667)	(578,251)	(639,918)
Charge for the year	(15,880)	(117,665)	(133,545)
Reversal for derecognition	–	33,481	33,481
At 31 December 2025	(77,547)	(662,435)	(739,982)
Net book value:			
At 31 December 2025	449,502	943,249	1,392,751
At 31 December 2024	465,382	1,080,616	1,545,998

NOTES TO THE FINANCIAL STATEMENTS

13 RIGHT-OF-USE ASSETS (continued)

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

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	15,880	15,880
Properties and land leased for own use	117,665	130,262
	133,545	146,142
Interest on lease liabilities (<i>note 6(a)</i>)	70,691	78,533
Expense relating to short-term leases (<i>note 6(c)</i>)	4,366	3,251
Gain on derecognition of right-of-use assets	(8,319)	(4,960)

During the year ended 31 December 2025, the Group entered into a number of new tenancy agreements and therefore recognised of additions to right-of-use assets were RMB45,355,000 (2024: RMB72,394,000).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(d) and 26, respectively.

(i) Land use rights

Land in respect of land use rights are all located in the PRC with a remaining lease period of 19 – 33 years when acquired.

Land use rights with net book value of RMB4,478,000 are pledged as security for bank loans (see note 24(b)(i)) as at 31 December 2025 (2024: RMB4,684,000).

(ii) Properties and land leased for own use

The Group has obtained the right to use other properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 20 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

NOTES TO THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS

The Group

	Car dealership RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2024, 31 December 2024 and 1 January 2025	3,639,037	9,046	3,648,083
Accumulated amortisation:			
At 1 January 2024	(346,797)	(6,383)	(353,180)
Charge for the year	(178,984)	(623)	(179,607)
At 31 December 2024	(525,781)	(7,006)	(532,787)
At 1 January 2025	(525,781)	(7,006)	(532,787)
Charge for the year	(41,002)	(623)	(41,625)
At 31 December 2025	(566,783)	(7,629)	(574,412)
Accumulated impairment losses:			
At 1 January 2024	(18,037)	–	(18,037)
Provision for the year	(1,967,486)	–	(1,967,486)
At 31 December 2024	(1,985,523)	–	(1,985,523)
At 1 January 2025	(1,985,523)	–	(1,985,523)
Provision for the year	(850,347)	–	(850,347)
At 31 December 2025	(2,835,870)	–	(2,835,870)
Net book value:			
At 31 December 2025	236,384	1,417	237,801
At 31 December 2024	1,127,733	2,040	1,129,773

NOTES TO THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS (continued)

(i) Intangible assets – car dealership

The car dealerships arise from prior business combinations and relate to the Group's relationship with the automobile manufacturers with an estimated useful life of 20 years, which was estimated by management with reference to the valuation reports prepared by the external valuers engaged by the Group. The fair value of the car dealerships as at the acquisition date was determined by using the multiple-period excess earning method.

(ii) Impairment testing of intangible assets – car dealership

The Group is principally engaged in the sales of traditional luxury brand cars. In prior periods, the Group recognised impairment losses on intangible assets-car dealership in view of macro-economic uncertainties and increasingly intense competition in the automotive sector. During 2025, these adverse factors continued to intensify beyond the management's prior expectations, which led to the operating results of certain stores of the Group to be significantly lower than expected. In addition, the introduction of the consumption tax policy on ultra-luxury cars and the decline in mortgage facilitation commission rates posed further challenges to the expected future profitability of those cash generated units ("**CGUs**").

The management, with the assistance of an external valuer, performed impairment assessments to determine the recoverable amounts of those CGUs at the end of each reporting period. Based on those assessments, the Group recognised an impairment loss of intangible assets – car dealerships of RMB850,347,000 for those underperforming CGUs in "Impairment losses on goodwill and intangible assets" during the year ended 31 December 2025 (year ended 31 December 2024: RMB1,967,486,000). Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

The recoverable amounts of the relevant CGUs have been determined based on value-in-use calculations using cash flow projections derived from financial budgets approved by management. For the impairment assessments performed in 2025, the value-in-use calculations were based on cash flow projections covering a period of five years, with cash flows beyond the five-year period extrapolated using estimated growth rate of 2.0% (year ended 31 December 2024: 2.0%), which management considered to be consistent with the forecasts included in industry reports available at the relevant dates.

NOTES TO THE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS (continued)

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

Key assumptions used in the value-in-use calculations include: (i) annual revenue growth rates during the forecast period, (ii) gross profit margin and (iii) discount rate.

Given the intensified industry competition and the ongoing uncertainties, including lower-than-expected gross margins and uncertainties regarding the timing and extent of recovery, the management have revised downwards their expectations for future performance of the affected CGUs for the forecast period as compared with the forecasts used at 31 December 2024.

The key inputs and assumptions used in the impairment test for those material CGUs at 31 December 2025 and 31 December 2024 are set out below:

Inputs	As at 31 December 2025		
	2026	2027	2028-2030
Annual revenue growth rate	-5.5%~1.1%	0.4%	0.4%~4.9%
Gross profit margin	3.7%~9.7%	3.9%~10.0%	4.2%~11.1%

Inputs	As at 31 December 2024		
	2025	2026	2027-2029
Annual revenue growth rate	-3.5%-2.0%	0%~0.3%	0%~0.3%
Gross profit margin	4.2%-11.4%	4.2%-11.4%	4.2%-11.4%

The estimates and assumptions used at 31 December 2025 were based on information available to the management at that date. In particular, they took into account the actual financial performance achieved in 2025 and the management's expectations, at that date, of the future macroeconomic and industry-specific developments in light of the changes to the operating environment.

As at 31 December 2025, the pre-tax discount rates applied to the impairment test ranged from 11.8% to 15.9% (31 December 2024: 13.5% to 15.9%), reflecting current market assessments of the time value of money and the risks specific to the relevant CGUs.

There have been no changes in the basis used to determine recoverable amount during the year ended 31 December 2025 compared with that adopted in the year ended 31 December 2024, which continued to be value in use.

NOTES TO THE FINANCIAL STATEMENTS

15 GOODWILL

	RMB'000
Cost:	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,004,512
Accumulated impairment losses:	
At 1 January 2024	(43,519)
Impairment loss	(943,466)
At 31 December 2024	(986,985)
At 1 January 2025	(986,985)
Impairment loss	(17,527)
At 31 December 2025	(1,004,512)
Carrying amount:	
At 31 December 2025	-
At 31 December 2024	17,527

The management performed an impairment test for goodwill and recognised a full impairment loss of RMB17,527,000 in "Impairment losses on goodwill and intangible assets" during the year ended 31 December 2025 (2024: RMB943,466,000).

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
China MeiDong Auto International Limited ("MeiDong International") (中國美東汽車國際有限公司)	British Virgin Islands, limited company	100 shares of USD1 each	100%	100%	-	Investment holding
China Meidong Auto (HK) Limited ("MeiDong HK") (中國美東汽車(香港)有限公司)	Hong Kong, limited company	10,000 shares	100%	-	100%	Investment holding
Sail Vantage Limited ("Sail Vantage")	British Virgin Islands limited company	-	100%	100%	-	Investment holding
MeiDong Auto Sales Group Limited ("Meidong Sales") (美東汽車銷售集團有限公司)	Hong Kong, limited company	USD 50,000	100%	100%	-	Investment holding
Meidong Auto Holdings America Limited ("Meidong America")	America, limited company	USD 100,000	100%	100%	-	Investment holding
Bestune Company Limited ("Bestune") (百聖通有限公司)	Hong Kong, limited company	HKD 130,000	100%	-	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. ("Dongguan Meixin") (東莞美信企業管理諮詢有限公司)	The PRC, limited liability company	RMB 200,000,000	100%	-	100%	Investment holding
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. (東莞市東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	-	100%	Automobile dealership

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 52,000,000	100%	–	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Yueyang Meibaohang Auto Sales and Services Co., Ltd. (岳陽市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Automobile dealership
Jingdezhen Meibaohang Auto Sales and Services Co., Ltd. (景德鎮美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Automobile dealership
Xinyu Dongbu Toyota Auto Sales and Services Co., Ltd. (新余東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Zuhai Meidong Lexus Auto Sales and Services Co., Ltd. (珠海美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Huanggang Baoxinhang Auto Sales and Services Co., Ltd. (黃岡寶鑫行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 15,000,000	100%	–	100%	Automobile dealership

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Foshan Meidong Lexus Auto Sales and Services Co., Ltd. (佛山美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	-	100%	Automobile dealership
Yangjiang Meibaohang Auto Sales and Services Co., Ltd. (陽江美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 15,000,000	100%	-	100%	Automobile dealership
Guangzhou Meibaohang Auto Sales and Services Co., Ltd. (廣州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	-	100%	Automobile dealership
Beijing Huibaohang Auto Sales and Services Co., Ltd. (北京匯寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	-	100%	Automobile dealership
Liyang Meibaohang Auto Sales and Services Co., Ltd. (瀏陽美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	-	100%	Automobile dealership
Qingyuan Meidong Lexus Auto Sales and Services Co., Ltd. (清遠美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership
Zhuzhou Meidong Lexus Auto Sales and Services Co., Ltd. (株洲美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership
Jiujiang Dongbu Toyota Auto Sales and Services Co., Ltd. (九江東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Yongzhou Meibaohang Auto Sales and Services Co., Ltd. (永州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 8,000,000	100%	–	100%	Automobile dealership
Shangrao Meibaohang Auto Sales and Services Co., Ltd. (上饒美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Automobile dealership
Dongguan Meiyue Auto Sales and Services Co., Ltd. (東莞美悅汽車銷售服務有限公司)	The PRC, limited liability company	RMB 12,000,000	100%	–	100%	Automobile dealership
Yangjiang Meidong Lexus Auto Sales and Services Co., Ltd. (陽江美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Ganzhou Xinbao Auto Sales and Services Co., Ltd. (贛州鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%	Automobile dealership
Tangxia Meidong Lexus Auto Sales and Services Co., Ltd. (" Tangxia Meidong ") (塘廈美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	69%	–	69%	Automobile dealership
Doumen Meidong Lexus Auto Sales and Services Co., Ltd. (" Doumen Meidong ") (斗門美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	71%	–	71%	Automobile dealership
Langfang Guanbaohang Auto Sales and Services Co., Ltd. (廊坊冠寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Tongling Meibaohang Auto Sales and Services Co., Ltd. (銅陵美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership
Chizhou Meibaohang Auto Sales and Services Co., Ltd. (池州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership
Huangshan Meibaohang Auto Sales and Services Co., Ltd. (黃山美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership
Suzhou Meibaohang Auto Sales and Services Co., Ltd. (宿州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership
Dongguan Meibaohang Auto Sales and Services Co., Ltd. (" Dongguan Meibaohang ") (東莞美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	70%	-	70%	Automobile dealership
Wuhan Xinbao Auto Sales and Services Co., Ltd. (武漢鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	-	100%	Automobile dealership
Nanchang Jubao Auto Sales and Services Co., Ltd. (南昌聚保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	-	100%	Automobile dealership
Heyuan Guanao Auto Sales and Services Co., Ltd. (河源冠奧汽車銷售服務有限公司)	The PRC, limited liability company	RMB 40,000,000	100%	-	100%	Automobile dealership
Bazhou Guanbaohang Auto Sales and Services Co., Ltd. (霸州冠寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	-	100%	Automobile dealership

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

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

NOTES TO THE FINANCIAL STATEMENTS

16 INVESTMENTS IN SUBSIDIARIES (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

17 INTEREST IN A JOINT VENTURE

	2025 RMB'000	2024 RMB'000
Share of net assets	30,436	32,803

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

Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Dongguan Meidong Automotive Service Co., Ltd. ("Dongguan Meidong")	Incorporated	The PRC	RMB 22,000,000	49%	-	49%	Automobile dealership

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

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

NOTES TO THE FINANCIAL STATEMENTS

17 INTEREST IN A JOINT VENTURE (continued)

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

	2025 RMB'000	2024 RMB'000
Gross amounts of Dongguan Meidong's		
Current assets	146,202	137,456
Non-current assets	7,512	9,138
Current liabilities	(91,600)	(79,650)
Equity	(62,114)	(66,944)
Included in the above assets and liabilities:		
Cash and cash equivalents	75,072	85,569
Current financial liabilities (excluding trade and other payables and provisions)	(13,596)	(9,573)
Revenue		
Profit and total comprehensive income	644,992	624,480
Profit distribution to the Group	35,054	35,698
	19,543	21,008
Included in the above profit:		
Depreciation and amortisation	(1,975)	(1,976)
Interest income	515	1,028
Interest expense	(707)	(635)
Income tax expense	(12,056)	(12,334)
Reconciled to the Group's interest in Dongguan Meidong		
Gross amounts of Dongguan Meidong's net assets	62,114	66,944
Group's effective interest	49%	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	30,436	32,803

NOTES TO THE FINANCIAL STATEMENTS

18 OTHER NON-CURRENT ASSETS

	2025 RMB'000	2024 RMB'000
Long-term deposits and receivables	55,046	58,696
Others	15,000	15,954
	70,046	74,650

19 INVENTORIES

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

	2025 RMB'000	2024 RMB'000
Motor vehicles	784,855	610,835
Others	129,746	149,876
	914,601	760,711

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

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	18,548,729	20,330,016
Write-down of inventories	40,232	42,057

Inventories with carrying amount of RMB175,440,000 have been pledged as security for loans and borrowings (see note 24(b)(i)) as at 31 December 2025 (2024: RMB116,780,000).

Inventories with carrying amount of RMB652,768,000 have been pledged as security for the bills payable (see note 25(b)) as at 31 December 2025 (2024: RMB566,974,000).

NOTES TO THE FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	164,165	319,838
Prepayments	228,933	290,147
Other receivables and deposits	1,040,016	973,122
Amounts due from third parties	1,433,114	1,583,107
Amounts due from related parties (<i>note 33(c)</i>)	1,980	4,602
Trade and other receivables	1,435,094	1,587,709

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

- (i) Prepayments and other receivables with carrying amount of RMB67,459,000 have been pledged as security for loans and borrowings (see note 24(b)(i)) as at 31 December 2025 (2024: RMB38,898,000).

Prepayments with carrying amount of RMB145,336,000 have been pledged as security for the bills payable (see note 25(b)) as at 31 December 2025 (2024: RMB216,083,000).

- (ii) Other receivables and deposits include rebate receivables with carrying amount of RMB895,313,000 (2024: RMB830,176,000).

NOTES TO THE FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES (continued)

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 month	145,767	294,078
1 to 2 months	15,696	13,466
2 to 3 months	2,294	10,348
Over 3 months	408	1,946
	164,165	319,838

Details on the Group's credit policy are set out in note 31(a).

21 PLEDGED BANK DEPOSITS

	2025 RMB'000	2024 RMB'000
Current:		
Restricted bank deposits pledged in respect of loans and borrowings (<i>note 24(b)(i)</i>)	35,028	20,073
Restricted bank deposits pledged in respect of bills payable (<i>note 25(b)</i>)	1,053,640	2,088,035
	1,088,668	2,108,108
Non-current:		
Others	24,634	–
	1,113,302	2,108,108

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

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSETS MEASURED AT FVPL

	2025 RMB'000	2024 RMB'000
Investment in equity security listed on Hong Kong capital market	171,375	–
	171,375	–

In October 2025, the Group invested in an equity security listed on Hong Kong with principal amount of RMB213,131,000 and recognized an unrealised loss on this financial asset of RMB41,756,000 during the year ended 31 December 2025. This listed equity investment has been classified as financial assets measured at FVPL as they were held for trading.

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

	2025 RMB'000	2024 RMB'000
Fixed deposits with banks with more than three months to maturity when placed	24,000	12,000
Cash at bank and on hand	732,615	2,644,539

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Reconciliation of loss before taxation to cash generated from operations:

	Note	2025 RMB'000	2024 RMB'000
Loss before taxation		(909,172)	(2,634,517)
Adjustments for:			
– Depreciation of property, plant and equipment	6(c)	204,635	228,943
– Depreciation of right-of-use assets	6(c)	133,545	146,142
– Amortisation of intangible assets	6(c)	41,625	179,607
– Write-down of inventory	6(c)	40,232	42,057
– Impairment losses of goodwill and intangible assets	6(c)	867,874	2,910,952
– Net loss on disposal of property, plant and equipment	5	20,538	10,213
– Net gain on derecognition of right-of-use assets		(8,319)	(4,960)
– Finance costs	6(a)	210,796	239,325
– Share of profits of a joint venture		(17,176)	(17,492)
– Interest income	5	(9,441)	(103,965)
– Equity settled share-based payment expenses	6(b)	1,061	5,892
– Gain on repurchase of convertible bonds	5	–	(11,227)
– Unrealised loss on financial assets measured at FVPL	5	41,756	–
– Net foreign exchange loss		1,617	78
– Other net loss		1,095	–
Changes in working capital:			
(Increase)/decrease in inventories		(194,166)	157,274
Decrease/(increase) in trade and other receivables		151,484	(104,284)
Decrease/(increase) in pledged bank deposits		1,009,761	(1,142,366)
(Decrease)/increase in trade and other payables		(1,028,171)	1,183,912
Decrease in other non-current assets		3,646	11,540
Cash generated from operations		563,220	1,097,124

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Reconciliation of liabilities arising from financing activities:

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

	Bank loans and other borrowings RMB'000 (Note i)	Lease liabilities RMB'000 (Note 26)	Interest payables RMB'000 (Note ii)	Convertible bonds RMB'000 (Note 27)	Other payables due to a related party RMB'000 (Note 33(c))	Total RMB'000
At 1 January 2025	1,001,485	1,320,449	1,920	1,759,170	7,675	4,090,699
Changes from financing cash flows:						
Proceeds from loans and borrowings	6,660,740	-	-	-	-	6,660,740
Repayment of loans and borrowings	(6,680,034)	-	-	-	-	(6,680,034)
Redemption of convertible bonds	-	-	-	(1,848,964)	-	(1,848,964)
Capital element of lease rentals paid	-	(80,897)	-	-	-	(80,897)
Interest element of lease rentals paid	-	(70,691)	-	-	-	(70,691)
Repayment to a related party	-	-	-	-	(7,675)	(7,675)
Interest paid	-	-	(44,076)	-	-	(44,076)
Total changes from financing cash flows	(19,294)	(151,588)	(44,076)	(1,848,964)	(7,675)	(2,071,597)
Exchange adjustments	(411)	-	-	(5,496)	-	(5,907)
Other changes:						
Increase in lease liabilities from entering into new leases during the period	-	45,355	-	-	-	45,355
Derecognition of right-of-use assets	-	(73,376)	-	-	-	(73,376)
Loss on redemption of convertible bonds	-	-	-	92,315	-	92,315
Interest expenses	-	70,691	44,815	2,975	-	118,481
Total other changes	-	42,670	44,815	95,290	-	182,775
At 31 December 2025	981,780	1,211,531	2,659	-	-	2,195,970

NOTES TO THE FINANCIAL STATEMENTS

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

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

	Bank loans and other borrowings RMB'000 (Note i)	Lease liabilities RMB'000 (Note 26)	Interest payables RMB'000 (Note ii)	Convertible bonds RMB'000 (Note 27)	Other payables due to a related party RMB'000 (Note 33(c))	Total RMB'000
At 1 January 2024	1,444,439	1,383,614	2,480	2,206,781	6,944	5,044,258
Changes from financing cash flows:						
Proceeds from loans and borrowings	7,603,056	-	-	-	-	7,603,056
Repayment of loans and borrowings	(8,045,561)	-	-	-	-	(8,045,561)
Repurchase of convertible bonds	-	-	-	(585,968)	-	(585,968)
Capital element of lease rentals paid	-	(80,134)	-	-	-	(80,134)
Interest element of lease rentals paid	-	(78,533)	-	-	-	(78,533)
Advance from a related party	-	-	-	-	731	731
Interest paid	-	-	(70,518)	-	-	(70,518)
Total changes from financing cash flows	(442,505)	(158,667)	(70,518)	(585,968)	731	(1,256,927)
Exchange adjustments	(449)	-	-	41,161	-	40,712
Other changes:						
Increase in lease liabilities from entering into new leases during the period	-	62,888	-	-	-	62,888
Derecognition of right-of-use assets	-	(45,919)	-	-	-	(45,919)
Repurchase of convertible bonds	-	-	-	6,362	-	6,362
Interest expenses	-	78,533	69,958	90,834	-	239,325
Total other changes	-	95,502	69,958	97,196	-	262,656
At 31 December 2024	1,001,485	1,320,449	1,920	1,759,170	7,675	4,090,699

Note i: Bank loans and other borrowings consist of bank loans and borrowings from other financial institutions and a related party as disclosed in note 24.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

	2025 RMB'000	2024 RMB'000
Within operating cash flows	4,366	3,251
Within financing cash flows	151,588	158,667
	155,954	161,918

These amounts relate to the following:

	2025 RMB'000	2024 RMB'000
Lease rentals paid	155,954	161,918

NOTES TO THE FINANCIAL STATEMENTS

24 LOANS AND BORROWINGS

(a) At 31 December 2025, loans and borrowings were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year or on demand (i)	512,935	709,785
After 1 year but within 2 years (i)	243,900	47,800
After 2 years but within 5 years (i)	224,945	243,900
	468,845	291,700
	981,780	1,001,485

(i) Loans and borrowings of RMB350,487,000 repayable within 1 year were guaranteed by related parties as at 31 December 2025 (2024: RMB434,561,000) (see note 33(d)).

Loans and borrowings of RMB243,900,000 repayable after 1 year but within 2 years were guaranteed by related parties as at 31 December 2025 (2024: RMB47,800,000) (see note 33(d)).

None of the loans and borrowings repayable after 2 years but within 5 years was guaranteed by related parties as at 31 December 2025 (2024: RMB243,900,000) (see note 33(d)).

NOTES TO THE FINANCIAL STATEMENTS

24 LOANS AND BORROWINGS (continued)

(b) At 31 December 2025, loans and borrowings were as follows:

	2025 RMB'000	2024 RMB'000
Secured bank loans – supplier finance arrangement (note (c))	141,227	96,098
Secured borrowings from other financial institutions – supplier finance arrangement (note (c))	82,114	71,201
Other secured bank loans	533,494	834,186
Unsecured borrowings from a related party (note 33(c))	224,945	–
	981,780	1,001,485

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

	2025 RMB'000	2024 RMB'000
Inventories	175,440	116,780
Trade and other receivables	67,459	38,898
Property, plant and equipment	1,560	1,692
Right-of-use assets	4,478	4,684
Pledged bank deposits	35,028	20,073
	283,965	182,127

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 31(b).

NOTES TO THE FINANCIAL STATEMENTS

24 LOANS AND BORROWINGS (continued)

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

The Group has entered into certain credit revolving loan arrangements with banks and other financial institutions for purchase of motor vehicles or spare parts specially, under which the Group obtained extended credit in respect of the purchase from certain suppliers of motor vehicles or spare parts. The facilities in relation to these arrangements are secured by the Group's inventories, trade and other receivables and pledged bank deposits with an aggregate carrying value of RMB243,493,000 as at 31 December 2025 (2024: RMB156,279,000).

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

In the consolidated statement of financial position, the Group has presented the payables to the banks and other financial institutions under these arrangements as "loans and borrowings", in view of the nature and function of such liabilities when compared with the Group's trade payables to suppliers. As at 31 December 2025, the carrying amount of financial liabilities under these arrangements amounted to RMB223,341,000 (2024: RMB167,299,000), all of which the suppliers have received payments from the banks and other financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

25 TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	160,060	168,693
Bills payable – supplier finance arrangement (i)	1,851,744	2,871,092
	2,011,804	3,039,785
Contract liabilities (ii)	722,623	721,004
Other payables and accruals	284,370	286,590
Amounts due to third parties	3,018,797	4,047,379
Amounts due to related parties (note 33(c))	3,907	9,079
Trade and other payables	3,022,704	4,056,458

- (i) The Group has entered into certain credit revolving bank acceptance bill arrangements with banks. Under these arrangements, the Group issues bank acceptance bills to settle with certain automobile manufacturers in respect of purchase of motor vehicles or spare parts, which normally require advance payments before delivery, and the manufacturers can then discount the bank acceptance bills to the banks. The facilities in relation to these arrangements are secured by the Group's inventories, trade and other receivables and pledged bank deposits with an aggregate carrying value of RMB1,851,744,000 as at 31 December 2025 (2024: RMB2,871,092,000).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

25 TRADE AND OTHER PAYABLES (continued)

- (ii) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB283,040,000 (2024: RMB369,027,000).

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

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

	2025 RMB'000	2024 RMB'000
Pledged bank deposits	1,053,640	2,088,035
Inventories	652,768	566,974
Trade and other receivables	145,336	216,083
	1,851,744	2,871,092

As at 31 December 2025, bills payable of RMB432,660,000 were guaranteed by a related party (2024: RMB136,247,000) (see note 33(d)).

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

	2025 RMB'000	2024 RMB'000
Within 3 months	1,750,073	2,692,099
After 3 months but within 6 months	261,731	347,686
	2,011,804	3,039,785

NOTES TO THE FINANCIAL STATEMENTS

26 LEASE LIABILITIES

At 31 December 2025, the lease liabilities were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	95,119	169,916
After 1 year but within 2 years	111,661	161,747
After 2 years but within 5 years	369,212	450,147
After 5 years	635,539	538,639
	1,116,412	1,150,533
	1,211,531	1,320,449

27 CONVERTIBLE BONDS

On 14 January 2022, pursuant to a subscription agreement dated 6 January 2022 (the “**Subscription Agreement**”), Sail Vantage Limited, a subsidiary of the Company, issued zero coupon guaranteed convertible bonds (the “**Convertible Bonds**”) with an aggregate principal amount of HK\$2,750,000,000 (equivalent to approximately RMB2,248,263,000) and received cash after deduction of transaction costs of HK\$2,689,517,000 (equivalent to approximately RMB2,198,814,000). Pursuant to the terms of the Convertible Bonds, the Convertible Bonds will be due in January 2027 and are guaranteed by the Company.

Pursuant to the terms and conditions of the Convertible Bonds, the issuer will, at the option of the bondholder of the Convertible Bonds, redeem all or some only of such bondholder’s convertible bonds on 13 January 2025 at 106.9428 per cent of their principal amount.

NOTES TO THE FINANCIAL STATEMENTS

27 CONVERTIBLE BONDS (continued)

The movements of the components of the Convertible Bonds during the reporting periods are set out below:

	Liability component (At amortised cost) RMB'000	Equity component (Residual amount) RMB'000	Total RMB'000
At 1 January 2024	2,206,781	203,976	2,410,757
Interest charge (<i>note 6(a)</i>)	90,834	–	90,834
Repurchase	(579,606)	(17,623)	(597,229)
Exchange adjustment	41,161	–	41,161
At 31 December 2024	1,759,170	186,353	1,945,523
Interest charge (<i>note 6(a)</i>)	2,975	–	2,975
Redemption (i)	(1,757,640)	(186,353)	(1,943,993)
Exchange adjustment	(4,505)	–	(4,505)
At 31 December 2025	–	–	–

(i) Redemption of convertible bonds

On 13 January 2025, the Group, at the option of the bondholders of the Convertible Bonds, redeemed all outstanding Convertible Bonds. The gross consideration paid was HK\$2,003,039,000 (equivalent to approximately RMB1,848,964,000), resulting in a loss on settlement of the liability component of RMB92,315,000 recognised in finance costs.

NOTES TO THE FINANCIAL STATEMENTS

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(i) Share options granted on 20 January 2014:

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

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

The number of options granted on 20 January 2014 still outstanding at 31 December 2024 and 31 December 2025 is nil.

(ii) Share options granted on 4 January 2018:

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

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

During the year ended 31 December 2025, no options were forfeited, and no options were exercised (2024: 75,000).

The number of options granted on 4 January 2018 still outstanding at 31 December 2025 are 2,747,500 (2024: 2,747,500) which have an exercise price of HK\$2.58 (2024: HK\$2.58) and a remaining contractual life of 2.01 years (2024: 3.01 years).

NOTES TO THE FINANCIAL STATEMENTS

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(iii) Share options granted on 18 July 2019:

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

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

During the year ended 31 December 2025, 72,500 options were forfeited (2024: 1,037,500), and no options were exercised (2024: nil).

The number of options granted on 18 July 2019 still outstanding at 31 December 2025 are 2,413,750 (2024: 2,486,250) which have an exercise price of HK\$6.00 (2024: HK\$6.00) and a remaining contractual life of 3.54 years (2024: 4.54 years).

(iv) Share options granted on 16 January 2020

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

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

During the year ended 31 December 2025, 150,000 options were forfeited (2024: 1,515,000), and no options were exercised (2024: nil).

The number of options granted on 16 January 2020 still outstanding at 31 December 2025 are 32,500 (2024: 182,500) which have an exercise price of HK\$10.8 (2024: HK\$10.8) and a remaining contractual life of 4.05 years. (2024: 5.05 years).

NOTES TO THE FINANCIAL STATEMENTS**28 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 RMB1,061,000 for the year ended 31 December 2025 (2024: RMB5,892,000) (see note 6(b)(ii)).

During the year ended 31 December 2025, 1,348,500 options were forfeited (2024: 500,000 options). The number of options granted on 25 May 2022 still outstanding at 31 December 2025 are 5,713,500 (2024: 7,062,000) which have an exercise price of HK\$26.20 and a remaining contractual life of 6.41 years (2024: 7.41 years).

NOTES TO THE FINANCIAL STATEMENTS

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

	2025		2024	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HK\$16.75	12,478,250	HK\$15.69	15,605,750
Forfeited during the year	HK\$23.80	(1,571,000)	HK\$11.47	(3,127,500)
Outstanding at the end of the year	HK\$15.73	10,907,250	HK\$16.75	12,478,250
Exercisable at the end of the year	HK\$15.73	10,907,250	HK\$15.19	10,712,750

The options outstanding at 31 December 2025 have exercise prices of HK\$2.58, HK\$6.00, HK\$10.80 or HK\$26.20 (2024: HK\$2.58, HK\$6.00, HK\$10.80 or HK\$26.20) and a weighted average remaining contractual life of 4.66 years (2024: 5.83 years).

NOTES TO THE FINANCIAL STATEMENTS

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

(c) Fair value of share options and assumptions:

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

Fair value of share options and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

Fair value of share options and assumptions (continued)

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

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

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	93,065	124,990
Provision for current income tax for the year	82,497	200,544
Payment during the year	(80,944)	(232,469)
At the end of the year	94,618	93,065

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Deferred tax assets and liabilities recognised

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

	Fair value adjustment arising from business combinations RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Unused tax losses RMB'000	Accruals RMB'000	Inventory provision RMB'000	Distribution of earnings RMB'000	Depreciation charge and capitalised interests of property, plant and equipment RMB'000	Total RMB'000
Deferred tax (liabilities)/assets arising from:									
At 1 January 2024	(826,661)	(274,089)	344,875	20,152	19,356	3,418	(42,648)	21,596	(734,001)
Credited/(charged) to profit or loss (note 7(a))	536,788	22,942	(15,372)	(6,521)	(3,873)	5,792	(6,819)	(1,175)	531,762
Transfer to current taxation	-	-	-	-	-	-	44,467	-	44,467
At 31 December 2024	(289,873)	(251,147)	329,503	13,631	15,483	9,210	(5,000)	20,421	(157,772)
At 1 January 2025	(289,873)	(251,147)	329,503	13,631	15,483	9,210	(5,000)	20,421	(157,772)
Credited/(charged) to profit or loss (note 7(a))	222,981	31,803	(26,620)	8,827	503	381	-	(211)	237,664
At 31 December 2025	(66,892)	(219,344)	302,883	22,458	15,986	9,591	(5,000)	20,210	79,892

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

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to consolidated statement of financial position:

	The Group	
	2025	2024
	RMB'000	RMB'000
Representing:		
Net deferred tax assets	147,243	136,133
Net deferred tax liabilities	(67,351)	(293,905)
	79,892	(157,772)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB209,894,000 (2024: RMB127,290,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The PRC deductible tax losses in PRC expire within 5 years from the year when such losses were incurred. The tax losses incurred by MeiDong HK do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

The Corporate Income Tax Law of the PRC and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. During the year ended 31 December 2025, the Group is entitled to the reduced withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2025 in respect of undistributed earnings of RMB2,288,186,000 (2024: RMB2,165,344,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at 1 January 2024	107,888	714,317	986	59,380	1,991,743	204,474	203,976	3,282,764
Loss for the year	-	-	-	-	(1,972,532)	-	-	(1,972,532)
Other comprehensive income for the year	-	-	-	-	-	79,791	-	79,791
Total comprehensive income for the year	-	-	-	-	(1,972,532)	79,791	-	(1,892,741)
Dividends declared and paid <i>(note 30(b))</i>	-	(44,426)	-	-	-	-	-	(44,426)
Equity settled share-based payment <i>(note 28)</i>	-	-	-	5,892	-	-	-	5,892
Repurchase of convertible bonds <i>(note 27(i))</i>	-	-	-	-	-	-	(17,623)	(17,623)
Balance at 31 December 2024	107,888	669,891	986	65,272	19,211	284,265	186,353	1,333,866

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Movements in components of equity (continued)

The Company (continued)

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at 1 January 2025	107,888	669,891	986	65,272	19,211	284,265	186,353	1,333,866
Loss for the year	-	-	-	-	(755,403)	-	-	(755,403)
Other comprehensive income for the year	-	-	-	-	-	(22,119)	-	(22,119)
Total comprehensive income for the year	-	-	-	-	(755,403)	(22,119)	-	(777,522)
Dividends declared and paid (note 30(b))	-	(59,908)	-	-	-	-	-	(59,908)
Equity settled share-based payment (note 28)	-	-	-	1,061	-	-	-	1,061
Redemption of convertible bonds (note 27(i))	-	-	-	-	186,353	-	(186,353)	-
Balance at 31 December 2025	107,888	609,983	986	66,333	(549,839)	262,146	-	497,497

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2025 RMB'000	2024 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.0337 per ordinary share (2024: RMB0.0445 per ordinary share)	45,369	59,908

The final dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.0445 per ordinary share (2024: RMB0.0330 per ordinary share)	59,908	44,426

(iii) Other dividends

During the year ended 31 December 2025, certain subsidiaries of the Group declared and paid dividends of RMB8,478,000 (2024: RMB16,631,000) in cash to non-controlling shareholders.

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

The share capital of the Group as at 31 December 2025 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

			2025	Nominal value of ordinary shares HK\$'000		2024
	Note	Par value HK\$	Number of shares (thousand)		Number of shares (thousand)	Nominal value of ordinary shares HK\$'000
At 31 December	(i)	0.1	20,000,000	2,000,000	20,000,000	2,000,000

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousand)	Nominal value of ordinary shares HK\$('000)
At 1 January 2024, 31 December 2024 and 2025	1,346,247	134,625
RMB equivalent ('000) at 31 December 2025 and 2024		107,888

(i) Authorised share capital

The Company was incorporated on 24 February 2012 with an authorised share capital of HK\$10,000,000 divided into 100,000,000 ordinary shares of HK\$0.1 each. Pursuant to a resolution dated 16 October 2013 passed by its sole shareholder, Apex Sail, the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$2,000,000,000 by the creation of 19,900,000,000 new share of HK\$0.1 each.

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Capital redemption reserve*

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

(iii) *Capital reserves*

Capital reserve comprises the following:

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

(iv) *PRC statutory reserve*

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(v) *Exchange reserve*

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

(vi) *Other reserve*

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

(e) Capital management

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

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

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

During 2025, the Group's strategy, which was unchanged from 2024, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2025 and 2024 was as follows:

	Note	The Group 2025 RMB'000	2024 RMB'000
Current liabilities:			
Loans and borrowings	24	512,935	709,785
Bills payable	25	1,851,744	2,871,092
Convertible bonds	27	–	1,759,170
Lease liabilities	26	95,119	169,916
		2,459,798	5,509,963
Non-current liabilities:			
Loans and borrowings	24	468,845	291,700
Lease liabilities	26	1,116,412	1,150,533
Total debt		4,045,055	6,952,196
Add: Proposed dividends	30(b)	45,369	59,908
Less: Pledged bank deposits	21	(1,113,302)	(2,108,108)
Fixed deposits with more than three months to maturity when placed	23(a)	(24,000)	(12,000)
Cash and cash equivalents	23(a)	(732,615)	(2,644,539)
Adjusted net debt		2,220,507	2,247,457
Total equity		2,135,927	2,956,783
Less: Proposed dividends	30(b)	(45,369)	(59,908)
Adjusted capital		2,090,558	2,896,875
Adjusted net debt-to-capital ratio		1.06	0.78

The Group is subject to capital requirements imposed by certain banks as disclosed in note 24(b)(i).

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

Trade receivables

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, insurance commission receivables from insurance companies and warranty receivables from automobile manufacturers. The mortgage is normally settled within one month directly by major financial institutions. While for the receivables from insurance companies and automobile manufacturers, risk of default is considered low, as these are either reputable companies or with good credit rating. Based on past experience, the Group was of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, 53% (2024: 30%) and 26% (2024: 12%) of the total trade receivables were due from the Group's five largest debtors and the largest single debtor respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The Group assessed that there was no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2025 (2024: nil).

NOTES TO THE FINANCIAL STATEMENTS

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

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

The Group measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there was no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2025 (2024: nil).

(b) Liquidity risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

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

	At 31 December 2025					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Loans and borrowings	537,638	255,026	232,168	-	1,024,832	981,780
Trade and other payables	2,300,081	-	-	-	2,300,081	2,300,081
Lease liabilities	159,900	170,114	503,318	753,375	1,586,707	1,211,531
	2,997,619	425,140	735,486	753,375	4,911,620	4,493,392
Financial guarantee issued:						
Maximum amount guaranteed:	77,000	-	-	-	77,000	-

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

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

(c) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

Cash at bank, pledged bank deposits, fixed deposits with more than three months to maturity and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank, fixed deposits with more than three months to maturity and pledged bank deposits are with fixed interest rates ranging from 0.10% to 5.02% per annum as at 31 December 2025 (2024: 0.10% to 5.46%).

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

	2025 Effective interest rate %	RMB'000	2024 Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank loans	2.00 – 4.04	314,970	2.95 – 5.80	642,433
Convertible bonds	–	–	4.73	1,759,170
Lease liabilities	3.50 – 7.05	1,211,531	3.80 – 7.05	1,320,449
Borrowings from a related party	4.00	224,945	–	–
		1,751,446		3,722,052
Variable rate borrowings				
Bank loans	2.10 – 3.90	359,751	2.65 – 4.10	287,851
Borrowings from other financial institutions	1.38 – 6.66	82,114	1.83 – 7.02	71,201
		441,865		359,052
		2,193,311		4,081,104

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

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

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2024.

	Increase/ (Decrease) in basis points	Effect on profit after tax and retained profits for the year RMB'000
At 31 December 2025		
Basis points	100	(3,314)
Basis points	(100)	3,314
At 31 December 2024		
Basis points	100	(2,693)
Basis points	(100)	2,693

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

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

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

	Exposure to foreign currencies (expressed in Renminbi)			
	2025		2024	
	Renminbi Yuan* RMB'000	United States Dollars RMB'000	Renminbi Yuan* RMB'000	United States Dollars RMB'000
Cash and cash equivalents	1,483	23,708	1,048	1,325,295
Loans and borrowings	-	(224,945)	-	-
Net exposure arising from recognised assets and liabilities	1,483	(201,237)	1,048	1,325,295

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

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

	2025		2024	
	Increase/ (Decrease) in foreign exchange rate	Effect on profit after tax and retained profits RMB'000	Increase/ (Decrease) in foreign exchange rate	Effect on profit after tax and retained profits RMB'000
United States Dollars	1% (1)%	(2,012) 2,012	1% (1)%	13,253 (13,253)
Renminbi	10% (10)%	148 (148)	10% (10)%	105 (105)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2024.

* No currency risk is identified for those monetary assets or liabilities denominated in Renminbi which is the functional currency of the relevant group entities as at 31 December 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement

(i) **Financial assets and liabilities measured at fair value**

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
Level 3 valuations:	Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity securities and conversion option embedded in convertible notes which are categorised into Level 3 of the fair value hierarchy if any. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

NOTES TO THE FINANCIAL STATEMENTS

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**(e) Fair value measurement (continued)****(i) Financial assets and liabilities measured at fair value (continued)***Fair value hierarchy (continued)*

	The Group 2025 RMB'000	2024 RMB'000
Level 1 Assets		
Investment in equity security listed on Hong Kong	171,375	–

At 31 December 2025 and 2024, the carrying amounts of all of the Group's financial liabilities and other financial assets carried at amortised cost or cost were not materially different from their fair values.

32 COMMITMENTS

No material capital commitments were outstanding as at 31 December 2025 and 2024.

NOTES TO THE FINANCIAL STATEMENTS

33 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2025, 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

Note: 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

	2025 RMB'000	2024 RMB'000
Short-term rental expense:		
Dadong Group	720	720
Management service income:		
Dongguan Meidong	3,587	3,604

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

NOTES TO THE FINANCIAL STATEMENTS

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(b) Non-recurring transactions**

	2025	2024
	RMB'000	RMB'000
Sales of passenger vehicles:		
Dongguan Meidong	24,657	25,631
Purchases of passenger vehicles:		
Dongguan Meidong	39,401	29,375
Borrowings from a related party:		
Apex Sail	224,945	–
Interest expenses on borrowings from a related party:		
Apex Sail	1,783	–

NOTES TO THE FINANCIAL STATEMENTS

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

At 31 December 2025, the Group had the following balances with related parties:

	2025 RMB'000	2024 RMB'000
Other receivables due from:		
Dongguan Meidong (i)	1,980	4,602
Other payables due to:		
Dadong Group (i)	2,124	1,404
Ye Fan (i)	–	7,675
Apex Sail (ii)	1,783	–
	3,907	9,079
Borrowings from a related party:		
Apex Sail (ii)	224,945	–

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

(ii) The borrowing from a related party is unsecured, with fixed interest rate of 4.00% per annum. The loan principal has 3-year fixed terms of repayment due in October 2028 and the related interest will be paid annually.

NOTES TO THE FINANCIAL STATEMENTS

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Guarantees and securities issued by related parties

	2025 RMB'000	2024 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
– Ye Fan (i)	594,387	726,261
Guarantees issued by a related party in respect of bills issued by the Group:		
– Ye Fan (ii)	432,660	136,247
(i)	Loans and borrowings of RMB594,387,000 as at 31 December 2025 (31 December 2024: RMB726,261,000) were guaranteed by Mr. Ye Fan.	
(ii)	Bills payable of RMB432,660,000 as at 31 December 2025 (31 December 2024: RMB136,247,000) were guaranteed by Mr. Ye Fan.	

(e) Guarantees issued by the Group

	2025 RMB'000	2024 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to a related party:		
– Dongguan Meidong	40,000	80,000
Guarantees issued by the Group in respect of bank loans and borrowings granted to a related party:		
– Dongguan Meidong	37,000	50,000

NOTES TO THE FINANCIAL STATEMENTS

33 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 as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	14,458	14,881
Equity compensation benefits	158	682
	14,616	15,563

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 December 2025	31 December 2024
Non-current assets			
Interest in a subsidiary		1,002,353	1,629,527
Long-term receivables		11,766	11,954
Other non-current assets		4,742	4,742
		1,018,861	1,646,223
Current assets			
Other receivables		326	213
Financial assets measured at FVPL		171,375	–
Cash and cash equivalents		28,308	1,723,690
		200,009	1,723,903
Current liabilities			
Convertible bonds		–	1,759,170
Other payables		452,622	232,270
Loans and borrowings		43,806	44,820
		496,428	2,036,260
Net current liabilities		296,419	312,357
Total assets less current liabilities		722,442	1,333,866
Non-current liabilities			
Loans and borrowings		224,945	–
NET ASSETS		497,497	1,333,866
EQUITY			
	30		
Share capital		107,888	107,888
Reserves		389,609	1,225,978
TOTAL EQUITY		497,497	1,333,866

NOTES TO THE FINANCIAL STATEMENTS

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed final dividend

After the end of the reporting period, the directors proposed a final dividend in respect of the year ended 31 December 2025. Further details are disclosed in note 30(b).

(b) Grant of share options

Under the share option scheme adopted by a resolution passed by the shareholders of the Company on 10 June 2025, the Company granted share options (the “**Share Options**”) carrying rights to subscribe for a total of 8,559,000 ordinary shares with an exercise price of HK\$1.38 of a nominal or par value of HK\$0.10 each in the share capital of the Company to eligible participants (the “**Grantees**”, being directors and employees of the Group) on 29 January 2026.

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2025, the directors consider the immediate parent of the Group to be Apex Sail, which is incorporated under the laws of the British Virgin Islands, and the ultimate controlling party of the Group to be Mr. Ye Fan.

NOTES TO THE FINANCIAL STATEMENTS

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
<i>Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRSs – Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027

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

NOTES TO THE FINANCIAL STATEMENTS

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	
Revenue	23,576,689	28,654,734	28,554,553	22,153,952	20,022,928
Profit/(loss) before taxation	1,612,763	863,540	384,474	(2,634,517)	(909,172)
Taxation	(399,423)	(307,604)	(228,694)	375,685	155,167
Profit/(loss) for the year	1,213,340	555,936	155,780	(2,258,832)	(754,005)
Profit/(loss) attributable to equity shareholders of the Company	1,165,640	521,029	140,203	(2,264,060)	(754,990)
Non-controlling interests	47,700	34,907	15,577	5,228	985
Profit/(loss) for the year	1,213,340	555,936	155,780	(2,258,832)	(754,005)
Earnings/(loss) per share					
Basic (RMB cents)	93.62	40.93	10.44	(168.18)	(56.08)
Diluted (RMB cents)	92.38	40.61	10.41	(168.18)	(56.08)

ASSETS AND LIABILITIES

	As at 31 December				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	
Total assets	9,802,673	14,239,403	14,220,406	11,481,315	7,513,911
Total liabilities	(5,686,080)	(9,805,623)	(8,934,266)	(8,524,532)	(5,377,984)
	4,116,593	4,433,780	5,286,140	2,956,783	2,135,927
Equity attributable to equity shareholders of the Company	3,946,624	4,275,026	5,152,255	2,834,301	2,020,938
Non-controlling interests	169,969	158,754	133,885	122,482	114,989
Total equity	4,116,593	4,433,780	5,286,140	2,956,783	2,135,927

FIVE-YEAR FINANCIAL SUMMARY

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

This document contains forward-looking statements that reflect the Company's beliefs, plans or expectations about the future. These statements are based on a number of assumptions, current estimates and projections, and are subject to risks, uncertainties and factors which may be beyond control. Actual outcomes may differ. Nothing contained in these statements is, or shall be, relied upon as any assurance as to the future or as any representation or warranty otherwise. Neither the Company nor its directors, staff, agents, advisers or representatives assume any responsibility to update, supplement or correct these statements or to adapt them to future developments.