MEIDONG AUTO

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

2022
ANNUAL REPORT

CONTENTS

GEOGRAPHICAL COVERAGE

Guangdong

Porsche
(1) Shunde Dongbao*
(2) Shantou Dongbao*
(3) Jieyang Dongbao*
(4) Guangzhou Dongbao

BMW
(5) Yangjiang Meibaohang*
(6) Guangzhou Meibaohang
(7) Xintang Meibaohang
(8) Dongguan Meibaohang (70%)

Lexus
(9) Dongguan Meidong (49%)
(10) Foshan Meidong
(11) Zhuhai Meidong
(12) Qingyuan Meidong*
(13) Yangjiang Meidong*
(14) Doumen Meidong (71%)
(15) Tangxia Meidong (69%)
(16) Shaoguan Meidong*
(17) Jiangmen Meidong

Toyota
(18) Dongguan Dongbu
(19) Dongguan Dongmei
(20) Dongguan Dongxin
(21) Dongguan Meixin
(22) Wangniudun Meidong
(23) Dongguan Meiyue

Audi
(24) Heyuan Guanao*

Beijing & Hebei

BMW
(25) Chengde Meibaohang*
(26) Beijing Huibaohang
(27) Beijing Meibaohang (70%)
(28) Langfang Guanbaohang
(29) Bazhou Guanbaohang*

Toyota
(30) Bazhou Guanyue*

Lexus
(31) Beijing Meidong
(32) Langfang Meidong

Hubei

Porsche
(33) Wuhan Xinbao
(34) Wuchang Xinbao

BMW
(35) Huanggang Baoxinhang*

Hunan

BMW
(36) Zhuzhou Meibaohang*
(37) Hengyang Meibaohang*
(38) Changde Meibaohang*
(39) Yueyang Meibaohang*
(40) Liuyang Meibaohang*
(41) Yongzhou Meibaohang*

Lexus
(42) Changsha Meidong
(43) Zhuzhou Meidong*
(44) Hengyang Meidong*

Toyota
(45) Yiyang Dongxin*

Gansu

Lexus
(46) Lanzhou Meidong*

Jiangxi

Porsche
(47) Ganzhou Xinbao*
(48) Nanchang Jubao

BMW
(49) Jingdezhen Meibaohang*
(50) Shangrao Meibaohang
(51) Xinyu Meibaohang*
(52) Jiujiang Huibaohang

Toyota
(53) Xinyu Dongbu*
(54) Jiujiang Dongbu*

Fujian

Lexus
(55) Xiamen Meidong
(56) Longyan Meidong*

Toyota
(57) Quanzhou Meidong

Anhui

Toyota
(58) Huangshan Dongbu*

BMW
(59) Huaibei Meibaohang*
(60) Suzhou Meibaohang*
(61) Chizhou Meibaohang*
(62) Chuzhou Meibaohang*
(63) Tongling Meibaohang*
(64) Huangshan Meibaohang*

Shandong

Porsche
(65) Jinan Jubao (70%)
(66) Jinan Dongbao
(67) Qingdao Dongbao*
(68) Weifang Xinbao*

Jiangsu

Lexus
(69) Nanjing Meidong
(70) Tangshan Meidong

Porsche
(71) Nanjing Dongbao

Tianjin

Lexus
(72) Tianjin Meidong

Porsche
(73) Tianjin Dongbao

Sichuan

BMW
(74) Guangan Baotai*

Henan

Porsche
(75) Henan Dongbao

Chongqing

Porsche
(76) Chongqing Dongbao

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

* Single City Single Store

GEOGRAPHICAL COVERAGE

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
YE Fan *(Chairman)*
YE Tao *(Chief Executive Officer)*
LUO Liuyu

Independent Non-Executive Directors
CHEN Guiyi
WANG, Michael Chou
TO Siu Lun

AUTHORISED REPRESENTATIVE

YE Tao
WONG Cheung Ki Johnny
FCPA, FCG (CS, CGP), HKFCG (CS, CGP)

COMPANY SECRETARY

WONG Cheung Ki Johnny
FCPA, FCG (CS, CGP), HKFCG (CS, CGP)

AUDIT COMMITTEE

TO Siu Lun *(Chairman)*
CHEN Guiyi
WANG, Michael Chou

REMUNERATION COMMITTEE

WANG, Michael Chou *(Chairman)*
CHEN Guiyi
TO Siu Lun

NOMINATION COMMITTEE

YE Fan *(Chairman)*
TO Siu Lun
WANG, Michael Chou

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

13th Floor, Unit A1
Tian An Tech Industry Building
Huangjin Road
Nancheng District, Dongguan
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2404
24th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the 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

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

Note: Mr. TO Siu Lun was appointed as an independent non-executive Director, the Chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee with effect from 30 November 2022, following the resignation of Mr. JIP Ki Chi from the above positions with effect on the same date.

LETTER TO SHAREHOLDERS

Dear Shareholders:

If you wanted to drop by our Zhengzhou store in June or our Lanzhou store in September last year, eager to buy a Porsche or Lexus, you would have left empty-handed—or never been able to visit at all. For one, two, or even three months in some cities, cars collected dust as quarantines prevented our sales teams from working and our customers from visiting. While customer leads in 2022 grew by 16%, store foot traffic reduced by 15%—meaning that roughly 30% of our potential customers couldn't drop by our stores, couldn't test drive our cars, and couldn't leave with keys in hand.

Due to unparalleled disruptions in basic commercial activities, throughout most of 2022 we were either without employees or without customers. This challenge was so extreme that it overshadowed another seismic change that occurred in 2022: the growth of electric vehicles. The year 2022 witnessed electric vehicles taking close to 30% of the new car market share. The year 2022 also saw great product improvements by many electric vehicle makers and significant struggles by others. The year ended with electric vehicles facing more supply than demand, leading to rapid price wars.

What do we predict for 2023 and beyond? We don't know how quickly or by how much consumption is going to recover. We believe that the oversupply is likely to continue, resulting in an escalating price war. We should be prepared to survive in an environment as difficult as, if not more than, that of 2022. We need to quickly become much more efficient—even though we are already known for our efficiency. We will discuss our vision for increasing our efficiency in great detail in this letter.

Let us first review our 2022 operations.

OPERATIONAL SUMMARY 2022

In 2022, our profit went down by 54.2% to 556 million RMB from 1213 million RMB in 2021. The biggest reason was the drop in the new car sales margin, from 6.8% to 3.4%, caused by the severe macro-condition and the resulting oversupply. This drop occurred across all our brands, with BMW suffering the most. The reduction in new car profit, coupled with the non-cash and non-operating expenses from the StarChase acquisition, has produced the biggest decline in our profit since we went public.

We did have some bright spots in 2022. We grew services revenue and services gross profit both by about 22%. Even without considering StarChase services revenue, we still would have grown services revenue and gross profit by about 7%. Our inventory at the end of the year was 11.5 days, a healthy level, though substantially higher than the 5.8 days recorded last year. We sold 10% more and serviced 9% more cars with 13% fewer employees than our peak level in April.

The StarChase integration has been a reasonable success. If we were to annualize 8 months of operations since April, we would have improved sales units, sales revenue, services revenue, and operating profit by about 5.4%, 12.6%, 24.0%, and 8.3%, respectively. These approximate results, though short of our original goals, offer us confidence that our efficiency did work for M&A, even under the most austere conditions.

Profit in 2022 was bad. Our experience in 2022 was painful. Yet we survived with low inventory, a healthy balance sheet, plenty of cash, and a strong team. We believe that we survived last year due to our efficiency. To survive future challenges, we need to become even more efficient.

EFFICIENCY: PAST AND FUTURE

Our vision is to become the most efficient company. Our culture and people were built upon this vision. Our strategies and operations evolved around this vision. We define efficiency as optimizing returns at a given level of invested capital, time frame, risk, and effort. We optimize the ratio of a numerator over a denominator, not just the numerator or the denominator—output over input, profit over sales, results over effort, etc. This logic is essential because it has guided us into fundamentally different principles and strategies compared to the rest of our industry.

Let us review how we applied this logic to our strategies and operations.

Low inventory (fast turns) is our most important principle, and it aims to optimize profit over invested inventory—not just profit. Suppose we sell 100 cars from our inventory and make 10 thousand RMB each; we would make a profit of 1 million RMB. If our goal is to maximize to a 2 million RMB profit, the intuitive way to achieve this goal is to buy 200 cars into our inventory and sell them. However, if our purpose is to optimize the ratio of profit over inventory, the logic is different. We would avoid increasing inventory as it dilutes the ratio. How do we get to a profit of 2 million RMB then? The answer is to turn the 100-car inventory twice as fast. Both roads lead to Rome, but the road with faster inventory turns is more efficient, though not as straightforward and somewhat counterintuitive. This example, as simple as it may be, illuminates the logical difference in ratio-based and absolute-number-based optimization and the resulting divergence in actions.

A third way to get to 2 million RMB in profit is to simply increase the gross margin per car from 10 thousand to 20 thousand RMB. Yet it is difficult to achieve this in practice because the gross margin depends on factors partially or completely out of our control: macroeconomics, industrial policies, OEM's supply and demand, competitors' inventory levels, etc. As these factors are often structural in nature, designing strategies around them is often more realistic. For example, we focus on luxury cars because they carry high margins and will probably continue to do so in the future. We mostly work with Porsche, Lexus, and BMW because they manage supply and demand better than other brands. A good balance between supply and demand enables high and stable margins. We have grown organically with Single-City-Single-Store locations because these locations face less competition and enable structurally better margins. Interestingly, having a low inventory should in theory help margins. Having a lower-than-industry inventory means having a better balance between supply and demand, enabling better margins. To turn this theory into reality, we need clear and practical logic between inventory turns and gross margin, a data system with a high level of granularity, and a decentralized decision-making organization. These tasks are among our primary focuses going forward, and we are excited about their potential.

Our other operating principles, such as the services absorption ratio, new store ROI, and brand selection in M&A, all stem from the logic of efficiency. The services absorption ratio measures the degree to which services gross profit covers the totality of a store's cost. New store ROI gauges the ramp-up success of a new store by measuring the years the store takes to fully recover the initial investment. Our brand selection in M&A is mostly based on the brand's inherent efficiency—the historical new car margin, the scale of services revenue, the services gross margin, etc.

Efficiency is a constrained optimization, not an unbounded optimization at any cost. The latter sounds exciting and grandiose, yet often produces disasters, like most utopian dreams. These constraints include the macroeconomic environment, industrial policies, evolutions and disruptions, etc. They also include our capabilities, limitations, and financial resources. For constraints over which we have little control, we set them as boundary conditions akin to engineers' assumption that apples fall from trees to the ground, not the sky. For constraints we can influence or control, we change them to benefit us. Understanding and respecting these constraints allows us to be grounded in reality and to act with purpose. It keeps us humble, rational, and sane.

Let us discuss examples of how we made decisions in a constrained environment. At a given ROA, increasing leverage enhances ROE and makes our balance sheet more efficient. Yet, leverage is a risk that is amplified by economic fluctuations. After experiencing 2022, we decided to be more prudent and took on less risk, even if it meant that we were less efficient and optimized with the balance sheet. In this case, being sensitive to the macroeconomic condition, a constraint over which we have little control, allows us to balance the tradeoff between ROE and risks. As another example, our competency was not in luxury when we went public because only six out of our fourteen stores were luxury. This was a constraint we could change and, in the pursuit of efficiency, we decided to focus on the profitable luxury market. Today, we have probably one of the best luxury portfolios. The last example is the closing of our two Hyundai stores. The revenue from Hyundai is no longer efficient, as the brand faces increasingly stiff competition from electric vehicles and other brands. We decided that the most efficient action to take under this new constraint was to close our stores.

Constraints sometimes change swiftly and disruptively. The electric vehicle revolution, for example, fundamentally disrupted the operating boundaries of the automobile market. This uncontrollable constraint demands we improve efficiency at a faster pace. If we can provide sufficient returns to shareholders even in the worst-case scenario, we can happily ride into the sunset to play golf or operate hole-in-the-wall restaurants (you can guess which hobby belongs to which of us). More importantly, the motivation to become more efficient stems from our belief that the electric vehicle market requires companies to be far more efficient. Our belief was validated by the rapid transition in 2022 from demand over supply to supply over demand. The numerous price cuts and stock excesses foretold only one story: a hyper-competitive electric vehicle market on the horizon. Surviving players need to be incredibly efficient. We will be one of those players.

Now let us talk about efficiency in the context of our people and culture.

Firstly, the pursuit of efficiency makes us act with purpose and discipline. We ask for objectives before the start of any meeting. We measure employee productivity before and after adding headcounts. We project returns before investments and rigorously track returns after. We treat assets as responsibilities—even liabilities—because they must be productive. Many years ago, I tracked the frequency of our Chairman's visits to his numerous offices. At the time, every store installed a fancy Chairman's office with splendid—yet lonely—furniture. The Chairman never visited his offices, but dust did. We did away with all the Chairman's store offices, leaving him with only one office at our headquarters. Our Chairman gets a bit upset reminiscing about my prank. He really shouldn't get cranky, in my opinion, because he still has one more office than his brother.

Secondly, the pursuit of efficiency minimizes the friction of our interactions. We speak with data and persuade with logic when data is difficult to obtain. We believe that the best process is no process and the next best process is still no process. We focus on results and empower frontline employees to use methods they see fit (within the boundaries of ethics and legality). We despise unnecessary complications and pretentious grandeur. We view fancy presentations stuffed with big words and little content as hollow, wasteful, hypocritical, and the quickest way to get fired. We believe in direct, simple, and no-nonsense interactions—the only exception being making bad jokes. Our people inundate each other with spontaneous, bad jokes. They are well trained in this regard, thanks to their bosses' utterly tasteless sense of humor.

Lastly, and most importantly, sharing our efficiency vision enables us to become unified and cohesive. This unity and cohesion become stronger as the outside environment gets tougher, as testified by 2022. To conclude this shareholder letter, I attach a happy New Year note we wrote to our employees. This note describes how we united as a team to persevere in 2022. Hopefully, after you read this note, you will agree that Henry Ford's quote exemplifies our team: "If everyone is moving forward together, then success takes care of itself."

Thank you for your support.

Ye Fan/Ye Tao

Attachment: 2023 Happy New Year Note

Hello, Team:

Happy New Year.

In the past, Ye Fan and I rarely wrote anything to you to mark the new year. We would simply rain the chat groups with red packets and be gone. This passing 2022 is different. You endured so many tough and challenging moments that we felt we owe you this note. As always, you should collect your well-deserved red packets. It is up to you if you want to read our gibberish.

The biggest challenge in the past year stems from COVID-19. Each of us could probably write a book of personal stories regarding our perseverance. A tough experience certainly belongs to Pan Hong Ming's team (Beijing BMW) and Wang Wenju's team (Langfang BMW), both quarantined for over 70 days. The champion medal probably goes to Wang Xuejian (Lanzhou Lexus) for close to 80 days in quarantine. We all were caged birds at one point or another and my heart goes out to all of you who endured. I was quarantined for 28 days in April when I returned from abroad, with the last seven days in a small hotel in rural Dongguan. I have gained a new appreciation for the ferocity and tenacity of spring mosquitos.

In this unprecedented difficult environment, our team displayed tremendous resolve, toughness, and creativity. When a Covid-positive customer wanted to buy a car, our Covid-positive colleagues served him. Marketing teams switched to sales when sales teams got infected. With stores shut down, online sales teams continued by carrying the video equipment home and using their own cars as demos. We signed contracts with customers in Starbucks; we delivered cars to customers' offices; we performed services at customers' homes; and we were, in one case, three times more productive than in our workshops.

We demonstrated the strength of our culture repeatedly. When our Wuhan #1 store was shut down, all 100 employees continued serving their customers without missing a beat at our Wuhan #2 store. (Unfortunately, and ironically, #2 was shut down shortly thereafter). Li Zhaowang (Bazhou BMW) ran out of food in confinement and fed himself with chilies and rice for days. Zhaowang is not as lucky as Pan Hongming (Beijing Lexus), who quarantined with his colleague Tan Guojun (Beijing BMW). Tan turned out to be a great cook—and can be blamed for Pan's enhanced waistline. Chen Xinren (Wuchang Porsche) was quarantined alongside his beloved tofu and sausages. Safe to say that tofu and sausages are no longer his love.

The year 2022 is finally over. Let us rejoice. Let us remember the difficulties and the harshness. Let us also never forget the creativity and resourcefulness we have improvised, and the toughness and tenacity we have displayed.

2022 also saw us integrating StarChase. In hindsight, the integration was quite successful. We have become a far more important member of the Porsche family and our product portfolio has become more luxurious. Luckier yet was that many wonderful colleagues joined our team.

When I first met Wan Ping (Chongqing Porsche), she avoided eye contact and was so nervous that she did not know where to put her hands. She is now among our most efficient managers—quick to think and take action. I suspect that she was born a Karate Kid. Chen Yuxiong (Qingdao Porsche) was and still is a thinker. He analyzes things to death and watching him is like watching a chess grandmaster compete. Thank God his moves prove to be right most of the time. We thank colleagues like Chen and Wan because it is they who enabled a smooth transition.

If you have read thus far, congratulations. Don't miss your red packets, because your efficient colleagues are fast-handed when they see money. As for 2023, what do we predict and what can we see? Is the market going to be less challenging? Are we going to return to normalcy? We don't know the answer. If we were to learn a thing or two in 2022, it would be that we should always prepare for the worst.

This is why Ye Fan and I write to you. Remember the past year—the challenges and the difficulties. More importantly, remember how we dealt with them successfully.

If we internalize how we managed to survive last year, no difficulties in the future can deter us.

Happy New Year and thank you.

Ye Fan/Ye Tao

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the COVID-19 pandemic continued to affect the production and sales of automobile in China. Although the Chinese government cut automobile purchase tax by half in June 2022, resulting in temporary recovery of the automobile retail market, the return of stringent prevention and control measures in the fourth quarter of 2022 further weakened sales performance. According to the data of the China Passenger Car Association, based on the data of insured automobiles, domestic sales volume of passenger vehicles was 20.50 million units in 2022, representing a decrease of 3.0% yoy. Among this, retail sales volume of premium brand vehicles was 3.47 million units, representing a decrease of 2.7%, while retail sales volume of new premium brand conventional fuel vehicles was 2.82 million units, representing a decrease of 7.8% yoy. However, performance of different brands varied. In accordance with the statistics from the National Bureau of Statistics of China, sales from Porsche distributors rose despite the market downturn in 2022, recording a yoy increase of 9.0% in terms of total retail sales. Total retail sales from BMW and Audi distributors decreased by 8.7% yoy. The yoy decrease of Lexus sales was also relatively significant, with the revenue of their distributors decreased correspondingly.

Despite the pressure on automobile sales, the increase in production and sales of automobile gave rise to vast development opportunities for the after-sales market. Based on the investigation on automobile after-sales market conducted by Market Monitor, the scale of the after-sales market in China reached RMB773.76 billion in 2022. While the domestic automobile industry faces great challenges in the short-term, in the wake of market recovery and implementation of a series of policies, it is expected that the premium automobile market will gradually find its footing. New energy vehicle, which experienced growth against the adversity in 2021, is also expected to record further improvement.

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2022 (the "**Year**"), against the backdrop of the challenging operation environment, the Group focused on maintaining its sound operation and keeping its operation efficiency, while cautiously developed and actively explored opportunities. During the Year, the Group completed the acquisition of 7 Porsche 4S stores, 3 service centers and 4 exhibition halls, which propelled the stable growth of revenue from passenger vehicle sales and after-sales services, with the revenue contributed by the sales of premium brand vehicles further increased. The newly acquired Porsche stores also showed synergies since the Group took over its operation, reporting an improvement in efficiency, which is expected to bring strong momentum to the Group's future growth. Furthermore, Porsche, riding on its strong brand value, has fully demonstrated its resilience and growth potential by delivering standout performance against other premium brands. Meanwhile, after-sales services of the Group maintained a satisfactory growth and profit margin during the pandemic. The growing number of passenger vehicles sold could bring in further room for development in after-sales services in the future. Although the Group's profit for the Year was adversely impacted by factors such as the unfavorable market conditions, acquisition charges and expenses, the Group endeavours to maintain high operation efficiency. Its operating metrics, including inventory turnover days, were maintained at a satisfactory level. Its balance sheet and cash flow were also fairly stable.

Revenue

The Group recorded a revenue of approximately RMB28,654.7 million (2021: approximately RMB23,576.7 million), representing an increase of approximately 21.5% yoy. Revenue from sales of passenger vehicles increased by approximately 21.4% yoy to approximately RMB25,297.0 million (2021: approximately RMB20,829.4 million), accounting for approximately 88.3% (2021: approximately 88.3%) of total revenue. Revenue from after-sales services increased by approximately 22.2% yoy to approximately RMB3,357.7 million (2021: approximately RMB2,747.3 million), accounting for approximately 11.7% (2021: approximately 11.7%) of total revenue.

Cost of Sales

Cost of sales increased by approximately 25.6% from approximately RMB20,806.2 million in 2021 to approximately RMB26,137.3 million for the Year. The increase in cost of sales was mainly due to the growth of the Group's two major business segments, namely sales of passenger vehicles and after-sales services. Among which, the cost of sales for passenger vehicles and after-sales services increased by approximately 25.9% and 22.4% respectively.

Gross Profit

During the Year, gross profit decreased by approximately 9.1% from approximately RMB2,770.5 million in 2021 to approximately RMB2,517.5 million. Overall gross profit margin decreased by approximately 3.0 percentage points to approximately 8.8% (2021: approximately 11.8%). Among which, due to weakened demand and supply shortage during the pandemic, gross profit margin of sales of passenger vehicles decreased by approximately 3.4 percentage points to approximately 3.4% (2021: approximately 6.8%), while that of after-sales services remained stable at approximately 49.0% (2021: approximately 49.1%).

Costs and Expenses

During the Year, the Group incurred amortized interest expenses of approximately RMB96.5 million in relation to the HK$2,750,000,000 zero-coupon convertible bonds due 2027 issued by Sail Vantage Limited (a wholly-owned subsidiary of the Company) and guaranteed by the Company (the "**Convertible Bonds**") and the liability portion of the Convertible Bonds using effective interest method; amortized cost of approximately RMB102.3 million for the relevant dealership right in relation to the acquisition of MeiDong Auto Sales Group Limited (formerly known as Starchase Motorsports Limited) (the "**Target Company**"); and other one-off expenses (e.g. acquisition charges and transition bonus) of approximately RMB56.2 million arose from the acquisition. In addition, the Group also incurred an expense of approximately RMB31.5 million in relation to the issuance of additional share options to employees, resulting in an increase in overall expenses for the Year. Among which, distribution costs were approximately RMB859.9 million, which accounted for approximately 3.0% of total revenue, representing a slight decrease by 0.1 percentage point as compared to that of approximately 3.1% for the corresponding period of 2021. Administrative expenses were approximately RMB810.7 million, which accounted for approximately 2.8% of total revenue, representing a slight increase by 0.3 percentage point as compared to that of approximately 2.5% for the corresponding period of 2021. Finance costs amounted to approximately RMB275.0 million, increased by 0.4 percentage point from approximately 0.6% for the corresponding period of 2021 to approximately 1.0% as a percentage of total revenue.

Taxation

During the Year, the Group's income tax expenses amounted to approximately RMB307.6 million, representing a decrease of approximately 23.0% as compared to approximately RMB399.4 million for 2021. Income tax expenses for the Year included withholding tax on dividend in respect of dividends paid by subsidiaries in Mainland China to foreign controlling company amounted to approximately RMB42.5 million. The decrease in income tax expenses was mainly due to the decrease in profit before tax.

Profit for the Year

During the Year, the overall sales volume of premium brand vehicles and the gross profit margin of passenger vehicles sales were impacted by the COVID-19 pandemic. Coupled with the additional non-operating expenses mentioned above, the Group's profit decreased by approximately 54.2% yoy to approximately RMB555.9 million (2021: approximately RMB1,213.3 million). The profit margin also decreased by 3.2 percentage points from approximately 5.1% for 2021 to approximately 1.9%.

Dividend

The interim dividend for 2022 was RMB0.0808 per ordinary share of the Company ("**Share**"). The Board recommended a final dividend of RMB0.1170 per Share for the year ended 31 December 2022 (2021: RMB0.6991 per Share). Taking into account the final dividend recommended, the total dividend for the Year amounted to RMB0.1978 per Share (2021: RMB0.8284 per Share), representing a payout ratio of approximately 50% (2021: 90.0%). See also the paragraph below headed "Results and Final dividend" in the Report of the Directors for further information about the dividend (including its conditions and book closure information).

Joint Venture

For the Year, share of profit of a joint venture amounted to approximately RMB24.9 million, representing a decrease of approximately 48.1% as compared to approximately RMB48.0 million for 2021.

Sales of Passenger Vehicles

During the Year, the Group further expanded its store network and completed the acquisition of 7 Porsche stores. In a market environment full of challenges and uncertainties, sales of passenger vehicles managed to record a stable growth in 2022 with a revenue of approximately RMB25,297.0 million (2021: approximately RMB20,829.4 million), representing an increase of approximately 21.4% as compared to the corresponding period of 2021. Sales of premium brand vehicles remained as the major revenue source of the Group, accounting for approximately 87.7% of total sales of passenger vehicles. Sales of passenger vehicles under the Porsche, BMW and Lexus brand amounted to approximately RMB10,007.1 million, RMB8,130.0 million and RMB3,941.8 million respectively, accounting for approximately 39.6%, 32.1% and 15.6% of total sales of passenger vehicles respectively. In terms of sales volume, despite the impact of the pandemic and supply shortage, the Group sold 67,871 passenger vehicles in total, representing an increase of 10.2% yoy. Porsche, BMW and Lexus recorded sales volume of 11,790 units, 23,611 units and 11,342 units, respectively.

After-Sales Services

During the Year, as service base further expanded, the after-sales service segment maintained high growth despite the impact of the pandemic. Revenue amounted to approximately RMB3,357.7 million, representing an increase of approximately 22.2% as compared to that for 2021 (2021: approximately RMB2,747.3 million). The total number of vehicles served was 706,639 units, representing an increase of approximately 8.5% yoy. The gross profit margin from after-sales services remained at a high level of 49.0% (2021: 49.1%).

Current Network

The Group continues to implement its highly-effective premium brand focus and "Single City Single Store" strategy, and expands its distribution network through new store openings and mergers and acquisitions. In 2022, the Group completed the acquisition of 7 new stores. As of 31 December 2022, the Group has 76 self-operated stores situated in provinces and cities such as Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu and Anhui, including a joint venture operated by the Group.

As at 31 December 2022, the number of stores operated by the Group was as follows:

Number of stores under operation	**2022**	2021	Change
Porsche	**16**	9	+7
BMW	**27**	27	0
Lexus	**20**	19	+1
Toyota	**12**	13	-1
Hyundai	**0**	1	-1
Audi	**1**	1	0
Total	**76**	70	+6

Liquidity, Financial Resources and Position

As at 31 December 2022, total equity of the Group amounted to approximately RMB4,433.8 million (31 December 2021: approximately RMB4,116.6 million), current asset amounted to approximately RMB5,888.5 million (31 December 2021: approximately RMB5,563.1 million), and current liabilities amounted to approximately RMB4,873.7 million (31 December 2021: approximately RMB4,089.5 million).

As at 31 December 2022, the Group's loans and borrowings amounted to approximately RMB1,906.7 million (of which RMB1,676.2 million bore interest at fixed rates), representing an increase of approximately 47.9% as compared to approximately RMB1,288.9 million as of 31 December 2021, of which, short-term loans and borrowings amounted to approximately RMB1,413.9 million, while long-term loans and borrowings amounted to approximately RMB492.8 million. As at 31 December 2022, convertible bonds amounted to approximately RMB2,274.9 million. The gearing ratio (being the sum of loans and borrowings, convertible bonds payable and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 131.9% as at 31 December 2022 (31 December 2021: approximately 65.4%).

As at 31 December 2022, cash and cash equivalents, pledged bank deposits and fixed deposits with more than three months to maturity when placed amounted to approximately RMB3,258.6 million. Most of the cash and cash equivalents and pledged bank deposits were denominated in Renminbi and Hong Kong Dollars. Apart from part of the cash that is denominated in Hong Kong Dollars, the Group's business operations locate principally in China and a majority of its transactions are all denominated in Renminbi. Therefore, the Group expects its foreign exchange risks will have minimal effect on its normal operations and business. For the Year, the Group did not employ any significant financial instruments such as forward foreign exchange contracts, nor did it employ any major financial instruments for hedging purposes. The management of the Company will closely monitor its 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, issuance of Convertible Bonds and new Shares. The Group has adequate financial resources to meet all contractual obligations and operating requirements.

Change in Functional Currency

The functional currency of the Company has been changed from RMB to HK$ with effect from 1 January 2022. Further details are set out in note 2(c) to the consolidated financial statements in this annual report. The presentation currency of the Company remains unchanged as RMB. As of 31 December 2022, the translation reserve arising from the change of functional currency recorded in the Group's consolidated statement of comprehensive income was approximately RMB78.5 million.

Contingent Liabilities

As of 31 December 2022, certain subsidiaries of the Group are respondents in several legal dispute cases in relation to certain investments made before 2022. While the arbitrations are still ongoing and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that it is not probable that the Group will need to make payments to the claimants. Therefore, no provision has been made in respect of those cases as at 31 December 2022.

As of 31 December 2022, except for the aforementioned contingencies associated with those legal dispute cases, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisition and Disposals

Apart from the acquisition of the Target Company (together with its subsidiaries the "**Target Group**"), the Group had no significant investments, acquisitions nor disposals during the Year. Please refer to the paragraph headed "Acquisition of MeiDong Auto Sales Group Limited" below. There was no other material investments or additions of capital assets authorised by the Board as of the date of this Annual Report.

Pledged Assets of the Group

As at 31 December 2022, the Group used property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and total pledged bank deposits of approximately RMB127.7 million (31 December 2021: approximately RMB326.7 million) as collateral for certain loans and borrowings.

SIGNIFICANT EVENTS

Issue of convertible bonds and shares under general mandate

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

With effect from 5 August 2022, following the determination of the exchange rate of cash distribution of final dividend of the Company for the year ended 31 December 2021, the conversion price has been adjusted to HK$45.4881 per Share (subject to adjustments) pursuant to the terms and conditions of the Convertible Bonds. With reference to the aggregate outstanding principal amount of HK$2,750,000,000 as of 5 August 2022 and the date of this Annual Report and the adjusted conversion price, the maximum number of Shares to be issued upon full conversion of the Convertible Bonds will be 60,455,371 Shares (with an aggregate nominal value of approximately HK$6,045,537 and a net price of approximately HK$44.58 per conversion Share to the Company based on the net proceeds), and representing approximately 4.74% and 4.53% of the issued Shares as of the date of this Annual Report, assuming no and full conversion, respectively). Assuming full conversion of the Convertible Bonds at the adjusted conversion price, the shareholding of Apex Sail Limited ("**Apex Sail**" a controlling shareholder of the Company) will be changed from approximately 52.22% to 49.98%.

During the Year, no conversion rights was exercised, and no redemption, purchase or cancellation of the Convertible Bonds by the Company or its subsidiaries took place.

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

The closing price of the Shares as quoted on the Stock Exchange on 5 January 2022 (the date on which the initial conversion price and issue price were fixed) was HK$39.35 per Share.

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

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

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

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

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

Acquisition of MeiDong Auto Sales Group Limited

On 13 December 2021, the Company entered into an acquisition agreement with Wearnes-StarChase Limited, pursuant to which the Company agreed to acquire all issued shares of the Target Company for a total cash consideration of RMB3,700,000,000 (less any completion shortfalls) upon the terms of the acquisition agreement.

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

Further information is set out in the Company's circular dated 6 April 2022.

Grant of share options to employees

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

RECONCILIATION OF NON-HKFRS FINANCIAL MEASURES TO THE NEAREST HKFRS MEASURES

Profit for the year excluding non-operating expenses is a non-GAAP financial measure used to exclude the impact of non-operating items which affect the results presented in the financial statements, but the management does not consider to be indicative of the Group's recurring core business operating results. The Company believes that such non-HKFRS financial measure could provide the management, Shareholders and investors supplementary information for the assessment of the performance of the Group's core operation, and facilitate comparison of operating performance year to year. The use of such non-HKFRS financial measure has limitations as an analytical tool, and one should not consider it in isolation from, or as a substitute for analysis of, the results of operations or financial conditions as reported under HKFRS. One of the limitations of using such non-GAAP financial measure is that such measure excludes certain items that have been (and may continue to be for the foreseeable future) a component in the Company's operating results. In addition, non-HKFRS financial measure does not have a standardized meaning prescribed under HKFRS, and may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other issuers.

The following table sets forth the reconciliations of such non-HKFRS financial measure for the years ended 31 December 2022 and 2021, to the nearest measures prepared in accordance with HKFRS.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the year	**555,936**	1,213,340
Amortized interest expenses of Convertible Bonds	**96,488**	—
Amortized cost of dealership right	**102,346**	18,802
Withholding tax on dividend distribution	**42,516**	—
Equity settled share-based payment expenses	**31,548**	4,130
Other one-off expenses including tax effect	**28,813**	5,752
Profit for the year excluding non-operating expenses	**857,647**	1,242,024

PROSPECTS

Looking forward to 2023, under the impact of shortage and rising price of raw materials for chips and batteries and the uncertain macroeconomic environment, uncertainties still persist to a certain extent in the automobile production and sales market. However, the reopening in the post-pandemic era and the implementation of a series of consumer stimulus policies by various local governments in China provides valuable support for offline retail sales. Upholding its usual prudential approach, the Group will continue to respond to market challenges in a flexible and proactive manner. The Group will also continue to improve operational efficiency of existing stores through efficient data management, and further promote integration of the newly acquired Porsche stores. The Group believes that the newly acquired Porsche stores will become a strong driving force for the Group's business growth and efficiency enhancement. The Group will also strictly manage its balance sheet and cash flow. The Group's adequate cash and strong execution capabilities will also contribute to its long-term and sustainable development, allowing it to fully grasp new opportunities amidst market adversity.

Meanwhile, the new energy automobile industry experienced rapid growth in recent years, and development is expected to maintain stable going forward. The recovery of China's economy and the gradual restoration of purchasing power will both stimulate demand for new energy vehicles. Based on the estimation of China Association of Automobile Manufacturers, in 2023, the total sales volume of new energy vehicles in China will be 9 million units, representing an increase of 35.0% yoy and a penetration rate of approximately 35.0%. In the face of market opportunities from new energy vehicles and after-sales services, the Group will make proper use of its existing brand, store coverage and efficient management capacity to explore opportunities in due time, so as to drive business growth.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YE Fan *(Chairman)*
Mr. YE Fan (葉帆), aged 51, 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.

Mr. YE Tao *(Chief Executive Officer)*

Mr. YE Tao (葉濤), aged 56, 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), aged 39, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. JIP Ki Chi

Mr. JIP Ki Chi (葉奇志) ("**Mr. Jip**"), aged 53, was appointed as an independent non-executive Director of the Company on 15 November 2013. Mr. Jip resigned as an independent non-executive Director and ceased to be the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee, both effective on 30 November 2022, in order to devote more attention and dedication to his other business engagements. Mr. Jip is the chief financial officer and company secretary of Sun Entertainment Group Limited (formerly known as "Sage International Group Limited") (Stock code: 8082.HK) and acts as an independent non-executive director of Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596.HK). Mr. Jip was awarded a Bachelor degree of Business in Accountancy from Queensland University of Technology, Australia in 1994, and a Master degree in Business Administration from the University of Adelaide, Australia in 2008. Mr. Jip is a Certified Practising Accountant of CPA Australia (CPA (Aust.)). He obtained his qualification as a fellow member of Hong Kong Institute of Certified Public Accountants in 2007 (FCPA). Mr. Jip has a wealth of experience in accounting, finance, management and company secretarial field, and has worked as the chief financial officer and company secretary of Inventronics Holdings Limited and Zhong Da Mining Limited, the financial controller and company secretary of Aceso Life Science Group Limited (Stock code: 474. HK) (formerly known as Hao Tian Development Group Limited) and the financial controller of Wah Shing Group.

Mr. WANG, Michael Chou

Mr. WANG, Michael Chou (王炬) ("**Mr. Wang**"), aged 53, was appointed as an independent non-executive Director of the Company with effect from 22 June 2015. Mr. Wang was awarded a Master of Business Administration by the Wharton School of Business at the University of Pennsylvania in 1997 and a Bachelor of Arts from Southwestern University in 1992. He is currently the managing partner and president of Abax Global Capital. Mr. Wang is responsible for the overall business management and investment activities at Abax and also focuses on the management of portfolio companies. Mr. Wang is a member of the fund's investment committee and is the Chairman of such firm's operating committee.

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

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

Mr. CHEN Guiyi

Mr. CHEN Guiyi (陳規易) ("**Mr. Chen**"), aged 44, was appointed as an independent non-executive Director of the Company 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 one of Managing Directors of Centurium Capital Management (HK) Ltd. Mr. Chen has ample experience in the capital market, specializing in both the domestic and overseas capital market.

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

Mr. TO Siu Lun

Mr. TO Siu Lun (杜紹麟) ("**Mr. To**"), aged 54, was appointed as an independent non-executive Director of the Company with effect from 30 November 2022. Mr. To is a member of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants and an associate of The Taxation Institute of Hong Kong. He worked at RSM Hong Kong (formerly known as RSM Nelson Wheeler) from March 2003 to March 2019, first as a tax director and became a partner since January 2005. Since March 2019, he has been a partner at ORI Capital Limited (a corporation licensed under the Securities and Futures Ordinance to conduct type 9 regulated activity (asset management) since January 2020). Mr. To is currently a director of ICO Strategy Limited, an independent director of Resverlogix Corp. (the shares of which are listed on the Toronto Stock Exchange (TSX:RVX)), a director of ORI Capital II Inc., 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) and an independent non-executive director of Autotoll Limited. He was an executive director of Digitel Group Limited from November 2001 to March 2002.

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.

SENIOR MANAGEMENT

Ms. YUAN Ying

Ms. YUAN Ying (袁英) ("**Ms. Yuan**"), aged 42, is our Financial Controller 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.

Ms. WANG Feixue

Ms. WANG Feixue (王飛雪) ("**Ms. Wang**"), aged 42, is our vice president of sales and marketing unit. Currently, she is primarily responsible for the overall management of the sales and marketing functions of the Group. Ms. Wang completed a two-year professional study programme in Chinese language and literature in Henan Broadcast Television University. Ms. Wang joined the Group as a sales consultant in July 2004 and was then in charge of sales of new vehicles. Ms. Wang left the Group in July 2006, then rejoined the Group as a corporate planning manager in July 2007. Before Ms. Wang rejoined the Group in July 2007, she worked for Dongguan Zhicheng Trading Company Limited as the sales manager, and was in charge of managing the sales department.

Ms. CHEN Saijin

Ms. CHEN Saijin (陳賽金) ("**Ms. Chen**"), aged 42, 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

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Year**").

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 15 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 "Letter to Shareholders" and "Management Discussion and Analysis" of this Annual Report. The financial risk management objectives and policies of the Group can be found in note 30 to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the financial Year are provided in page 46 of this section and note 36 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 191 of this Annual Report.

Principal risks and uncertainties

The industry we operate in and our performance are influenced by our authorised dealership, evolvement of technology, stability of supply, customers' preference, and regulatory requirements. We may also be affected by risks in daily operations such as interest rate fluctuation and liquidity, and external circumstances such as COVID-19 and associated prevention and control measures, global and national macroeconomic conditions, governmental policies and regulations.

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

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 regarding 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.

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 the business and operation of the Group 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 that date are set out in the consolidated financial statements on pages 76 to 189 of this Annual Report.

The Directors have recommended the payment of a final cash dividend of RMB0.1170 per Share (2021: RMB0.6991 per Share) to the Shareholders whose names are on the register of members of the Company on 23 June 2023 (Friday). The declaration and payment of the final dividend is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands. 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, a total amount of dividend of approximately RMB157.4 million will be distributed. It is expected that the cheques for cash dividends will be sent by ordinary mail to shareholders at their own risk on 17 August 2023 (Thursday).

The Conversion Price of the Convertible Bonds may be adjusted due to the declaration of the final dividend pursuant to condition 6(c)(3) of the terms and conditions of the Convertible Bonds (published by the Company on 14 January 2022) after the determination of the applicable exchange rate for payment of the final dividend. If any adjustment is required, the Company will make further announcement following the determination of the exchange rate for the final dividend.

Please also refer to the Company's announcement dated 30 March 2023 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.

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 80 of this Annual Report.

The Company's reserves available for distribution to the Shareholders as at 31 December 2022 amounted to RMB1,348,940,000 (2021: RMB431,951,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

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 2022 is set out on page 191 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the environmental, social and governance ("**ESG**") information in accordance with the ESG Reporting Guide in Appendix 27 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), 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 dispatched to the shareholder of the Company and published on the website of the Company and the Stock Exchange on the same date.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the year ended 31 December 2022 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 ended 31 December 2022 are set out in note 29(c) to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2022 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 *(appointed on 30 November 2022)*
Mr. WANG, Michael Chou
Mr. JIP Ki Chi *(resigned on 30 November 2022)*

The biographical details of the Directors and senior management of the Company are set out on page 22 to 26 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 AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

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. Other emoluments are determined by the Board with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities and performance and the results of the Group. 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 or note 34 to the consolidated financial statements, at the end of, or at any time during, the year ended 31 December 2022, (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 2022, 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 10 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Capacity	Interest in shares Personal interest	 Family interest	Interest in underlying shares pursuant to share options (3)	Approximate percentage of shareholding as at 31 December 2022
YE Fan (1)	Settlor of trust	—	702,712,000	—	55.05%
YE Tao	Beneficial owner	2,000,000	—	2,000,000	0.31%
LUO Liuyu	Beneficial owner	48,000	—	580,000	0.05%
CHEN Guiyi	Beneficial owner	750,000	—	250,000	0.08%
WANG Michael Chou	Beneficial owner	188,000	—	500,000	0.05%

Note:

(1) Mr. YE Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited ("**Apex Holdings**") is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited ("**Apex Sail**"). Apex Sail directly holds 702,712,000 Shares and 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 2022, being 1,276,572,364.

(3) Details of the Directors' interests in share options granted by the Company are set out under the heading "Share Option Scheme" below.

Directors' Rights to Acquire Shares

Save for options granted by the Company to certain Directors under the Company's share option scheme (the "**SOS**" or "**Share Option Scheme**", as further detailed in the paragraph headed "Share Option Scheme" below), as of 31 December 2022, 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2022, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following Shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Substantial Shareholders			
Apex Sail (1), (2)	Beneficial owner	702,712,000	55.05%
Apex Holdings (1), (2)	Interest in a controlled corporation	702,712,000	55.05%
IQ EQ (Switzerland) Limited (2)	Trustee	702,712,000	55.05%
HU Huanran (1), (3)	Interest of spouse	702,712,000	55.05%

Notes:

(1) This is based on the total Shares in issue as at 31 December 2022, being 1,276,572,364.

(2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by IQ EQ (Switzerland) Limited as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. YE Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.

(3) Mr. YE Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail. Mr. YE Fan's spouse, Ms. HU Huanran, is deemed to be interested in such 702,712,000 Shares by virtue of the SFO.

Save for the Shareholders as disclosed herein, the Company had not been notified of any substantial shareholder or other person (other than the Directors and chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded as at 31 December 2022 in the register to be kept by the Company under Section 336 of the SFO or was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

SHARE OPTION SCHEME

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

The SOS will remain in force for a period of 10 years commencing on 13 November 2013.

The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

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

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

During the Year, 8,901,000 options were granted by the Company (representing approximately 0.70% based on the weighted average of 1,273,120,000 Shares in issue during the Year).

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

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2022	During the Year Granted[3,9]	Exercised (Relevant closing price[4])	Cancelled	Lapsed	Outstanding as of 31 December 2022	Exercise period
Directors									
YE Tao	20.01.2014	1.8	500,000	–	(500,000) (HK$28.20)	–	–	–	01.01.2015–12.11.2023
		1.8	500,000	–	(500,000) (HK$28.20)	–	–	–	01.01.2016–12.11.2023
		1.8	500,000	–	(500,000) (HK$28.20)	–	–	–	01.01.2017–12.11.2023
		1.8	500,000	–	(500,000) (HK$28.20)	–	–	–	01.01.2018–12.11.2023
	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	20.01.2014	1.8	75,000	–	(75,000) (HK$25.00)	–	–	–	01.01.2015–12.11.2023
		1.8	75,000	–	(75,000) (HK$25.00)	–	–	–	01.01.2016–12.11.2023
		1.8	75,000	–	(75,000) (HK$25.00)	–	–	–	01.01.2017–12.11.2023
		1.8	75,000	–	(75,000) (HK$25.00)	–	–	–	01.01.2018–12.11.2023
	04.01.2018	2.58	225,000	–	(225,000) (HK$25.00)	–	–	–	04.01.2018–03.01.2028
		2.58	225,000	–	(225,000) (HK$25.00)	–	–	–	04.01.2019–03.01.2028
		2.58	225,000	–	(225,000) (HK$25.00)	–	–	–	04.01.2020–03.01.2028
		2.58	225,000	–	–	–	–	225,000	04.01.2021–03.01.2028
	18.07.2019	6.00	57,500	–	(57,500) (HK$25.00)	–	–	–	18.07.2019–17.07.2029
		6.00	57,500	–	(57,500) (HK$25.00)	–	–	–	18.07.2020–17.07.2029
		6.00	57,500	–	–	–	–	57,500	18.07.2021–17.07.2029
		6.00	57,500	–	–	–	–	57,500	18.07.2022–17.07.2029
	25.05.2022	26.20	–	60,000	–	–	–	60,000	25.05.2022–24.05.2032
		26.20	–	60,000	–	–	–	60,000	25.05.2022–24.05.2032
		26.20	–	60,000	–	–	–	60,000	25.05.2022–24.05.2032
		26.20	–	60,000	–	–	–	60,000	25.05.2022–24.05.2032

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2022	During the Year Granted[3,9]	Exercised (Relevant closing price[4])	Cancelled	Lapsed	Outstanding as of 31 December 2022	Exercise period
CHEN Guiyi	18.07.2019	6.00	250,000	–	(250,000) (HK$15.60)	–	–	–	18.07.2021–17.07.2029
		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			**6,430,000**	**240,000**	**(3,340,000) (HK$26.21)**	**–**	**–**	**3,330,000**	
JIP Ki Chi (resigned)	18.07.2019	6.00	250,000	–	(250,000) (HK$25.75)	–	–	–	18.07.2021–17.07.2029
		6.00	250,000	–	(250,000) (HK$12.08)	–	–	–	18.07.2022–17.07.2029
Employees									
Five highest paid individual(s) (not being Director or chief executive of the Company)	20.01.2014	1.80	30,000	–	(30,000) (HK$25.00)	–	–	–	01.01.2015–12.11.2023
		1.80	30,000	–	(30,000) (HK$25.00)	–	–	–	01.01.2016–12.11.2023
		1.80	30,000	–	(30,000) (HK$25.00)	–	–	–	01.01.2017–12.11.2023
		1.80	30,000	–	(30,000) (HK$25.00)	–	–	–	01.01.2018–12.11.2023
	04.01.2018	2.58	157,500	–	(112,500) (HK$25.00)	–	–	45,000	04.01.2018–03.01.2028
		2.58	157,500	–	–	–	–	157,500	04.01.2019–03.01.2028
		2.58	157,500	–	–	–	–	157,500	04.01.2020–03.01.2028
		2.58	232,500	–	–	–	–	232,500	04.01.2021–03.01.2028
	18.07.2019	6.00	553,750	–	–	–	–	553,750	18.07.2019–17.07.2029
		6.00	566,250	–	–	–	–	566,250	18.07.2020–17.07.2029
		6.00	566,250	–	–	–	–	566,250	18.07.2021–17.07.2029
		6.00	566,250	–	–	–	–	566,250	18.07.2022–17.07.2029
	16.01.2020	10.80	375,000	–	–	–	–	375,000	16.01.2020–15.01.2030
		10.80	375,000	–	–	–	–	375,000	16.01.2021–15.01.2030
		10.80	375,000	–	–	–	–	375,000	16.01.2022–15.01.2030
		10.80	375,000	–	–	–	–	375,000	16.01.2023–15.01.2030
	25.05.2022	26.20	–	112,500	–	–	–	112,500	25.05.2022–24.05.2032
		26.20	–	112,500	–	–	–	112,500	25.05.2022–24.05.2032
		26.20	–	112,500	–	–	–	112,500	25.05.2022–24.05.2032
		26.20	–	112,500	–	–	–	112,500	25.05.2022–24.05.2032

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2022	During the Year: Granted[3,9]	During the Year: Exercised (Relevant closing price[4])	During the Year: Cancelled	During the Year: Lapsed	Outstanding as of 31 December 2022	Exercise period
Other senior management (Not being a Director, chief executive or five highest paid individuals)	04.01.2018	2.58	25,000	–	(25,000) (HK$28.20)	–	–	–	04.01.2018–03.01.2028
		2.58	125,000	–	(125,000) (HK$28.20)	–	–	–	04.01.2019–03.01.2028
		2.58	125,000	–	(125,000) (HK$25.75)	–	–	–	04.01.2020–03.01.2028
		2.58	125,000	–	(25,000) (HK$25.75)	–	–	100,000	04.01.2021–03.01.2028
	18.07.2019	6.00	12,500	–	–	–	–	12,500	18.07.2019–17.07.2029
		6.00	12,500	–	–	–	–	12,500	18.07.2020–17.07.2029
		6.00	12,500	–	–	–	–	12,500	18.07.2021–17.07.2029
		6.00	12,500	–	–	–	–	12,500	18.07.2022–17.07.2029
	25.05.2022	26.20	–	52,500	–	–	–	52,500	25.05.2022–24.05.2032
		26.20	–	52,500	–	–	–	52,500	25.05.2022–24.05.2032
		26.20	–	52,500	–	–	–	52,500	25.05.2022–24.05.2032
		26.20	–	52,500	–	–	–	52,500	25.05.2022–24.05.2032
Other employees, in aggregate	20.01.2014	1.80	7,500	–	(7,500) (HK$25.00)	–	–	–	01.01.2015–12.11.2023
		1.80	7,500	–	(7,500) (HK$25.00)	–	–	–	01.01.2016–12.11.2023
		1.80	7,500	–	(7,500) (HK$25.00)	–	–	–	01.01.2017–12.11.2023
		1.80	7,500	–	(7,500) (HK$25.00)	–	–	–	01.01.2018–12.11.2023
	04.01.2018	2.58	250,000	–	(150,000) (HK$25.43)	–	–	100,000	04.01.2018–03.01.2028
		2.58	250,000	–	(150,000) (HK$25.43)	–	–	100,000	04.01.2019–03.01.2028
		2.58	400,000	–	(225,000) (HK$26.35)	–	–	175,000	04.01.2020–03.01.2028
		2.58	492,500	–	(175,000) (HK$27.78)	–	–	317,500	04.01.2021–03.01.2028
	18.07.2019	6.00	315,000	–	(183,750) (HK$25.03)	–	(82,500)	48,750	18.07.2019–17.07.2029
		6.00	315,000	–	(183,750) (HK$25.03)	–	(82,500)	48,750	18.07.2020–17.07.2029
		6.00	870,000	–	(330,000) (HK$14.29)	–	(125,000)	415,000	18.07.2021–17.07.2029
		6.00	931,250	–	(322,500) (HK$14.02)	–	(125,000)	483,750	18.07.2022–17.07.2029

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2022	During the Year: Granted[3,9]	During the Year: Exercised (Relevant closing price[4])	During the Year: Cancelled	During the Year: Lapsed	Outstanding as of 31 December 2022	Exercise period
	16.01.2020	10.80	75,000	–	(70,000) (HK$25.00)	–	(5,000)	–	16.01.2020–15.01.2030
		10.80	92,500	–	–	–	(12,500)	80,000	16.01.2021–15.01.2030
		10.80	107,500	–	(12,500) (HK$28.20)	–	(12,500)	82,500	16.01.2022–15.01.2030
		10.80	107,500	–	–	–	(12,500)	95,000	16.01.2023–15.01.2030
	25.05.2022	26.2	–	2,000,250	–	–	(72,000)	1,928,250	25.05.2022–24.05.2032
		26.2	–	2,000,250	–	–	(72,000)	1,928,250	25.05.2023–24.05.2032
		26.2	–	2,000,250	–	–	(72,000)	1,928,250	25.05.2024–24.05.2032
		26.2	–	2,000,250	–	–	(72,000)	1,928,250	25.05.2025–24.05.2032
Subtotal (All employees, not being senior management or five highest paid individual)			4,236,250	8,001,000	(1,832,500) (HK$21.67)		(745,500)	9,659,250	
Total			16,193,750[7]	8,901,000	(6,205,000)[6] (HK$24.30)		(745,500)	18,144,250[8]	

Notes:

1. The total number of Shares which may be issued upon exercise of all Options available for grant under the Share Option Scheme was 64,980,000 Shares as of the beginning of the Year, 56,079,000 Shares as of the end of the Year, and 56,079,000 Shares as of the date of this Annual Report, representing approximately 5.20%, 4.39% and 4.17% of the total issued Shares as at the relevant time, respectively.

2. A consideration of HK$1 was payable by each grantee upon acceptance of the Option.

3. The exercise price of Options granted during the Year of HK$26.2 per Share represents the higher of: (i) the closing price of HK$26.2 per Share as stated in the daily quotation sheet of the Stock Exchange on the date of grant; (ii) the average closing price of HK$25.5 per Share as stated in the daily quotation sheets of by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value per Share. The closing price per Share as stated in the daily quotation sheet of the Stock Exchange on the date immediately before the date of grant was HK$25.0 per Share. Options granted during the Year is not subject to any vesting conditions.

4. Being the weighted average closing price per Share immediately before the date on which the Options were exercised.

5. The Options are subject to a vesting period from the date of grant to the date immediately before the commencement of the exercise period. The vesting period and exercise period is also subject to earlier cancellation, lapse or termination in accordance with the Share Option Scheme.

6. Following the exercise of these Options, an aggregate of 6,205,000 Shares (with an aggregate nominal value of HK$620,500.0) were issued, with a total fund of approximately HK$21,222,750.0. Such funds has not been applied, and is expected to be applied for working capital and other corporate purposes within the next three years.

   A total fund of approximately HK$13,471,500.0 from the issued of Shares arose from the exercise of Options in previous years was not yet applied as of the beginning of the Year. The Company intended for these funds from exercise of Options be applied towards working capital and general corporate purposes before 31 December 2024.

7. Representing approximately 1.30% of the total issued Shares as of the beginning of the Year.

8. Representing approximately 1.42% of the total issued Shares as of end of the Year.

9. The fair value of the Option granted on 25 May 2022 was HK$7.84 as of the date of grant, using the binomial option-pricing model taking into account the terms and condition upon which the Options were granted in accordance with the policy set out in note 2(t)(iii) to the consolidated financial statements. Detail of the accounting policy adopted (including the assumptions and input used in such pricing model, and the determination of these assumptions and inputs) are set out in note 27(c) to the consolidated financial statements.

CONNECTED TRANSACTION

There were no significant connected transactions during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 34 to the consolidated financial statements. All the related party transactions as disclosed in note 34 to the consolidated financial statement did not constitute connected transactions or continuing connected transactions of the Company which are subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The disclosure requirements under Chapter 14A of the Listing Rules is therefore not applicable to such related party transactions.

UPDATE ON DIRECTORS' INFORMATION

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

Mr. TO Siu Lun, an independent non-executive Director, became an independent non-executive director of Combine Will International Holdings Limited (SGX: N0Z, whose shares are listed on the Singapore Exchange Securities Trading Limited) on 26 March 2023.

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 2022 are set out in note 23 to the consolidated financial statements.

The gearing ratio (being the sum of loans and borrowings, convertible bonds payable and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 131.9% as at 31 December 2022 (31 December 2021: approximately 65.4%).

DONATIONS

During the Year, the Group made charitable and other donations amounting to RMB Nil.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for approximately 0.06% of the total revenue, and sales to the largest customer accounted for approximately 0.02% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 93.51% of its operating costs for the Year. Purchases from the largest supplier accounted for about 34.72% 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 share capital) 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the Year and until the date of this report save as disclosed in this Annual Report.

EMOLUMENT POLICY

As at 31 December 2022, the Group had a total of 4,689 employees (31 December 2021: 5,076), the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee, discretionary bonuses, retirement scheme contribution and share options 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.

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 and comparable market statistics, makes recommendations to the Board on the emoluments of the Directors and senior management. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the schemes is set out in note 27 to the consolidated financial statements and under the heading "Share Option Scheme" in this Report of Directors.

PERMITTED DIRECTORS' INDEMNITY

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions as set out in Part 2 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**Code**") in force during the Year. Details of the corporate governance of the Group are set out in the section headed "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.

STATUS ON USE OF PROCEEDS

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

In January 2022, the Company issued Convertible Bonds and Shares under the general mandate, and received approximately HK$3,461 million (with approximately HK$2,690 million from the issue of Convertible Bonds, and approximately HK$771 million from the issue of Shares) in aggregate after deducting applicable costs and expenses. See also the paragraph headed "Significant Events" above in the section headed "Management Discussion and Analysis". Below sets out the use of proceeds from such issues:

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

Notes:

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

** Including approximately HK$269 million from issue of Convertible Bonds, and approximately HK$77 million from issue of Shares.

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

IMPORTANT EVENTS AFTER END OF YEAR

Issue of shares under general mandate

On 4 January 2023, the Company, Apex Sail (as vendor of Shares) and Citigroup Global Markets Asia Limited (as placing agent) entered into a placing and subscription agreement, under which (i) Apex Sail agreed to sell 68,000,000 existing Shares at a placing price of HK$15.05 per Share to not less than six independent third party placees procured by the placing agent, and (ii) the Company agreed to issue 68,000,000 Shares to Apex Sail at a subscription price of HK$15.05 per Share. The closing price per Share as quoted on the Stock Exchange on 4 January 2023 (being the date on which the subscription price was fixed) was HK$17.14 per Share. The share placement and subscription have been completed in January 2023.

The net proceeds from the issue of Shares (after deducting all relevant fees, costs and expenses borne or incurred by the Company) were approximately HK$1,012 million in aggregate. The net price based on the net proceeds was approximately HK$14.88 per Share. The Board considers that the share allotment represents an opportunity to raise additional funds to strengthen the financial position, to enlarge the Shareholders' equity and capital base of the Company in support of a sustainable overall development and expansion. The Company intends to use the net proceeds for business expansion, working capital and other general corporate purposes, including strategic investments and acquisitions. For further information, please refer to the announcement of the Company dated 4 January 2023.

Particulars of important events affecting the Group that have occurred since the end of the Year are provided in note 36 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 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, 30 March 2023

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

**Note:* Mr. TO Siu Lun was appointed as an independent non-executive Director, the Chairman of the Audit Committee, and a member of each of the Remuneration Committee and the Nomination Committee with effect from 30 November 2022, following the resignation of Mr. JIP Ki Chi from the above positions with effect on the same date.

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 22 to 26 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 in the Report of the Directors on page 44 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 and the Company also considers that all of them are independent. Except for the family relationship between Mr. YE Fan and Mr. YE Tao as disclosed in the biographical details on pages 22 to 23 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

The list of Directors is disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Please refer to the paragraph headed "Board of Directors" in the section headed "Report of the 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.

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 appointment of independent non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

Functions of the Board

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

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

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

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

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

BOARD DIVERSITY POLICY

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

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

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

NOMINATION POLICY

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

DIVIDEND POLICY

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

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

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

Corporate Governance Functions

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

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(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.

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 ended 31 December 2022, the Board approved the terms of reference of the Board (with respect to corporate governance duties), and the terms of reference of the Nomination Committee, the audit committee (the "**Audit Committee**") and the Remuneration Committee and the Shareholders' communication policy of the Company (the "**Shareholders' Communication Policy**").

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.

Directors' Training and Continuous Professional Development

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

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Company updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

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

Name of Directors	Attending Seminars	Reading the seminar materials prepared by professional body and circulated by the Company
Executive Directors		
Mr. YE Fan	✓	✓
Mr. YE Tao	✓	✓
Ms. LUO Liuyu	✓	✓
Independent Non-executive Directors		
Mr. CHEN Guiyi	✓	✓
Mr. TO Siu Lun *(appointed on 30 November 2022)*	✓	✓
Mr. WANG, Michael Chou	✓	✓

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 *(appointed on 30 November 2022)*	N/A
Mr. WANG, Michael Chou	4/4
Mr. JIP Ki Chi *(resigned on 30 November 2022)*	4/4

Note: No meeting was held after 30 November 2022 to the end of the Year.

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

Board Process

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

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

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

Chairman and Chief Executive Officer

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

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

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.

Delegation by the Board

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, 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.

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. Mr. WANG, Michael Chou is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee have been adopted by the Board and posted on the websites of the Company and the Stock Exchange.

Written terms of reference sets out Remuneration Committee's responsibilities including, among others, 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, and 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 Meetings**
Mr. WANG, Michael Chou *(Chairman)*	2/2
Mr. CHEN Guiyi	2/2
Mr. TO Siu Lun *(appointed on 30 November 2022)*	N/A
Mr. JIP Ki Chi *(resigned on 30 November 2022)*	2/2

Note: No meeting was held after 30 November 2022 to the end of the Year.

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.

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, and accessed 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 executive Directors, senior management and non-executive Directors with reference to the Company's remuneration policy. The Remuneration Committee also reviewed the grant of Options (including to an executive Director). Having considered factors including individual performance and contribution, market trend of overall emolument packages, costs and effect of alternative incentives (e.g. cash) and vesting tranches, the Remuneration Committee considered the grant to be appropriate, and align the grantees' interests with those of the Company and the Shareholders as a whole.

Audit Committee

The Audit Committee comprises Mr. CHEN Guiyi, Mr. WANG, Michael Chou and Mr. TO Siu Lun, all of whom are independent non-executive Directors, prior to the resignation of Mr. JIP (who was also the chairman of the Audit Committee). Following the change in the composition of the Board, Mr. TO Siu Lun as been appointed as the chairman of the Audit Committee, in place of Mr. JIP.

The written terms of reference which were revised and adopted on 12 March 2019, which describe the authority and duties of the Audit Committee have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

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.

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

Members of the Audit Committee	**Attendance/Number of Meetings**
Mr. TO Siu Lun *(Chairman) (appointed on 30 November 2022)*	N/A
Mr. CHEN Guiyi	2/2
Mr. WANG, Michael Chou	2/2
Mr. JIP Ki Chi *(Chairman, prior to his resignation on 30 November 2022)*	2/2

Note: No meeting was held after 30 November 2022 to the end of the Year.

A meeting of the Audit Committee was held on 30 March 2023 to review the Group's consolidated financial statements for the year ended 31 December 2022.

During the Year, the Audit Committee performed its functions according to the terms of references and other applicable duties under the Corporate Governance 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' reappointment, and other work required to be performed under the Company's articles of association, and/or the Listing Rules.

The Audit Committee has also reviewed the 2022 annual results and this Annual Report.

Nomination Committee

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

The written terms of reference of the Nomination Committee which was revised on 12 March 2019 and have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange.

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

During the Year, the Nomination Committee performed its functions as required under the terms of references, among others, it examined the structure, size, composition and diversity (including gender and other diversity aspects) of the Board, and made recommendations the Board to ensure the Board has the necessary expertise, skills and experience required to meet the Company's business objective. It also reviewed the performance of the retiring Directors, the independence of all independent non-executive Directors, and made recommendations to the Board on their re-election; and reviewed the Board Diversity Policy and its implementation, and measurable objectives fitting the Company's individuality. During the Year, the Nomination Committee assisted the Board with respect to the changes to the composition of the Board and other Board committees, by making its recommendation to the Board. In reach such recommendation, the Nomination Committee considered a range of different factors, such as: the candidate's 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. The attendance records of the meetings are as follow:

Members of the Nomination Committee	**Attendance/Number of Meetings**
Mr. YE Fan *(Chairman)*	2/2
Mr. TO Siu Lun *(appointed on 30 November 2022)*	N/A
Mr. WANG, Michael Chou	2/2
Mr. JIP Ki Chi *(resigned on 30 November 2022)*	2/2

Note: No meeting was held after 30 November 2022 to the end of the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of 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 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 2022 unaudited interim financial information 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 RMB9,500,000, including interim review of the financial statement of the Company for the six months ended 30 June 2022. Non-audit service fees, being audit and advisory services in relation to an acquisition and issuance of bonds, charged by KPMG during the Year amounted to RMB5,770,000.

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 65 to 75 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.

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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

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

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

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

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and Mr. WONG Cheung Ki Johnny has been appointed as the Company Secretary. The primary contact person in the Company for Mr. Wong in relation to corporate secretarial matters is Ms. YUAN Ying, the Company's Financial Controller. Mr. WONG has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules for the Year.

SENIOR MANAGEMENT REMUNERATION BY BAND

The emoluments to members of senior management during the Year fell within the following bands:

Emoluments	Number of individuals
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1
RMB4,000,001 to RMB5,000,000	1

STAFF DIVERSITY

The Group had a workforce of 4,689 employees as of 31 December 2022. Among them, approximately 43.3% of the workforce (including senior management) were female, and 100% 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

There were no significant changes to the memorandum of association of the Company and Articles of Association ("**M&A**") during the Year. In March 2023, the Board proposes to amend the M&A to, among others, conform, reflect and align with the amendments to the Listing Rules and laws of the Cayman Islands. A special resolution will be proposed at the forthcoming AGM regarding the proposed amendments to the M&A.

A copy of the M&A is posted on the websites of the Company and the Stock Exchange.

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 annual general meetings, annual reports, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.meidongauto.com which serves as a forum for corporate communications with the Shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived since the Listing Date 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 where required, other extraordinary general meetings, at which the Company's chief executive, representatives of the Board and Board committee, members of senior management, together with representative(s) from the Auditors will attend to answer questions from the Shareholders. Separate resolutions are being purposed regarding different issues being proposed for the Shareholders' consideration at general meetings.

The notice of the AGM and the circular containing information about the resolutions to be proposed at the AGM and other relevant information as required under the Listing Rules will be distributed to Shareholders according to the Articles of Association of the Company and the Listing Rules.

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

Name of Directors	Attendance/ General meeting eligible to attend
Executive Directors	
Mr. YE Fan *(Chairman)*	1/1
Mr. YE Tao *(Chief Executive Officer)*	1/1
Ms. LUO Liuyu	1/1
Independent Non-executive Directors	
Mr. CHEN Guiyi	1/1
Mr. WANG, Michael Chou	1/1
Mr. TO Siu Lun *(appointed on 30 November 2022)*	N/A
Mr. JIP Ki Chi *(resigned on 30 November 2022)*	1/1

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

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 Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

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

Disclosures relating to the material ESG issues identified for the Year are included in the ESG Report pursuant to the requirements of Appendix 27 to the Listing Rules. The ESG Report is available on the Company's website at https://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 76 to 189, which comprise the consolidated statement of financial position as at 31 December 2022, 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 to the consolidated financial statements, including a summary of significant accounting policies.

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 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Refer to note 4 to the consolidated financial statements and the accounting policies on page 107 to 108.

The Key Audit Matter	How the matter was addressed in our audit
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. 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. Revenue arising from after-sales services is recognised when the Group satisfies its performance obligation, which is evidenced by signed customer acceptance for after-sales service transaction. The Group manually records revenue according to car delivery notes and signed customer acceptances. 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.	Our audit procedures to assess the accuracy of timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to the timing of 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;

KEY AUDIT MATTERS (continued)

Timing of revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on page 107 to 108.

The Key Audit Matter	How the matter was addressed in our audit
	• selecting a sample of sales of passenger motor vehicles recorded during the year and after-sales services rendered during the year, plus additional samples of revenue records for one month before and after the year end and comparing details of the selected transactions with the related sales contracts, car delivery notes and evidence of signed customer acceptance for passenger vehicles sales and after-sales service transactions, where applicable, to assess whether the related performance obligations were satisfied and the revenue had been recognised appropriately in the correct accounting period; and • scrutinising all manual journal entries relating to revenue during the year and inspecting underlying documentation for journal entries which were considered to be material or met other specified risk-based criteria.

KEY AUDIT MATTERS (continued)

Recognition of vendor rebates

Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on pages 109.

The Key Audit Matter	How the matter was addressed in our audit
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. Volume based purchase rebates and sales rebates are usually granted by the vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with their comprehensive assessment of the Group's business performance. In addition, other specific rebates are granted to the Group, which include, but are not limited to regional annual awards. Volume based purchase rebates are recognised as a deduction from the cost of purchase of motor vehicles when the performance conditions associated with them are met. Sales rebates, performance rebates and other specific rebates are recognised as a deduction from costs of sales when the respective conditions associated with them are met.	Our audit procedures to assess the accuracy of recognition of vendor rebates included the following: • 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 a sample 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;

KEY AUDIT MATTERS (continued)

Recognition of vendor rebates

Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on pages 109.

The Key Audit Matter	How the matter was addressed in our audit
The Group manually calculates vendor rebates and recognises them when the associated conditions for recognition are met. 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.	• evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and • assessing, on a sample basis, whether vendor rebates accrued at the previous financial reporting date were subsequently settled in the current year.

KEY AUDIT MATTERS (continued)

Impairment of goodwill and intangible assets — car dealership

Refer to note 14 and 18 to the consolidated financial statements and the accounting policies on page 99 to 100.

The Key Audit Matter	How the matter was addressed in our audit
As a result of acquisitions of 4S dealerships stores in current and prior years, the Group recognised goodwill and intangible assets — car dealership in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealerships stores, which are considered to represent individual cash generating units ("**CGUs**"). As at 31 December 2022, goodwill and intangible assets — car dealership, amounted to RMB1,004 million (31 December 2021: RMB178 million) and RMB3,474 million (31 December 2021: RMB542 million), respectively. 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.	Our audit procedures to assess impairment of goodwill and intangible assets — car dealership included the following: • 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 of goodwill and intangible assets — car dealership and determination of recoverable amount;

KEY AUDIT MATTERS (continued)

Impairment of goodwill and intangible assets — car dealership

Refer to note 14 and 18 to the consolidated financial statements and the accounting policies on page 99 to 100.

The Key Audit Matter	How the matter was addressed in our audit
Management reviews internal and external sources of information at the end of each reporting period to identify indications that goodwill and intangible assets may be impaired, and if such indication exists, the recoverable amount is estimated. As at 31 December 2022, management assessed goodwill and intangible assets — car dealership for potential impairment by determining the recoverable amount for each CGU with allocated goodwill or intangible assets — car dealership, with reference to a valuation report prepared by an external valuer appointed by management.	• 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; • assessing the reasonableness of other assumptions adopted, including the forecast revenue, forecast cost of sales, forecast other operating expenses and forecast working capital in the discounted cash flow forecast of each individual CGU, by comparing with the historical performance and the financial budget which was approved by the directors. For forecast revenue growth trends, we also compared with the sales forecasts issued by industry research institutions;

KEY AUDIT MATTERS (continued)

Impairment of goodwill and intangible assets — car dealership

Refer to note 14 and 18 to the consolidated financial statements and the accounting policies on page 99 to 100.

The Key Audit Matter	How the matter was addressed in our audit
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. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in determining forecast revenue, forecast cost of sales, forecast other operating expenses and forecast working capital and discount rates. We identified impairment of goodwill and intangible assets — car dealership as a key audit matter because these assets are material to the Group and because the impairment assessments prepared by management contain certain judgements and assumptions which are inherently uncertain and could be subject to management bias.	• obtaining management's sensitivity analyses of the key assumptions including future revenue growth rates, future operating 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 the reasonableness of the disclosures in the consolidated financial statements of the assumptions in the impairment assessments of goodwill and intangible assets — car dealership with reference to the requirements of the prevailing accounting standards.

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.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022 (Expressed in RMB'000)

	Note	**2022**	2021
Revenue	4	**28,654,734**	23,576,689
Cost of sales		**(26,137,264)**	(20,806,155)
Gross profit		**2,517,470**	2,770,534
Other revenue and other net income	5	**266,816**	247,004
Distribution costs		**(859,912)**	(741,039)
Administrative expenses		**(810,730)**	(578,478)
Profit from operations		**1,113,644**	1,698,021
Finance costs	6(a)	**(275,039)**	(133,277)
Share of profits of a joint venture	16	**24,935**	48,019
Profit before taxation	6	**863,540**	1,612,763
Income tax	7(a)	**(307,604)**	(399,423)
Profit for the year		**555,936**	1,213,340
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		**(78,952)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**499**	–
Other comprehensive income for the year		**(78,453)**	–
Profit and total comprehensive income for the year		**477,483**	1,213,340

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022 (Expressed in RMB'000)

	Note	**2022**	2021
Profit attributable to:			
Equity shareholders of the Company		**521,029**	1,165,640
Non-controlling interests		**34,907**	47,700
Profit for the year		**555,936**	1,213,340
Total comprehensive income attributable to:			
Equity shareholders of the Company		**442,576**	1,165,640
Non-controlling interests		**34,907**	47,700
Total comprehensive income for the year		**477,483**	1,213,340
Earnings per share			
Basic (RMB cents)	11(a)	**40.93**	93.62
Diluted (RMB cents)	11(b)	**40.61**	92.38

The notes on pages 83 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022 (Expressed in RMB'000)

	Note	**31 December 2022**	31 December 2021
Non-current assets			
Property, plant and equipment	12	**1,843,046**	1,381,418
Right-of-use assets	13	**1,785,399**	1,568,809
Intangible assets	14	**3,477,100**	546,121
Interest in a joint venture	16	**38,985**	61,942
Other non-current assets	17	**74,904**	422,113
Goodwill	18	**1,004,512**	178,691
Deferred tax assets	28(b)	**126,980**	80,459
		8,350,926	4,239,553
Current assets			
Inventories	19	**1,069,360**	355,256
Trade and other receivables	20	**1,560,489**	1,817,159
Pledged bank deposits	21	**910,307**	768,964
Fixed deposits with more than three months to maturity when placed	22	**712,696**	—
Cash and cash equivalents	22	**1,635,625**	2,621,741
		5,888,477	5,563,120
Current liabilities			
Loans and borrowings	23	**1,413,918**	989,490
Trade and other payables	24	**3,192,872**	2,787,598
Lease liabilities	25	**165,195**	132,421
Income tax payables	28(a)	**101,751**	179,941
		4,873,736	4,089,450
Net current assets		**1,014,741**	1,473,670
Total assets less current liabilities		**9,365,667**	5,713,223

At 31 December 2022 (Expressed in RMB'000)

	Note	**31 December 2022**	31 December 2021
Non-current liabilities			
Loans and borrowings	23	**492,813**	299,388
Lease liabilities	25	**1,290,624**	1,159,972
Convertible bonds	26	**2,274,932**	—
Deferred tax liabilities	28(b)	**873,518**	137,270
		4,931,887	1,596,630
NET ASSETS		**4,433,780**	4,116,593
EQUITY			
Share capital	29(c)	**101,888**	99,520
Reserves	29(d)	**4,173,138**	3,847,104
Total equity attributable to equity shareholders of the Company		**4,275,026**	3,946,624
Non-controlling interests		**158,754**	169,969
TOTAL EQUITY		**4,433,780**	4,116,593

Approved and authorised for issue by the board of directors on 30 March 2023.

Ye Fan
Director

Ye Tao
Director

The notes on pages 83 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000 *(note 29(d)(i))*	Capital redemption reserve RMB'000 *(note29(d)(ii))*	Capital reserves RMB'000 *(note29(d)(iii))*	PRC statutory reserves RMB'000 *(note 29(d)(iv))*	Retained earnings RMB'000	Exchange reserve RMB'000 *(note 29(d)(v))*	Other reserve RMB'000 *(note 29(d)(vi))*	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	99,520	344,554	986	(34,623)	391,041	3,145,146	–	–	3,946,624	169,969	4,116,593
Profit for the year	–	–	–	–	–	521,029	–	–	521,029	34,907	555,936
Other comprehensive income for the year *(note 10)*	–	–	–	–	–	–	(78,453)	–	(78,453)	–	(78,453)
Total comprehensive income for the year	–	–	–	–	–	521,029	(78,453)	–	442,576	34,907	477,483
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	4,900	4,900
Dividends declared and paid *(note 29(a) and note 29(b))*	–	(994,706)	–	–	–	–	–	–	(994,706)	–	(994,706)
Dividends paid to non-controlling interests *(note 29(b))*	–	–	–	–	–	–	–	–	–	(32,783)	(32,783)
Changes in ownership interests in subsidiaries without change in control	–	–	–	–	–	(6,761)	–	–	(6,761)	(18,239)	(25,000)
Equity-settled share-based payment *(note 27)*	–	–	–	31,548	–	–	–	–	31,548	–	31,548
Issue of ordinary shares upon exercise of share options *(note 27)*	533	24,659	–	(6,777)	–	–	–	–	18,415	–	18,415
Issuance of new shares, net of issuance expense *(note 29(c)(ii))*	1,835	626,980	–	–	–	–	–	–	628,815	–	628,815
Equity component of convertible bonds *(note 26)*	–	–	–	–	–	–	–	208,515	208,515	–	208,515
Appropriation to reserves	–	–	–	–	44,707	(44,707)	–	–	–	–	–
Balance at 31 December 2022	101,888	1,487	986	(9,852)	435,748	3,614,707	(78,453)	208,515	4,275,026	158,754	4,433,780

The notes on pages 83 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000 *(note 29(d)(i))*	Capital redemption reserve RMB'000 *(note 29(d)(ii))*	Capital reserves RMB'000 *(note 29(d)(iii))*	PRC statutory reserves RMB'000 *(note 29(d)(iv))*	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	99,245	790,545	986	(34,657)	309,152	2,061,395	3,226,666	117,909	3,344,575
Profit and total comprehensive income for the year	–	–	–	–	–	1,165,640	1,165,640	47,700	1,213,340
Capital injection by non-controlling interests	–	–	–	–	–	–	–	18,000	18,000
Appropriation to reserves	–	–	–	–	81,889	(81,889)	–	–	–
Dividends declared and paid *(note 29(a) and note 29(b))*	–	(460,916)	–	–	–	–	(460,916)	–	(460,916)
Dividends paid to non-controlling interests *(note 29(b))*	–	–	–	–	–	–	–	(13,640)	(13,640)
Equity settled share-based transactions *(note 27)*	–	–	–	4,130	–	–	4,130	–	4,130
Issue of ordinary shares upon exercise of share options *(note 27)*	275	14,925	–	(4,096)	–	–	11,104	–	11,104
Balance at 31 December 2021	99,520	344,554	986	(34,623)	391,041	3,145,146	3,946,624	169,969	4,116,593

The notes on pages 83 to 189 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022 (Expressed in RMB'000)

	Note	2022	2021
Operating activities:			
Cash generated from operations	22(b)	**1,626,012**	2,189,769
Income tax paid	28(a)	**(472,191)**	(377,848)
Net cash generated from operating activities		**1,153,821**	1,811,921
Investing activities:			
Payment for the purchase of property, plant and equipment		**(283,391)**	(362,858)
Proceeds from disposal of property, plant and equipment		**157,409**	148,726
Payment for acquisition of subsidiaries, net of cash acquired		**(2,701,463)**	(613,335)
Payment for assets acquisition, net of cash acquired		**(31,000)**	(268,379)
Payment for acquisition deposits	17	**—**	(350,000)
Increase in fixed deposits with more than three months to maturity when placed	22(a)	**(712,696)**	—
Dividends received from a joint venture	16	**47,892**	42,425
Interest received		**40,054**	21,363
Others		**(265)**	—
Net cash used in investing activities		**(3,483,460)**	(1,382,058)
Financing activities:			
Capital element of lease rentals paid	22(c)	**(74,676)**	(54,320)
Interest element of lease rentals paid	22(c)	**(83,491)**	(78,243)
Proceeds from loans and borrowings	22(c)	**12,861,255**	8,483,368
Repayment of loans and borrowings	22(c)	**(13,100,444)**	(8,166,627)
Decrease/(increase) in pledged bank deposits	21	**18,098**	(5,898)
Dividends declared and paid to equity shareholders	29(b)	**(994,706)**	(460,916)
Dividends paid to non-controlling interests	29(b)	**(32,783)**	(13,640)
Proceeds from exercise of share options	27	**18,415**	11,104
Net proceeds from issuance of convertible bonds	26	**2,198,814**	—
Interest paid	22(c)	**(93,972)**	(55,007)
Changes in interests in subsidiaries without change in control		**(18,800)**	—
Advances from a related party		**—**	4,685
Repayment of advances from a related party	22(c)	**(3,641)**	—
Proceeds from issuance of new shares, net of issuance expense	29(c)	**628,815**	—
Capital injection by non-controlling interests		**4,900**	18,000
Net cash generated from/(used in) financing activities		**1,327,784**	(317,494)
Net (decrease)/increase in cash and cash equivalents		**(1,001,855)**	112,369
Cash and cash equivalents at 1 January	22(a)	**2,621,741**	2,538,030
Effect of foreign exchange rate changes		**15,739**	(28,658)
Cash and cash equivalents at 31 December	22(a)	**1,635,625**	2,621,741

The notes on pages 83 to 189 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirement 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**"). Significant accounting policies adopted by the Group are set out below.

The HKICPA has issued certain amendments HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(d) 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 2022 comprise the Company and its subsidiaries and the Group's interests in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(c) Change in functional currency of the Company

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Change in functional currency of the Company (continued)

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

(d) Changes in accounting policies

The Group has applied following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to HKAS37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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

(e) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(f)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(f) 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Company. Non-controlling interests 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 non-controlling interests and the equity shareholder of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(g)).

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

(g) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(l)(iii)). At each reporting date, the group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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 (after applying the ECL model to such other long-term interests where applicable (see note 2(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Associates and joint ventures (continued)

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(h) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is started at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)(iii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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(l)(iii)).

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(z)).

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(l)(iii)). 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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

(j) 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(l)(iii)).

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.

(k) Right-of-use assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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 short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily temporary exhibition halls, parking lots and staff dormitories. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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 calculated 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 hence are charged to profit or loss in the accounting period in which they are 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 plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(l)(iii)). 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, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to 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 change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that 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. The only exceptions are any rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(w)(ii)(a) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Credit losses from financial instruments (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Credit losses from financial guarantees issued (continued)

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets, including lease prepayments;

— intangible assets;

— goodwill;

— investment in a joint venture; and

— investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate assets (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii) Impairment of other non-current assets (continued)

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash- generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) 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(l)(i) and (ii)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried 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 is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(w)). A contract liability would also be 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 would also be recognised (see note 2(o)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if 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, using the effective interest method and including an allowance for credit losses (see note 2(l)(i)).

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(z)).

(q) 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.

(r) Convertible bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of cash or other financial assets, are accounted for as compound financial instruments, i.e., they contain both a liability component and an equity component.

At initial recognition, the liability component is measured at fair value using prevailing market rate of interest for similar non-convertible debt instruments. The remainder of the proceeds is allocated to the conversion option as the equity component.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Convertible bonds (continued)

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

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.

(s) 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. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i).

(t) Employee benefits

(i) Short-term employee benefits

Salaries and annual bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined contribution retirement plan

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the binomial option-pricing model, taking into account the terms and condition upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. 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).

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provisions and contingent liabilities (continued)

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

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

(w) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

(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.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised as it accrues under the effective interest method using 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. For financial assets measured at amortised cost that are not credit-impaired, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the statement of financial position date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair value of the identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(cc) 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.

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(i), 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(j), 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(m), 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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iii) Determining the lease term

As explained in policy note 2(k), 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 and 18.

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:

	2022 **RMB'000**	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Sales of passenger vehicles	**25,297,011**	20,829,418
— After-sales services	**3,357,723**	2,747,271
	28,654,734	23,576,689

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 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts for after-sales services is RMB401,776,000 (2021: RMB299,269,000). 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 (2021: 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.

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 services.

(i) Information about geographical area

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

(ii) Information about major customers

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

5 OTHER REVENUE AND OTHER NET INCOME

	2022 **RMB'000**	2021 RMB'000
Other revenue		
Insurance commission	**164,101**	134,998
Interest income	**46,115**	20,960
Management service income	**5,063**	12,100
	215,279	168,058

5 OTHER REVENUE AND OTHER NET INCOME (continued)

	2022 RMB'000	2021 RMB'000
Other net income		
Net gain on disposal of property, plant and equipment	**34,831**	44,311
Net foreign exchange loss	**(16,245)**	(20,197)
Gain on a bargain purchase	**—**	29,714
Government subsidy	**9,655**	8,313
Penalty income	**15,566**	6,918
Others	**7,730**	9,887
	51,537	78,946
	266,816	247,004

6 PROFIT BEFORE TAXATION

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

	Note	2022 RMB'000	2021 RMB'000
(a) Finance costs:			
Interest on			
— loans and borrowings		**78,819**	44,370
— convertible bonds	26	**96,488**	—
— lease liabilities		**83,491**	78,243
Total interest expense		**258,798**	122,613
Other finance cost	(i)	**16,241**	10,664
		275,039	133,277

6 PROFIT BEFORE TAXATION (continued)

	Note	2022 RMB'000	2021 RMB'000
(b) Staff costs:			
Salaries, wages and other benefits		**943,258**	868,350
Equity settled share-based payment expenses	(ii)	**31,548**	4,130
Contributions to defined contribution retirement plans	(iii)	**34,677**	36,069
		1,009,483	908,549

(i) It represents the interest expenses borne by the Group arising from discount of bills issued to automobile manufacturers.

(ii) The Group recognised an expense of RMB31,548,000 for the year ended 31 December 2022 (2021: RMB4,130,000) in relation to share options granted to certain employees of the Group pursuant to a share option scheme (see note 27).

(iii) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

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

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

6 PROFIT BEFORE TAXATION (continued)

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

(c) Other items:

	Note	2022 RMB'000	2021 RMB'000
Cost of inventories		**25,889,414**	20,620,241
Write-down of inventories		**15,137**	—
Depreciation			
— owned property, plant and equipment		**224,680**	160,538
— right-of-use assets		**133,816**	108,013
Amortisation of intangible assets	(iv)	**131,533**	18,802
Lease expenses		**8,725**	6,037
Net foreign exchange loss		**16,245**	20,197
Auditors' remuneration		**9,500**	7,240

(iv) The Group recognised administrative expenses of RMB131,533,000 in relation to the amortisation of intangible assets for the year ended 31 December 2022 (2021: RMB18,802,000).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	2022 RMB'000	2021 RMB'000
Current tax:		
Provision for PRC income tax for the year *(note 28(a))*	**384,206**	422,709
Deferred tax:		
Origination of temporary differences *(note 28(b))*	**(76,602)**	(23,286)
	307,604	399,423

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

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**863,540**	1,612,763
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	**258,792**	415,326
Tax effect of non-deductible expenses	**7,765**	4,560
Tax effect of non-taxable income on share of profits of a joint venture	**(6,234)**	(12,005)
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	**4,765**	(1,029)
Tax effect of non-taxable income on gain on bargain purchase	**–**	(7,429)
Effect of PRC dividend withholding tax (ii)	**42,516**	–
Actual tax expense	**307,604**	399,423

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

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

(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) Since the Company obtained certificate of resident status and became a resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". Under such arrangement, dividend distributions out of earnings of PRC enterprises imposed a withholding tax at 5% during the year ended 31 December 2022.

The effect of PRC dividend withholding tax of RMB43 million represents PRC dividend withholding tax of RMB76 million related to dividend distributed out of earnings of PRC subsidiaries of RMB1,520 million during the year ended 31 December 2022, net of reversal of deferred tax liabilities of RMB33 million which has been recognised previously based on management's best estimation.

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 2022

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(note ii)* RMB'000	Total RMB'000
Executive directors								
Mr. Ye Fan		–	605	7,400	7	8,012	–	8,012
Mr. Ye Tao		–	2,419	2,980	7	5,406	–	5,406
Ms. Luo Liu Yu		–	725	1,746	7	2,478	867	3,345
Non-executive directors								
Mr. Wang Ju		89	–	–	–	89	107	196
Mr. Jip Ki Chi	(i)	136	–	–	–	136	–	136
Mr. Chen Gui Yi		89	–	–	–	89	107	196
Mr. Du Shao Lin	(i)	13	–	–	–	13	–	13
		327	3,749	12,126	21	16,223	1,081	17,304

8 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2021

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(note ii)* RMB'000	Total RMB'000
Executive directors							
Mr. Ye Fan	–	605	2,716	7	3,328	–	3,328
Mr. Ye Tao	–	2,419	2,980	7	5,406	–	5,406
Ms. Luo Liu Yu	–	725	908	6	1,639	82	1,721
Non-executive directors							
Mr. Wang Ju	82	–	–	–	82	358	440
Mr. Jip Ki Chi	136	–	–	–	136	358	494
Mr. Chen Gui Yi	82	–	–	–	82	358	440
	300	3,749	6,604	20	10,673	1,156	11,829

(i) Mr. Jip Ki Chi resigned on 30 November 2022 as a non-executive director and Mr. Du, Shao Lin was appointed on the same day as a non-executive director.

(ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme adopted on 13 November 2013. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(t)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in report of the directors and note 27.

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

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2021: two) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other two (2021: three) individuals are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowance and benefits in kind	**440**	663
Discretionary bonuses	**4,235**	4,956
Retirement scheme contributions	**12**	19
Share-based payments	**2,190**	1,707
	6,877	7,345

The emoluments of the two (2021: three) individuals with the highest emoluments are within the following bands:

	2022 **Number of individuals**	2021 Number of individuals
HK$		
2,000,001 — 3,000,000	**1**	2
3,000,001 — 4,000,000	**—**	—
4,000,001 — 5,000,000	**1**	1

10 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2022			2021		
	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	(78,952)	–	(78,952)	–	–	–
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	499	–	499	–	–	–
Other comprehensive income	(78,453)	–	(78,453)	–	–	–

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB521,029,000 (2021: RMB1,165,640,000) and the weighted average of 1,273,120,000 ordinary shares in issue (2021: 1,245,142,000 shares) during the year ended 31 December 2022.

11 EARNINGS PER SHARE (continued)

(a) Basic earnings per share (continued)

Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at 1 January	**1,247,867,000**	1,244,521,000
Effect of exercise of share options *(note 27)*	**3,123,000**	621,000
Effect of placement of new shares *(note 29(c))*	**22,130,000**	—
Weighted average number of ordinary shares at 31 December	**1,273,120,000**	1,245,142,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB521,029,000 (2021: RMB1,165,640,000) and the weighted average of 1,282,953,000 ordinary shares (2021: 1,261,760,000 ordinary shares) in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the year ended 31 December 2022.

Weighted average number of shares (diluted)

	2022	2021
Weighted average number of ordinary shares for the year ended 31 December	**1,273,120,000**	1,245,142,000
Effect of deemed issue of shares under the employee share option scheme *(note 27)*	**9,833,000**	16,618,000
Weighted average number of ordinary shares (diluted) at 31 December	**1,282,953,000**	1,261,760,000

The computation of diluted earnings per share for the year ended 31 December 2022 does not assume the conversion of the Group's convertible bonds since its exercise had anti-dilutive effect that would result in an increase in earnings per share for the year ended 31 December 2022.

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 2021	519,099	422,529	214,696	232,316	124,635	20,913	1,534,188
Additions	9,115	83,726	22,173	204,912	25,734	29,429	375,089
Acquisitions of subsidiaries	68,640	–	2,558	12,788	4,764	–	88,750
Acquisition of asset	61,212	–	33	592	759	–	62,596
Transfer	–	37,151	1,898	–	–	(39,049)	–
Disposals	(2,616)	(113)	(1,048)	(147,896)	(5,006)	–	(156,679)
At 31 December 2021	655,450	543,293	240,310	302,712	150,886	11,293	1,903,944
At 1 January 2022	655,450	543,293	240,310	302,712	150,886	11,293	1,903,944
Additions	–	25,548	12,933	230,511	14,226	40,086	323,304
Acquisitions of subsidiaries *(note 32)*	399,775	21,229	46,702	4,849	12,741	286	485,582
Transfer	17,236	21,146	889	–	6,501	(45,772)	–
Disposals	(38,653)	(33)	(6,765)	(179,340)	(6,463)	–	(231,254)
At 31 December 2022	1,033,808	611,183	294,069	358,732	177,891	5,893	2,481,576
Accumulated depreciation:							
At 1 January 2021	135,406	90,890	71,840	50,147	65,969	–	414,252
Charge for the year	23,616	33,481	21,634	61,368	20,439	–	160,538
Written back on disposals	(670)	(42)	(712)	(46,558)	(4,282)	–	(52,264)
At 31 December 2021	158,352	124,329	92,762	64,957	82,126	–	522,526
At 1 January 2022	158,352	124,329	92,762	64,957	82,126	–	522,526
Charge for the year	59,503	44,915	28,426	68,891	22,945	–	224,680
Written back on disposals	(36,656)	–	(5,338)	(61,577)	(5,105)	–	(108,676)
At 31 December 2022	181,199	169,244	115,850	72,271	99,966	–	638,530
Net book value:							
At 31 December 2022	852,609	441,939	178,219	286,461	77,925	5,893	1,843,046
At 31 December 2021	497,098	418,964	147,548	237,755	68,760	11,293	1,381,418

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 RMB474,186,000 as at 31 December 2022 (2021: RMB248,379,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2022.

Property, plant and equipment with net book value of RMB13,268,000 are pledged as security for bank loans (see note 23(b)(i)) as at 31 December 2022 (2021: RMB65,130,000).

13 RIGHT-OF-USE ASSETS

	Land use rights carried at cost (i)	**Properties and land leased for own use carried at cost** (ii)	**Total**
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2021	117,514	1,323,470	1,440,984
Additions	191	97,597	97,788
Acquisitions of subsidiaries	53,757	—	53,757
Acquisition of asset	244,504	—	244,504
Derecognition	—	(8,611)	(8,611)
At 31 December 2021	415,966	1,412,456	1,828,422
Additions	40,000	95,388	135,388
Acquisitions of subsidiaries *(note 32)*	58,200	157,702	215,902
Derecognition	—	(1,129)	(1,129)
At 31 December 2022	514,166	1,664,417	2,178,583

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 2021	(6,893)	(147,802)	(154,695)
Charge for the year	(9,089)	(98,924)	(108,013)
Reversal for derecognition	—	3,095	3,095
At 31 December 2021	(15,982)	(243,631)	(259,613)
Charge for the year	(13,536)	(120,280)	(133,816)
Reversal for derecognition	—	245	245
At 31 December 2022	(29,518)	(363,666)	(393,184)
Net book value:			
At 31 December 2022	484,648	1,300,751	1,785,399
At 31 December 2021	399,984	1,168,825	1,568,809

13 RIGHT-OF-USE ASSETS (continued)

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	13,536	9,089
Properties and land leased for own use	120,280	98,924
	133,816	108,013
Interest on lease liabilities *(note 6(a))*	83,491	78,243
Expense relating to short-term leases *(note 6(c))*	8,725	6,037
Loss/(gain) on derecognition of right-of -use assets	166	(3,338)

During the year, additions to right-of-use assets were RMB351,290,000 (2021: RMB396,049,000). This amount included the additions to land use rights and leased properties through acquisitions of subsidiaries of RMB58,200,000 and RMB157,702,000 respectively. The remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

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

(i) Land use rights

Land in respect of land use rights are all located in the PRC with a remaining lease period of 32 — 40 years when acquired.

Land use rights with net book value of RMB19,117,000 are pledged as security for bank loans (see note 23(b)(i)) as at 31 December 2022 (2021: RMB54,411,000).

(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.

14 INTANGIBLE ASSETS

The Group

	Car dealership RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2021	73,047	9,046	82,093
Acquisitions of subsidiaries	503,478	—	503,478
At 31 December 2021	576,525	9,046	585,571
At 1 January 2022	576,525	9,046	585,571
Acquisitions of subsidiaries *(note 32)*	3,062,512	—	3,062,512
At 31 December 2022	3,639,037	9,046	3,648,083
Accumulated amortisation:			
At 1 January 2021	(16,133)	(4,515)	(20,648)
Charge for the year	(18,179)	(623)	(18,802)
At 31 December 2021	(34,312)	(5,138)	(39,450)
At 1 January 2022	(34,312)	(5,138)	(39,450)
Charge for the year	(130,910)	(623)	(131,533)
At 31 December 2022	(165,222)	(5,761)	(170,983)
Net book value:			
At 31 December 2022	3,473,815	3,285	3,477,100
At 31 December 2021	542,213	3,908	546,121

14 INTANGIBLE ASSETS (continued)

(i) Intangible assets — car dealership

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

(ii) Impairment testing of intangible assets — car dealership and goodwill

The continuous outbreak of COVID-19 and respective restriction control measures implemented in the PRC, together with the unfavourable market conditions, have had a direct impact on the financial performance of the Group in 2022, which led to a decline in the Group's financial performance, in particular, the business performance of several newly acquired 4S dealerships stores were adversely impacted and therefore were behind the original business forecast made at the acquisition dates. As such, the directors of the Group consider that there were impairment indicators for those acquired 4S dealerships stores as at 31 December 2022, which were independent cash generating units.

As at 31 December 2022, management engaged an external valuer to assist with the impairment tests for the intangible assets — car dealership and goodwill and the recoverable amounts of the respective CGUs have been determined based on the higher of its fair value less costs to sell and value in use calculations according to requirements of Hong Kong Accounting Standard 36 Impairment of Assets. The cash flow projections based on financial budgets approved by management covering a period of five years and adopted discount rate of 15% (2021:15%). The discount rates were determined based on the applicable weighted average cost of capital of the relevant business, which reflects the time value of money and the specific risks relating to the relevant business. The cash flow projections have taken into account the historical financial performance, expected sales growth rates and profit margins of the relevant business, market conditions and other available information. The assumptions used are based on management's past experience of the specific market, having made reference to external sources of information. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 2.5% (2021:2.5%), which is consistent with the forecasts included in industry reports. Based on the management's assessment result, there was no impairment of goodwill or intangible asset — car dealership as at 31 December 2022.

15 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
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 USD 1 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 Auto Sales**") (美東汽車銷售集團有限公司)	Hong Kong, limited company	USD 50,000	100%	100%	–	Investment holding
Bestune Company Limited ("**Bestune**") (百圣通有限公司)	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
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

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC, limited liability company	RMB 20,000,000	100%	–	100%	Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
Chengde Meibaohang Auto Sales and Services Co., Ltd. (承德美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 30,000,000	100%	–	100%	Automobile dealership
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
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. (岳阳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

15 INVESTMENTS IN SUBSIDIARIES (continued)

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

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Meiyue Auto Sales and Services Co., Ltd. (東莞美悦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
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

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Nanchang Jubao Auto Sales and Services Co., Ltd. (南昌聚保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%	Automobile dealership
Heyuan Guanao Auto Sales and Services Co., Ltd. (河源冠奧汽車銷售服務有限公司)	The PRC, limited liability company	RMB 40,000,000	100%	–	100%	Automobile dealership
Bazhou Guanbaohang Auto Sales and Services Co., Ltd. (霸州冠寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Huaibei Meibaohang Auto Sales and Services Co., Ltd. (淮北美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Chuzhou Meibaohang Auto Sales and Services Co., Ltd. (滁州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Bazhou Guanyue Auto Sales and Services Co., Ltd. (霸州市冠悦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. (新餘美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Shaoguan Meidong Lexus Auto Sales and Services Co., Ltd. (韶關美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	100%	–	100%	Automobile dealership
Guangzhou Dongbao Auto Sales and Services Co., Ltd. (廣州東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB 200,000,000	70%	–	70%	Automobile dealership
Jiujiang 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

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
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 10,000,000/nil	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 10,000,000	100%	–	100%	Automobile dealership
Huangshan Dongbu Toyota Auto Sales and Services Co., Ltd. (黃山東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 10,000,000	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 10,000,000	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 Jeilin 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 10,000,000	51%	–	51%	Investment holding

15 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
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
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 and Sail Vantage, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

16 INTEREST IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Share of net assets	**38,985**	61,942

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: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Dongguan Meidong Automotive Service Co., Ltd. ("**Dongguan Meidong**")	Incorporated	The PRC	RMB22,000,000	49%	–	49%	Automobile dealership

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

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

16 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:

	2022 RMB'000	2021 RMB'000
Gross amounts of Dongguan Meidong's		
Current assets	131,603	204,208
Non-current assets	13,182	17,020
Current liabilities	(65,224)	(94,816)
Equity	(79,561)	(126,412)
Included in the above assets and liabilities:		
Cash and cash equivalents	95,722	166,686
Current financial liabilities (excluding trade and other payables and provisions)	–	(5,890)
Revenue	1,010,538	1,076,445
Profit and total comprehensive income	50,888	97,998
Profit distribution to the Group	47,892	42,425
Included in the above profit:		
Depreciation and amortisation	(2,737)	(3,498)
Interest income	1,699	1,126
Interest expense	(535)	(1)
Income tax expense	(16,499)	(32,836)
Reconciled to the Group's interest in Dongguan Meidong		
Gross amounts of Dongguan Meidong's net assets	79,561	126,412
Group's effective interest	49%	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	38,985	61,942

17 OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments for property, plant and equipment, intangible assets and right-of-use assets	**1,385**	5,191
Long-term deposits and receivables	**73,519**	66,922
Prepayments for acquisition	**—**	350,000
	74,904	422,113

18 GOODWILL

	RMB'000
Cost:	
At 31 December 2021 and 1 January 2022	**178,691**
Goodwill arising from business combinations:	
— Starchase Group *(note 32)*	**825,821**
At 31 December 2022	**1,004,512**
Accumulated impairment losses:	
At 31 December 2022	**—**
Carrying amount:	
At 31 December 2022	**1,004,512**

18 GOODWILL (continued)

Impairment tests for cash-generating units containing goodwill

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

	2022 RMB'000	2021 RMB'000
Tangshan Lexus	**32,924**	32,924
Nanjing Meidong	**145,767**	145,767
Starchase Group	**825,821**	—

As at 31 December 2022, management performed impairment tests for the goodwill and the recoverable amounts of the respective CGUs have been determined based on the value-in-use calculations (see note 14).

19 INVENTORIES

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

	2022 RMB'000	2021 RMB'000
Motor vehicles	**882,987**	222,853
Others	**186,373**	132,403
	1,069,360	355,256

19 INVENTORIES (continued)

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

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	**25,889,414**	20,620,241
Write-down of inventories	**15,137**	—

Inventories with carrying amount of RMB15,267,000 have been pledged as security for loans and borrowings (see note 23(b)(i)) as at 31 December 2022 (2021: RMB13,862,000).

Inventories with carrying amount of RMB519,661,000 have been pledged as security for the bills payable (see note 24(b)) as at 31 December 2022 (2021: RMB116,260,000).

20 TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**278,958**	181,230
Prepayments	**391,125**	921,918
Other receivables and deposits	**888,687**	709,147
Amounts due from third parties	**1,558,770**	1,812,295
Amounts due from related parties *(note 34(c))*	**1,719**	4,864
Trade and other receivables	**1,560,489**	1,817,159

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

Prepayments and other receivables with carrying amount of RMB64,390,000 have been pledged as security for loans and borrowings (see note 23(b)(i)) as at 31 December 2022 (2021: RMB159,555,000).

Prepayments with carrying amount of RMB235,570,000 have been pledged as security for the bills payable (see note 24(b)) as at 31 December 2022 (2021: RMB649,797,000).

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:

	2022	2021
	RMB'000	RMB'000
Within 1 month	**246,022**	170,114
1 to 2 months	**22,687**	8,986
2 to 3 months	**7,165**	1,145
Over 3 months	**3,084**	985
	278,958	181,230

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

21 PLEDGED BANK DEPOSITS

	2022	2021
	RMB'000	RMB'000
Restricted bank deposits pledged in respect of loans and borrowings *(note 23(b)(i))*	**15,631**	33,729
Restricted bank deposits pledged in respect of bills payable *(note 24(b))*	**894,676**	735,235
	910,307	768,964

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

22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents and fixed deposits with banks comprise:

	2022 RMB'000	2021 RMB'000
Fixed deposits with banks with more than three months to maturity when placed	712,696	—
Cash at bank and in hand	1,635,625	2,621,741

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

	Note	2022 RMB'000	2021 RMB'000
Profit before taxation		863,540	1,612,763
Adjustments for:			
— Depreciation of property, plant and equipment	6(c)	224,680	160,538
— Depreciation of right-of-use assets	6(c)	133,816	108,013
— Amortisation of intangible assets	6(c)	131,533	18,802
— Write-down of inventories	6(c)	15,137	—
— Net gain on disposal of property, plant and equipment	5	(34,831)	(44,311)
— Net loss/(gain) on derecognition of right-of-use assets	13	166	(3,338)
— Finance costs	6(a)	275,039	133,277
— Share of profits of a joint venture		(24,935)	(48,019)
— Interest income	5	(46,115)	(20,960)
— Equity settled share-based payment expenses	6(b)	31,548	4,130
— Net foreign exchange (gain)/loss		(10,644)	22,310
— Gain on a bargain purchase		—	(29,714)
Changes in working capital:			
(Increase)/decrease in inventories		(124,971)	190,700
Decrease/(increase) in trade and other receivables		406,321	(220,359)
Increase in pledged bank deposits		(159,441)	(204,494)
(Decrease)/increase in trade and other payables		(48,233)	513,420
Increase in other non-current assets		(6,598)	(2,989)
Cash generated from operations		1,626,012	2,189,769

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

(c) Reconciliation of liabilities arising from financing activities:

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

	Bank loans and other borrowings RMB'000 *(Note 1)*	Lease liabilities RMB'000 *(Note 25)*	Interest payables RMB'000 *(Note 2)*	Convertible bonds RMB'000 *(Note 26)*	Other payables due to a related party RMB'000 *(Note 34(c))*	Total RMB'000
At 1 January 2022	1,288,878	1,292,393	752	–	10,350	2,592,373
Changes from financing cash flows:						
Proceeds from loans and borrowings	12,861,255	–	–	–	–	12,861,255
Net proceeds from issuance of convertible bonds	–	–	–	2,198,814	–	2,198,814
Repayment of loans and borrowings	(13,100,444)	–	–	–	–	(13,100,444)
Capital element of lease rentals paid	–	(74,676)	–	–	–	(74,676)
Interest element of lease rentals paid	–	(83,491)	–	–	–	(83,491)
Repayment of advances from related parties	–	–	–	–	(3,641)	(3,641)
Interest paid	–	–	(93,972)	–	–	(93,972)
Total changes from financing cash flows	(239,189)	(158,167)	(93,972)	2,198,814	(3,641)	1,703,845
Exchange adjustments	(20,827)	–	–	188,145	–	167,318
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	96,296	–	–	–	96,296
Derecognition of right-of-use assets	–	(718)	–	–	–	(718)
Additions through acquisition of subsidiaries	877,869	142,524	–	–	–	1,020,393
Equity component of convertible bonds	–	–	–	(208,515)	–	(208,515)
Interest expenses *(note 6(a))*	–	83,491	95,060	96,488	–	275,039
Total other changes	877,869	321,593	95,060	(112,027)	–	1,182,495
At 31 December 2022	1,906,731	1,455,819	1,840	2,274,932	6,709	5,646,031

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

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

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

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

	Bank loans and other borrowings RMB'000 *(Note 1)*	Lease liabilities RMB'000 *(Note 25)*	Interest payables RMB'000 *(Note 2)*	Other payables due to a related party RMB'000 *(Note 34(c))*	Total RMB'000
At 1 January 2021	951,407	1,257,735	725	5,665	2,215,532
Changes from financing cash flows:					
Proceeds from loans and borrowings	8,483,368	–	–	–	8,483,368
Repayment of loans and borrowings	(8,166,627)	–	–	–	(8,166,627)
Advances from a related party	–	–	–	4,685	4,685
Capital element of lease rentals paid	–	(54,320)	–	–	(54,320)
Interest element of lease rentals paid	–	(78,243)	–	–	(78,243)
Interest paid	–	–	(55,007)	–	(55,007)
Total changes from financing cash flows	316,741	(132,563)	(55,007)	4,685	133,856
Exchange adjustments	(6,349)	–	–	–	(6,349)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	97,832	–	–	97,832
Derecognition of right-of-use assets	–	(8,854)	–	–	(8,854)
Additions through acquisition of subsidiaries	27,079	–	–	–	27,079
Interest expenses *(note 6(a))*	–	78,243	55,034	–	133,277
Total other changes	27,079	167,221	55,034	–	249,334
At 31 December 2021	1,288,878	1,292,393	752	10,350	2,592,373

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

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

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

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

(d) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating cash flows	8,725	6,037
Within financing cash flows	158,167	132,563
	166,892	138,600

These amounts relate to the following:

	2022 RMB'000	2021 RMB'000
Lease rentals paid	166,892	138,600

23 LOANS AND BORROWINGS

(a) At 31 December 2022, loans and borrowings were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year or on demand (i)	**1,413,918**	989,490
After 1 year but within 2 years (i)	**293,313**	139,881
After 2 years but within 5 years (i)	**199,500**	159,507
	492,813	299,388
	1,906,731	1,288,878

(i) Loans and borrowings of RMB1,146,722,000 repayable within 1 year were guaranteed by related parties as at 31 December 2022 (2021: RMB978,954,000) (see note 34(d)).

Loans and borrowings of RMB270,413,000 repayable after 1 year but within 2 years were guaranteed by related parties as at 31 December 2022 (2021: RMB105,681,000) (see note 34(d)).

Loans and borrowings of RMB199,500,000 repayable after 2 years but within 5 years were guaranteed by related parties as at 31 December 2022 (2021: RMB136,607,000) (see note 34(d)).

(b) At 31 December 2022, loans and borrowings were secured as follows:

	2022 RMB'000	2021 RMB'000
Secured bank loans (i)	**1,861,382**	1,166,958
Secured borrowings from other financial institutions (i)	**45,349**	121,920
	1,906,731	1,288,878

23 LOANS AND BORROWINGS (continued)

(b) At 31 December 2022, loans and borrowings were secured as follows: (continued)

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

	2022 RMB'000	2021 RMB'000
Inventories	**15,267**	13,862
Trade and other receivables	**64,390**	159,555
Property, plant and equipment	**13,268**	65,130
Right-of-use assets	**19,117**	54,411
Pledged bank deposits	**15,631**	33,729
	127,673	326,687

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

24 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**188,943**	167,988
Bills payable	**1,649,907**	1,501,292
	1,838,850	1,669,280
Contract liabilities (i)	**1,019,748**	711,100
Other payables and accruals	**326,161**	396,184
Amounts due to third parties	**3,184,759**	2,776,564
Amounts due to related parties *(note 34(c))*	**8,113**	11,034
Trade and other payables	**3,192,872**	2,787,598

(i) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB411,831,000 (2021: RMB501,195,000).

24 TRADE AND OTHER PAYABLES (continued)

(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:

	2022 RMB'000	2021 RMB'000
Pledged bank deposits	**894,676**	735,235
Inventories	**519,661**	116,260
Trade and other receivables	**235,570**	649,797
	1,649,907	1,501,292

As at 31 December 2022, bills payable of RMB1,370,946,000 were guaranteed by a related party (2021: RMB1,007,416,000) (see note 34(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:

	2022 RMB'000	2021 RMB'000
Within 3 months	**1,768,061**	1,603,975
After 3 months but within 6 months	**70,789**	65,305
	1,838,850	1,669,280

25 LEASE LIABILITIES

At 31 December 2022, the lease liabilities were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	**165,195**	132,421
After 1 year but within 2 years	**163,256**	129,301
After 2 years but within 5 years	**438,304**	371,821
After 5 years	**689,064**	658,850
	1,290,624	1,159,972
	1,455,819	1,292,393

26 CONVERTIBLE BONDS

On 14 January 2022, Sail Vantage Limited, a subsidiary of the Company, issued zero coupon guaranteed convertible bonds ("**the Convertible Bonds**") with an aggregate principal amount of HK$2,750,000,000 (equivalent to approximately RMB2,248,263,000) and received cash after deduction of transaction costs of HK$2,689,517,000 (equivalent to approximately RMB2,198,814,000).

Pursuant to the terms of the Convertible Bonds, the Convertible Bonds will be due in January 2027 and are guaranteed by the Company. The bond holders could convert part of or the entire outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HK$46.75 per share, subject to the terms and conditions of the Convertible Bonds.

The Convertible Bonds can be settled by exchange of a fixed amount of cash in HK$ with a fixed number of the Company's equity instruments. In accordance with the Group's accounting policy set out in note 2(r), the Convertible Bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

26 CONVERTIBLE BONDS (continued)

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

	Liability component (At amortised cost) RMB'000	Equity component (Residual amount) RMB'000	Total RMB'000
At the date of issuance	1,990,299	208,515	2,198,814
Interest charge *(note 6(a))*	96,488	—	96,488
Exchange adjustment	188,145	—	188,145
At 31 December 2022	2,274,932	208,515	2,483,447

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(i) Share options granted on 20 January 2014:

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

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

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

During the year ended 31 December 2022, 2,450,000 options were exercised (2021: 80,000) at a subscription price of HK$1.80 per ordinary share for a total consideration of HK$4,410,000 (equivalent to RMB3,745,000) and consequently, RMB208,000 and RMB3,537,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,449,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share options.

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

(ii) Share options granted on 4 January 2018:

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

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 2022, 1,787,500 options were exercised (2021: 1,900,000) at a subscription price of HK$2.58 per ordinary share for a total consideration of HK$4,611,750 (equivalent to RMB3,916,000) and consequently, RMB152,000 and RMB3,764,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,287,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The number of options granted on 4 January 2018 still outstanding at 31 December 2022 are 3,610,000 (2021: 5,397,500) which have an exercise price of HK$2.58 (2021: HK$2.58) and a remaining contractual life of 5.01 years (2021: 6.01 years).

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(iii) Share options granted on 18 July 2019:

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

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

During the year ended 31 December 2022, 415,000 options were forfeited, and 1,885,000 options were exercised (2021: 1,318,750) at a subscription price of HK$6.00 per ordinary share for a total consideration of HK$11,310,000 (equivalent to RMB9,998,000) and consequently, RMB166,000 and RMB9,832,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB3,781,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of RMB438,000 for the year ended 31 December 2022 (2021: RMB2,805,000) (see note 6(b)(ii)).

The number of options granted on 18 July 2019 still outstanding at 31 December 2022 are 4,163,750 (2021: 6,463,750) which have an exercise price of HK$6.00 (2021: HK$6.00) and a remaining contractual life of 6.54 years (2021: 7.54 years).

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(iv) Share options granted on 16 January 2020:

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

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

During the year ended 31 December 2022, 42,500 options were forfeited, and 82,500 options were exercised (2021: 47,500) at a subscription price of HK$10.80 per ordinary share for a total consideration of HK$891,000 (equivalent to RMB756,000) and consequently, RMB7,000 and RMB749,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB260,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of RMB500,000 for the year ended 31 December 2022 (see note 6(b)(ii)).

The number of options granted on 16 January 2020 still outstanding at 31 December 2022 are 1,757,500 (2021: 1,882,500) which have an exercise price of HK$10.8 (2021: HK$10.80) and a remaining contractual life of 7.05 years. (2021: 8.05 years).

(v) Share options granted on 25 May 2022:

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

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 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 RMB30,610,000 for the year ended 31 December 2022 (see note 6(b)(ii)).

During the year ended 31 December 2022, 288,000 options were forfeited. The number of options granted on 25 May 2022 still outstanding at 31 December 2022 are 8,613,000 which have an exercise price of HK$26.20 and a remaining contractual life of 9.41 years.

(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

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

	2022		2021	
	Exercise price	**Number of options**	Exercise price	Number of options
Outstanding at the beginning of the year	**HK$4.78**	**16,193,750**	HK$4.66	19,752,500
Exercised during the year	**HK$3.42**	**(6,205,000)**	HK$4.03	(3,346,250)
Forfeited during the year	**HK$14.08**	**(745,500)**	HK$5.62	(212,500)
Granted during the year	**HK$26.20**	**8,901,000**	—	—
Outstanding at the end of the year	**HK$15.37**	**18,144,250**	HK$4.78	16,193,750
Exercisable at the end of the year	**HK$9.33**	**11,214,500**	HK$4.11	12,911,250

The weighted average share price at the date of exercise for share options exercised during the year was HK$24.91 (2021: HK$37.35).

The options outstanding at 31 December 2022 has an exercise price of HK$2.58, HK$6.00, HK$10.80 or HK$26.20 (2021: HK$1.80, HK$2.58, HK$6.00 or HK$10.80) and a weighted average remaining contractual life of 7.65 years (2021: 6.23 years).

(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.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

	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%

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

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

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**179,941**	127,751
Acquisition through business combination	**9,795**	7,329
Provision for current income tax for the year	**384,206**	422,709
Payment during the year	**(472,191)**	(377,848)
At the end of the year	**101,751**	179,941

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

(b) Deferred tax assets and liabilities recognised

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

	Fair value adjustment arising from business combinations	Depreciation charge of right-of-use assets	Unused tax losses	Accruals	Inventory provision	Distribution of earnings	Depreciation charge and capitalised interests of property, plant and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax (liabilities)/assets arising from:								
At 1 January 2021	(11,046)	39,153	10,881	14,678	–	–	774	54,440
Credited/(charged) to profit or loss *(note 7(a))*	4,631	9,871	(4,964)	14,058	–	–	(310)	23,286
Acquisition through business combination	(134,537)	–	–	–	–	–	–	(134,537)
At 31 December 2021	(140,952)	49,024	5,917	28,736	–	–	464	(56,811)
At 1 January 2022	**(140,952)**	**49,024**	**5,917**	**28,736**	**–**	**–**	**464**	**(56,811)**
Credited/(charged) to profit or loss *(note 7(a))*	**32,879**	**10,018**	**10,820**	**(18,906)**	**3,784**	**33,484**	**4,523**	**76,602**
Acquisition through business combination *(note 32)*	**(768,776)**	**1,102**	**–**	**12,794**	**–**	**(33,484)**	**22,035**	**(766,329)**
At 31 December 2022	**(876,849)**	**60,144**	**16,737**	**22,624**	**3,784**	**–**	**27,022**	**(746,538)**

Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years, which are progressing to their normal operating stage and are expected to derive profits in the foreseeable future. Accordingly, it is considered probable that sufficient taxable profits will be available to utilise their unused tax losses before they expire.

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

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

(ii) Reconciliation to consolidated statement of financial position:

	The Group 2022 RMB'000	2021 RMB'000
Representing:		
Net deferred tax assets	**126,980**	80,459
Net deferred tax liabilities	**(873,518)**	(137,270)
	(746,538)	(56,811)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB19,060,000 (2021: RMB2,274,000) 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 2022, 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 2022 in respect of undistributed earnings of RMB2,994,562,000 (2021: RMB3,113,596,000) 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.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at 1 January 2021	99,245	790,545	986	21,955	101,878	–	–	1,014,609
Loss and total comprehensive income for the year	–	–	–	–	(37,456)	–	–	(37,456)
Dividends declared and paid *(note 29(b))*	–	(460,916)	–	–	–	–	–	(460,916)
Equity settled share-based transactions *(note 27)*	–	–	–	4,130	–	–	–	4,130
Issue of ordinary shares upon exercise of share options *(note 27)*	275	14,925	–	(4,096)	–	–	–	11,104
Balance at 31 December 2021	99,520	344,554	986	21,989	64,422	–	–	531,471
Balance at 1 January 2022	99,520	344,554	986	21,989	64,422	–	–	531,471
Profit for the year	–	–	–	–	1,283,031	–	–	1,283,031
Other comprehensive income for the year	–	–	–	–	–	127,320	–	127,320
Total comprehensive income for the year	–	–	–	–	1,283,031	127,320	–	1,410,351
Dividends declared and paid *(note 29(b))*	–	(994,706)	–	–	–	–	–	(994,706)
Equity-settled share-based payment *(note 27)*	–	–	–	31,548	–	–	–	31,548
Issue of ordinary shares upon exercise of share options *(note 27)*	533	24,659	–	(6,777)	–	–	–	18,415
Issuance of new shares, net of issuance expense *(note 29(c)(ii))*	1,835	626,980	–	–	–	–	–	628,815
Equity component of convertible bonds *(note 26)*	–	–	–	–	–	–	208,515	208,515
Balance at 31 December 2022	101,888	1,487	986	46,760	1,347,453	127,320	208,515	1,834,409

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2022 RMB'000	2021 RMB'000
Interim dividend for the year, approved and paid during the year, of RMB0.0808 per ordinary share (2021: RMB0.1293 per ordinary share)	**103,055**	160,986

	2022 RMB'000	2021 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.1170 per ordinary share (2021: RMB0.6991 per ordinary share)	**157,422**	888,114

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:

	2022 RMB'000	2021 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.6991 per ordinary share (2021: RMB0.241 per ordinary share)	**891,651**	299,930

(iii) Other dividends

During the year ended 31 December 2022, subsidiaries of the Group declared and paid dividends of RMB32,783,000 (2021: RMB13,640,000) in cash to non-controlling interests.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

The share capital of the Group as at 31 December 2022 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

			2022		2021	
	Note	Par value HK$	**Number of shares (thousand)**	**Nominal value of ordinary shares HK$'000**	Number of shares (thousand)	Nominal value of ordinary shares HK$'000
At 31 December	(i)	0.1	**20,000,000**	**2,000,000**	20,000,000	2,000,000

Ordinary shares, issued and fully paid:

	Note	**Number of ordinary shares** (thousand)	**Nominal value of ordinary shares** HK$'000
At 1 January 2021		1,244,521	124,452
Issue of ordinary shares upon exercise of share options	27	3,346	335
At 31 December 2021 and 1 January 2022		1,247,867	124,787
Issue of ordinary shares upon exercise of share options	27	6,205	621
Placement of new shares	(ii)	22,500	2,250
At 31 December 2022		1,276,572	127,658
RMB equivalent ('000) at 31 December 2022			101,888
RMB equivalent ('000) at 31 December 2021			99,520

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(i) Authorised share capital

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

(ii) Placement of new shares

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

(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.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(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(t)(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.

(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(y).

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(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(r).

(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 2022, the Group's strategy, which was unchanged from 2021, 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.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2022 and 2021 was as follows:

		The Group	
	Note	**2022** **RMB'000**	2021 RMB'000
Current liabilities:			
Loans and borrowings	23	**1,413,918**	989,490
Bills payable	24	**1,649,907**	1,501,292
Lease liabilities	25	**165,195**	132,421
		3,229,020	2,623,203
Non-current liabilities:			
Loans and borrowings	23	**492,813**	299,388
Convertible bonds	26	**2,274,932**	—
Lease liabilities	25	**1,290,624**	1,159,972
Total debt		**7,287,389**	4,082,563
Add: Proposed dividends	29(b)	**157,422**	888,114
Less: Pledged bank deposits	21	**(910,307)**	(768,964)
Fixed deposits with more than three months to maturity when placed	22(a)	**(712,696)**	—
Cash and cash equivalents	22(a)	**(1,635,625)**	(2,621,741)
Adjusted net debt		**4,186,183**	1,579,972
Total equity		**4,433,780**	4,116,593
Less: Proposed dividends	29(b)	**(157,422)**	(888,114)
Adjusted capital		**4,276,358**	3,228,479
Adjusted net debt-to-capital ratio		**0.98**	0.49

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

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

Trade receivables

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

At the end of the reporting period, 41% (2021: 52%) and 10% (2021: 16%) of the total trade receivables were due from the Group's five largest debtors and the largest single debtor respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2022.

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

(a) Credit risk (continued)

Prepayments and other receivables and deposits

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

The Group measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2022.

(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.

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.

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

(b) Liquidity risk (continued)

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	1,479,025	311,268	208,543	774	1,999,610	1,906,731
Trade and other payables	3,192,872	–	–	–	3,192,872	3,192,872
Convertible bonds	–	–	2,747,268	–	2,747,268	2,274,932
Lease liabilities	210,745	218,777	658,176	1,691,991	2,779,689	1,455,819
	4,882,642	530,045	3,613,987	1,692,765	10,719,439	8,830,354
Financial guarantee issued:						
Maximum amount guaranteed:	210,000	–	–	–	210,000	–

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

(b) Liquidity risk (continued)

	At 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	1,032,617	174,520	140,913	2,304	1,350,354	1,288,878
Trade and other payables	2,787,598	–	–	–	2,787,598	2,787,598
Lease liabilities	132,421	139,288	441,658	1,188,177	1,901,544	1,292,393
	3,952,636	313,808	582,571	1,190,481	6,039,496	5,368,869
Financial guarantee issued:						
Maximum amount guaranteed:	210,000	–	–	–	210,000	–

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

(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 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.

(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 0.25% to 5.53% per annum as at 31 December 2022 (2021: 0.30% to 1.73%).

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

	2022		2021	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank loans	3.27 – 6.18	1,674,963	3.55 – 7.68	802,048
Borrowings from other financial institutions	7.02 – 8.50	1,227	7.02 – 8.50	11,308
Convertible bonds	4.73	2,274,932	n/a	–
Lease liabilities	4.81 – 7.05	1,455,819	4.81 – 7.05	1,292,393
		5,406,941		2,105,749
Variable rate borrowings				
Bank loans	3.26 – 7.83	186,419	3.27 – 7.84	364,910
Borrowings from other financial institutions	4.70 – 7.68	44,122	7.68 – 8.50	110,612
		230,541		475,522
		5,637,482		2,581,271

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

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

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

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2021.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax and retained profits for the year RMB'000
At 31 December 2022		
Basis points	**100**	**1,729**
Basis points	**(100)**	**(1,729)**
At 31 December 2021		
Basis points	100	(4,641)
Basis points	(100)	4,641

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

(d) Currency risk

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

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

	Exposure to foreign currencies (expressed in Renminbi)				
	2022			2021	
	Renminbi* RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000	United States Dollars RMB'000
Cash and cash equivalents	1,412	–	754,535	732,433	16
Loans and borrowings	(95,625)	–	–	(430,000)	–
Net exposure arising from recognised assets and liabilities	(94,213)	–	754,535	302,433	16

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

(d) Currency risk (continued)

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

	2022		2021	
	Increase/ (decrease) in foreign exchange rate	Increase/ (Decrease) in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rate	Increase/ (Decrease) in profit after tax and retained profits RMB'000
Hong Kong Dollars	10%	–	5%	15,122
	(10)%	–	(5)%	(15,122)
United States Dollars	10%	75,454	5%	1
	(10)%	(75,454)	(5)%	(1)
Renminbi	10%	(9,421)	5%	N/A*
	(10)%	9,421	(5)%	N/A*

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.

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

(d) Currency risk (continued)

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 2021.

* No currency risk is identified for those monetary assets or liabilities denominated in Renminbi which are in the functional currency of the relevant group entities as at 31 December 2021.

(e) Fair value measurement

At 31 December 2022 and 31 December 2021, all of the Group's financial instruments were carried at cost or amortised cost not materially different from their fair value.

31 COMMITMENTS

Capital commitments outstanding at 31 December 2022 not provided for in the consolidated financial statements were as follows:

	The Group	
	2022	2021
	RMB'000	RMB'000
Contracted for	**1,283**	90,965

32 ACQUISITION OF SUBSIDIARIES

On 13 December 2021, the Group entered into a share purchase agreement with a third party, namely Wearnes-StarChase Limited, pursuant to which the Group conditionally agreed to acquire all issued shares of Starchase Motorsports Limited. The Company obtained the control of Starchase Motorsports Limited on 29 April 2022. The transaction was completed with a total consideration of RMB3,700,000,000.

32 ACQUISITION OF SUBSIDIARIES (continued)

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

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

	Pre-acquisition Carrying amount RMB'000	**Fair value adjustment** RMB'000	**Recognised value on acquisition** RMB'000
Car dealerships *(note 14)*	—	3,062,512	3,062,512
Land use right *(note 13)*	45,606	12,594	58,200
Property, plant and equipment *(note 12)*	485,582	—	485,582
Other net identifiable assets	34,214	—	34,214
Deferred tax assets	35,931	—	35,931
Deferred tax liabilities *(note 28(b))*	(33,484)	(768,776)	(802,260)
Net identified assets	567,849	2,306,330	2,874,179
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			2,874,179
Goodwill *(note 18)*			825,821
Total consideration in cash			3,700,000
Analysis of the net cash flow in respect of the acquisition			
Less: cash consideration paid in 2021			(350,000)
Less: cash acquired			(690,537)
Net cash outflow in acquisition			2,659,463

32 ACQUISITION OF SUBSIDIARIES (continued)

(i) The acquisition had the following effect on the Group's assets and liabilities: (continued)

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

Acquisition-related costs of RMB15,538,000 had been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2022.

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

The revenue and profit that Starchase Group contributed to the Group during the year ended 31 December 2022 are RMB4,895,395,000 and RMB208,610,000 respectively.

Had the acquisition occurred on 1 January 2022, management estimates that the Group's consolidated revenue and consolidated profit for the year would have been RMB30,368,977,000 and RMB579,966,000, respectively.

33 CONTINGENT LIABILITIES

As of 31 December 2022, certain subsidiaries of the Group are respondents in several legal dispute cases in relation to certain investments made before 2022. While the arbitrations are still ongoing and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that it is not probable that the Group will need to make payments to the claimants. Therefore, no provision has been made in respect of those cases as at 31 December 2022.

As of 31 December 2022, except for the aforementioned contingencies associated with those legal dispute cases, the Group did not have any material contingent liabilities.

34 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2022, the directors are of the view that the following companies are related parties of the Group:

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

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

(a) Recurring transactions

	2022 RMB'000	2021 RMB'000
Short-term rental expense:		
Dadong Group	540	2,490
Management service income:		
Dongguan Meidong	5,063	12,100

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

34 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Non-recurring transactions

	2022 RMB'000	2021 RMB'000
Sales of passenger vehicles:		
Dongguan Meidong	**44,654**	12,932
Purchases of passenger vehicles:		
Dongguan Meidong	**60,061**	13,320
Repayment of advances from a related party		
Ye Fan	**3,641**	–
Advance from a related party:		
Ye Fan	**–**	4,685

(c) Balances with related parties

At 31 December 2022, the Group had the following balances with related parties:

	2022 RMB'000	2021 RMB'000
Other receivables due from:		
Dongguan Meidong	**1,719**	4,864
Other payables due to:		
Dadong Group	**1,404**	684
Ye Fan	**6,709**	10,350
	8,113	11,034

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

34 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Guarantees and securities issued by related parties

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
— Ye Fan (i)	**1,601,335**	1,203,942
— Dadong Group (ii)	**15,300**	17,300
	1,616,635	1,221,242
Guarantees issued by a related party in respect of bills issued by the Group:		
— Ye Fan (iii)	**1,370,946**	1,007,416

(i) Loans and borrowings of RMB1,601,335,000 as at 31 December 2022 (31 December 2021: RMB1,203,942,000) were guaranteed by Mr. Ye Fan.

(ii) Loans and borrowings of RMB15,300,000 as at 31 December 2022 (31 December 2021: RMB17,300,000) were guaranteed by Dadong Group.

(iii) Bills payable of RMB1,370,946,000 as at 31 December 2022 (31 December 2021: RMB1,007,416,000) were guaranteed by Mr. Ye Fan.

(e) Guarantees issued by the Group

	2022 RMB'000	2021 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to a related party:		
— Dongguan Meidong	**80,000**	80,000
Guarantees issued by the Group in respect of bank loans and borrowings granted to a related party:		
— Dongguan Meidong	**130,000**	130,000

34 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:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**22,974**	17,518
Equity compensation benefits	**4,750**	2,877
	27,724	20,395

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.

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2022**	31 December 2021
Non-current assets			
Interests in a subsidiary		**4,242,633**	304,725
Long-term receivables		**11,686**	14,643
Other non-current assets		**4,742**	350,000
		4,259,061	669,368
Current assets			
Other receivables		**9,682**	16,300
Fixed deposits with more than three months to maturity when placed		**712,696**	—
Cash and cash equivalents		**106,905**	470,211
		829,283	486,511
Current liabilities			
Other payables		**436,743**	153,310
Loans and borrowings		**470,541**	375,474
		907,284	528,784
Non-current liabilities			
Convertible bonds	(i)	**2,274,932**	—
Loans and borrowings		**71,719**	95,624
		2,346,651	95,624
Net current liabilities		**(78,001)**	(42,273)
Total assets less current liabilities		**4,181,060**	627,095
NET ASSETS		**1,834,409**	531,471
EQUITY	29		
Share capital		**101,888**	99,520
Reserves		**1,732,521**	431,951
TOTAL EQUITY		**1,834,409**	531,471

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

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Final dividend

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 29(b).

(b) Placement of new shares

On 4 January 2023, the Company agreed to issue 68,000,000 new ordinary shares at the subscription price of HK$15.05 per share. The Company completed the allotment on 17 January 2023 and received approximately HK$1,012 million after deducting the relevant placement costs.

37 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, 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.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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
HKFRS17, Insurance contracts	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to HKAS8, Accounting policies, change in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to HKAS12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

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

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Revenue	11,067,424	16,210,019	20,207,446	23,576,689	**28,654,734**
Profit before taxation	491,234	757,411	1,052,220	1,612,763	**863,540**
Taxation	(127,780)	(199,884)	(281,642)	(399,423)	**(307,604)**
Profit for the year	363,454	557,527	770,578	1,213,340	**555,936**
Profit attributable to equity shareholders of the Company	362,929	550,811	750,558	1,165,640	**521,029**
Non-controlling interests	525	6,716	20,020	47,700	**34,907**
Profit for the year	363,454	557,527	770,578	1,213,340	**555,936**
Earnings per share					
Basic (RMB cents)	31.57	47.67	62.19	93.62	**40.93**
Diluted (RMB cents)	31.41	47.27	61.36	92.38	**40.61**

ASSETS AND LIABILITIES

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Total Assets	4,174,516	5,924,920	7,770,349	9,802,673	**14,239,403**
Total Liabilities	(2,774,280)	(4,155,572)	(4,425,774)	(5,686,080)	**(9,805,623)**
	1,400,236	1,769,348	3,344,575	4,116,593	**4,433,780**
Equity attributable to equity shareholders of the Company	1,379,420	1,711,587	3,226,666	3,946,624	**4,275,026**
Non-controlling interests	20,816	57,761	117,909	169,969	**158,754**
Total Equity	1,400,236	1,769,348	3,344,575	4,116,593	**4,433,780**