Sunfonda Group Holdings Limited
新豐泰集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01771

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

新豐泰集團控股有限公司

ENGLISH NAME OF THE COMPANY

Sunfonda Group Holdings Limited

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BOARD OF DIRECTORS

Executive Directors

Mr. Wu Tak Lam *(Chairman of the Board)*
Ms. Chiu Man *(Chief Executive Officer)*
Ms. Chen Wei
Mr. Deng Ning

Independent Non-executive Directors

Mr. Song Tao
Dr. Liu Xiaofeng
Dr. Han Qinchun *(appointed on 18 May 2023)*
Mr. Liu Jie *(resigned on 12 June 2023)*

AUDIT COMMITTEE

Dr. Han Qinchun *(Chairman) (appointed on 18 May 2023)*
Mr. Song Tao
Dr. Liu Xiaofeng
Mr. Liu Jie *(former Chairman) (re-designated from Chairman of the Audit Committee to a member of the Audit Committee on 18 May 2023 and resigned on 12 June 2023)*

NOMINATION COMMITTEE

Mr. Wu Tak Lam *(Chairman)*
Mr. Song Tao
Dr. Liu Xiaofeng
Dr. Han Qinchun *(appointed on 18 May 2023)*
Mr. Liu Jie *(resigned on 12 June 2023)*

REMUNERATION COMMITTEE

Mr. Song Tao *(Chairman)*
Dr. Liu Xiaofeng
Dr. Han Qinchun *(appointed on 18 May 2023)*
Mr. Liu Jie *(resigned on 12 June 2023)*

FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam *(Chairman)*
Ms. Chiu Man
Dr. Han Qinchun *(appointed on 18 May 2023)*
Mr. Liu Jie *(resigned on 12 June 2023)*

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam
Ms. Chan Sze Ting

COMPANY SECRETARY

Ms. Chan Sze Ting *(FCG, HKFCG)*

HEADQUARTERS

Sunfonda Automobile Center
No. 1555 Ouya 1st Road
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Chanba Ecological District
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PRC

CORPORATE INFORMATION

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LEGAL ADVISORS

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Chaoyang District, Beijing
PRC

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AUDITORS

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Certified Public Accountant
Registered Public Interest Entity Auditor
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Quarry Bay, Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
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Central, Hong Kong

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Xi'an City, Shaanxi Province
PRC

Bank of China Limited, Shaanxi Branch
No. 18, North Section of Tangyan Road
Xi'an City, Shaanxi Province
PRC

STOCK CODE

01771

WEBSITE

www.sunfonda.com.cn

FINANCIAL HIGHLIGHTS

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2023

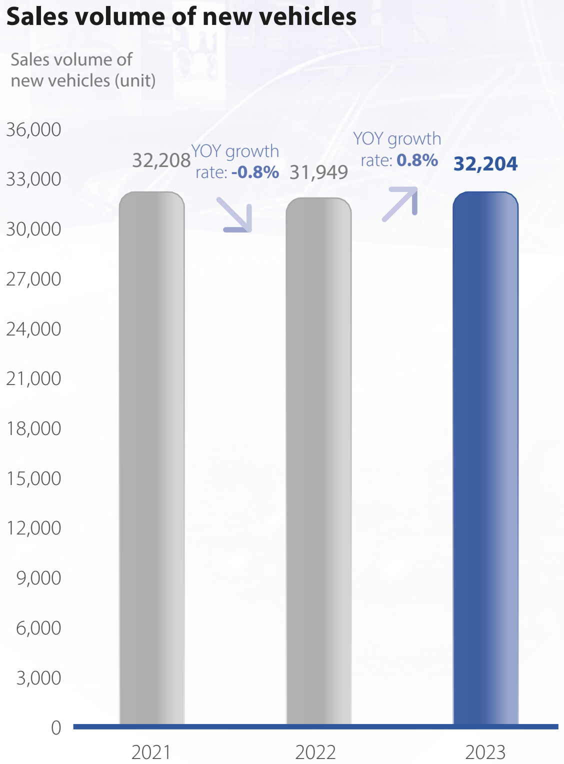
During the year ended 31 December 2023, the Group has recorded:

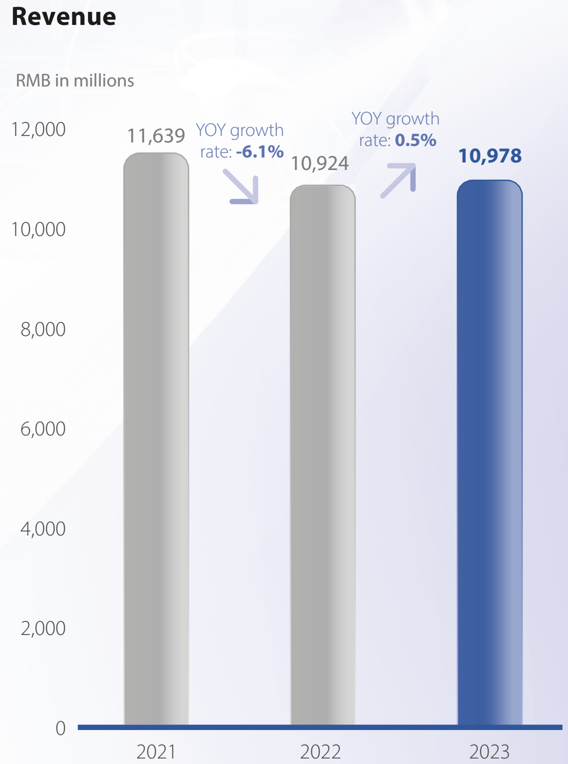
- Operating revenue of RMB10,977.8 million, which was up by 0.5% from the same period in 2022, including:
    - Sales volume of new vehicles up by 0.8% to 32,204 units, and revenue from the sales of new vehicles down by 1.3% to RMB9,295.6 million;
    - Revenue from after-sales services up by 10.4% to RMB1,260.5 million; and
    - Revenue from the sales of used cars up by 15.8% to RMB421.7 million.
- Gross profit of RMB420.1 million, which was down by 41.3% from the same period in 2022.
- Gross profit margin was 3.8% (2022: 6.6%).
- Profit before tax for the Period decreased by 86.1% to RMB18.0 million (2022: RMB129.4 million).

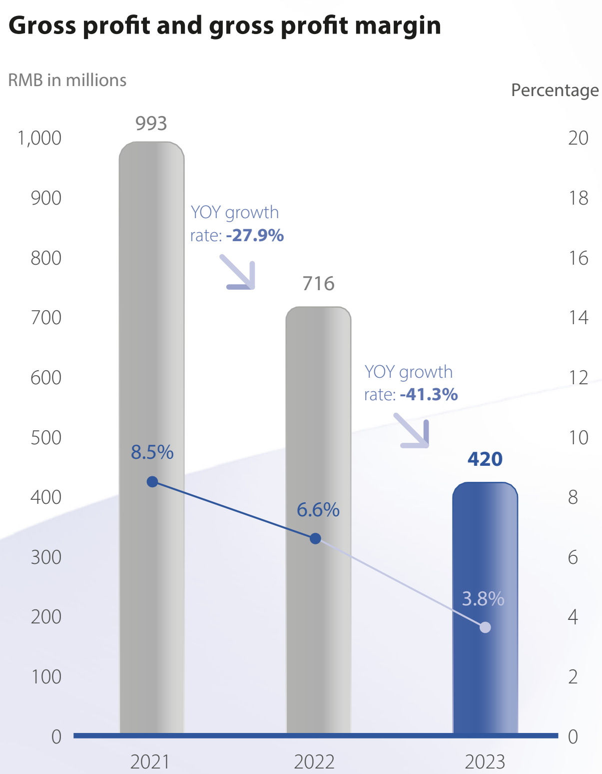
Profit attributable to owners of the parent for the Period was down by 85.4% to RMB11.9 million (2022: RMB81.3 million).

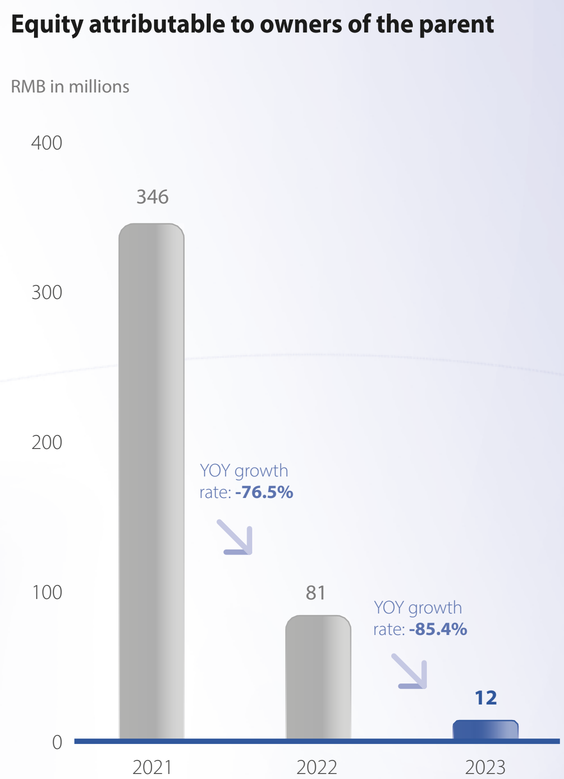
Basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to RMB0.02 for the Period (2022: RMB0.14).

FINANCIAL HIGHLIGHTS









Note: "YOY" refers to year-on-year.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "**Board**") of Sunfonda Group Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**" or "**Sunfonda**") for the year ended 31 December 2023 (the "**Period**").

In 2023, being the first year of the post-pandemic recovery, the Chinese economy showed a clear positive trend. Along with the recovery of economic activities, automobile consumption embraced a new turn in 2023, presenting more opportunities and challenges. The opening of China's automobile export corridor, making China the world's largest automobile exporter, has built up confidence in the development of Chinese automobile brands. The domestic automobile market has witnessed a continuous price war, which has gradually expanded from new energy vehicles to fuel vehicles. Price cuts have not brought about the sustained sales increase as expected, but have plunged the automobile industry into even more intense competition. At the same time, the pace of the expansion intelligent driving of electric vehicle brands in cities in 2023, and commercial applications gradually support higher-level self-driving functions, which has propelled more automobile enterprises to carry out iterative upgrading of the intelligent driving system.

In order to support the development of the automotive industry, some local governments launched a series of support policies in 2023, including the distribution of automotive consumption vouchers and tax subsidies. However, the overall demand showed signs of a pullback as compared with the previous year. As automobile manufacturers attach great importance to market competition and operating conditions of dealerships, the major automobile manufacturers of the brands represented by the Group provided support and encouragement to the dealerships during the Period to ensure the overall supply of new vehicles of the brands and the scale of sales, so that we were able to sustain growth in the sales of new vehicles throughout the year. The restoration of order in social life after the pandemic and the expanded demand for vehicles in our daily activities saw a return to normal maintenance frequency, which was also demonstrated in our after-sales service business.

The new energy vehicle market maintained a rapid growth in 2023, with new energy vehicle enterprises and traditional fuel vehicle brands actively embracing electrification and intelligence, and various brands launching a number of new energy vehicle models one after another to capture market share. During the Period, the proportion of new energy vehicles sold by the Group has also increased significantly in line with the increase in sales volume. The Group's sales of new energy vehicles increased by 33% year-on-year and accounted for 6.6% of total new vehicle sales. We expect to see a steady increase in the number of new energy vehicle consumers we serve in the coming years.

During the Period, we made breakthroughs in both luxury car and new energy vehicle brand outlets, with the opening of the Chanba Porsche Center in Xi'an, Shaanxi Province, further consolidating the dominance of ultra-luxury brands represented by the Group in Shaanxi Province, and the launch of the Xiaopeng Automobile, being the first brand that the Group represents to co-operate with new vehicle manufacturers, which offers an additional choice for Sunfonda Group's customers and provides the Group with experience in the expansion of new energy brands in the future.

In terms of business development, the Group placed stability at the core of its business and ensured the stability of the foundation of our automotive principal business through internal organisational optimisation and energy efficiency enhancement. While our position in the luxury car market has been steadily improving, we have also introduced new new energy vehicle brands in a timely manner to keep pace with the transformation of various brands into electric vehicles and changes in customer demand, so as to adapt to the market changes through various measures and to consolidate the Group's leading position in key markets. In terms of the used car business, the Group will continue to strengthen the development of new vehicle replacement and in-use vehicles for retained customers, while taking into account the expansion of intranet auctions and external sourcing channels to massively expand high-quality vehicle sources, and fully leveraging on the regional strengths of the nationwide dealer group. Through the integration of advantageous resources, the Group will maximise the profitability of the sales of vehicles of the same type and achieve efficient turnaround.

We expect that with the continuous optimisation and adjustment of the national macro policy, market consumption power and confidence will continue to recover. In this recovery process, the good reputation of our Sunfonda brand among customers is particularly important. For example, last year, we began to further strengthen our customer management centre function and develop customised products to meet individual needs. We continued to strengthen our after-sales and extended services to enhance customer loyalty and attract lost customers back, thereby achieving a 15% year-on-year increase in the number of after-sales fundamental customers.

Notably, the Group has further optimised the structure of its finance business and provided customers with a wide range of purchase options and more flexible payment methods, contributing to the more than doubling of revenue from its finance agency business year-on-year.

CHAIRMAN'S STATEMENT

From the unusual struggles back to the normal life, various changes and challenges over the past year have brought a lot of tests to our team. I would like to express our gratitude and appreciation to the management and staff for their dedication and hard work over the past year, which has enabled the Group to grow steadily in a complex and volatile environment. I am also grateful to shareholders and investors for their trust and support. The Group will strive for excellence in the coming year.

Wu Tak Lam
Chairman of the Board

28 March 2024

MARKET REVIEW

In 2023, the National Economy Rebounded and Improved, with High-quality Development Solidly Promoted.

In 2023, in the face of the complicated and severe international environment and the arduous and challenging task of domestic reform, development and stabilisation, under the strong leadership of the Party Central Committee with Comrade Xi Jinping at its core, China's economy rebounded to a positive trend, supply and demand steadily improved, restructuring and upgrading were actively promoted, employment and prices were generally stable, people's livelihood was strongly and effectively safeguarded, and high-quality development was solidly pushed forward, with the major expected goals being successfully accomplished.

According to the data released by the National Bureau of Statistics, the annual gross domestic product of China for the year amounted to RMB126,058.2 billion, representing a year-on-year increase of 5.2% at constant prices calculation. The total national value added of the industrial enterprises above the designated size for the year recorded a year-on-year increase of 4.6%. The total retail sales of consumer goods for the year amounted to approximately RMB47,149.5 billion, representing a year-on-year increase of 7.2%. By consumption type, retail sales of commodities amounted to RMB41,860.5 billion, representing a year-on-year increase of 5.8%; and retail sales of automobiles amounted to RMB4,861.4 billion, representing a year-on-year increase of 5.9%; online retail sales amounted to RMB15,426.4 billion, representing a year-on-year increase of 11.0%. Consumer price inflation (CPI) recorded a year-on-year increase of 0.2%. The national per capita disposable income for the year was RMB39,218, representing a year-on-year nominal growth of 6.3%, or an actual growth of 6.1% if price factors were excluded.

In addition, it should also be noted that the external environment has become more complicated, severe and uncertain, and economic development is still facing some difficulties and challenges.

In 2023, Shaanxi Province, a place where the Group's principal business is located, achieved a GDP of approximately RMB3,378,607 million, representing a year-on-year increase of 4.3% at constant prices calculation. In 2023, the value added of the industrial enterprises above the designated size of Shaanxi Province recorded a year-on-year increase of 5.0%. Among them, the automobile manufacturing industry recorded growth of 39.8%. The total retail sales of social consumer goods in Shaanxi Province recorded a year-on-year increase of 3.4% in 2023. With consumer demand for upgraded goods being continuously unleashed, retail sales of automobile commodities above the quota increased by 14.6%, among which new energy vehicles increased by 1.0 time.

Jiangsu Province, another place where the Group's principal business is located, recorded a GDP of RMB12.82 trillion, representing a year-on-year growth of 5.8%. The per capita disposable income of urban and rural residents reached RMB63,200 and RMB30,500, respectively, representing a year-on-year growth of 5% and 7%, respectively. The total retail sales of consumer goods increased by 6.5%, and the investment in major provincial projects exceeded RMB700 billion. Jiangsu has been recognised as the "Province with the Best Reputation for Its Business Environment (營商環境最佳口碑省份)" for five consecutive years. In 2023, Jiangsu Province sold 1.589 million passenger vehicles, representing a year-on-year increase of 3.5%, among which new energy passenger vehicles recorded 593,000 units of sales, representing a year-on-year increase of 42%, with a penetration rate of more than 37%. In order to promote automobile consumption, Jiangsu organised and launched a series of automobile consumption promotion themed activities including "Jiangsu New Consumption - Happy Automobile Purchase (蘇新消費・汽車享購全省行)" in 2023. In order to facilitate the transaction of second-hand vehicles, the Jiangsu Automobile Circulation Management Information Service Platform (For second-hand vehicles) was launched, which is currently widely used in second-hand vehicle markets across the province.

Review of China's Automobile Market in 2023

The China Association of Automobile Manufacturers announced the automobile production and sales situation in 2023. According to statistics, in 2023, the annual automobile production and sales volume in China reached 30.161 million units and 30.094 million units, respectively, representing a year-on-year growth of 11.6% and 12%, respectively, which hit a record high and achieved double-digit growth, and ranked number one in the world for 15 consecutive years. In 2023, the passenger vehicle market maintained a good momentum of growth, playing an important role in stabilising automobile consumption. According to the data released by the China Passenger Car Association (the "**CPCA**"), the passenger vehicle market recorded accumulative retail sales of 21,699,000 units in 2023, representing a year-on-year increase of 5.6%; new energy vehicles continued to grow rapidly, with production and sales exceeding 9 million units and market share exceeding 30%, becoming an important force leading the transformation of the global automobile industry.

According to the data released by the China Association of Automobile Manufacturers, in 2023, the sales volume of domestically-produced high-end brand passenger vehicles recorded 4,516,000 units, representing a year-on-year increase of 15.4%, which was 11.2 percentage points higher than the overall growth rate of domestic passenger vehicle sales, continuing the double-digit growth trend that had been in place for years.

According to the statistics of the Ministry of Public Security of China, in 2023, China's motor vehicle ownership volume reached 435 million units, of which the automobile ownership volume was 336 million units; and the number of motor vehicle drivers reached 523 million, and there were 24.29 million newly licensed drivers, of which 486 million were automobile drivers. In 2023, there were 34.80 million newly registered motor vehicles, representing an increase of 16,000 units or 0.05% as compared with that of 2022. Specifically, there were 24.56 million newly registered automobiles, representing an increase of 1.33 million units or 5.73% as compared with that of 2022.

As at the end of 2023, the new energy vehicle ownership volume in China reached 20.41 million units, accounting for 6.07% of the total volume of automobiles. Specifically, the battery electric vehicle ownership volume was 15.52 million units, accounting for 76.04% of the total number of new energy vehicles. In 2023, 7.43 million new energy vehicles were newly registered, accounting for 30.25% of the total number of newly registered automobiles, and representing an increase of 2.07 million units or 38.76% as compared with 2022. Such number has increased rapidly from 1.20 million units in 2019 to 7.43 million units in 2023, demonstrating a high-speed growth trend.

There are 94 cities with car ownership volume of more than 1 million units in China, representing an increase of 10 cities as compared with 2022. Specifically, there are 43 cities with a car ownership volume of more than 2 million units and 25 cities with more than 3 million units, and five cities, including Chengdu, Beijing, Chongqing, Shanghai and Suzhou, have a car ownership volume of more than 5 million units.

The number of automobile transfer registrations continued its growth and the used car trading market was active. In 2023, public security and traffic control departments in China have handled a total of 34.15 million cases of motor vehicle transfer registration, among which 31.87 million cases were automobile transfer registration, accounting for 93.32% of all the cases. The Ministry of Public Security, together with the Ministry of Commerce and other departments, introduced a series of reform measures to facilitate the registration of cross-location transactions and better promote the circulation of used cars. Since 2020, the number of used cars registered nationwide has exceeded the number of new car registration for four consecutive years.

According to the official sales data released by Porsche, its global sales in 2023 amounted to 320,221 vehicles, representing an increase of 3% as compared with 2022. A total of 79,283 new vehicles were delivered to customers in China, of which 16% were new energy models. Among the Porsche brand's benchmark products, the sales volume of the 911 Series have surged by 36% year-on-year, and the demand for the electric sports car Taycan has also been very high, with the amount of delivered new vehicles increased by 41% year-on-year. To meet the charging needs of its customers, Porsche has set up 338 charging piles in more than 90 cities in China, covering 124 Porsche centres and 214 public areas such as high-end business districts, luxury hotels and highway service areas. With regard to the development trend in the field of new energy vehicles, Porsche indicates that it will soon launch the new battery electric Macan model.

According to the data released by the BMW Group, in 2023, the BMW Group delivered a total of 2,555,341 BMW, MINI and Rolls-Royce vehicles globally, representing a year-on-year increase of 6.5%, hitting a new record for the sales volume of the BMW Group. With 2,253,835 units sold, the BMW brand remains the number one brand of the luxury car segment worldwide. Sales of BMW's battery electric models increased by 92.2% year-on-year to 330,596 units. In 2023, the BMW Group delivered a total of 824,932 BMW and MINI vehicles to the Chinese market, representing a year-on-year increase of 4.2%, and continued to lead the luxury car segment in China in terms of total sales volume. Specifically, the sales volume of BMW brand battery electric models was outstanding, with nearly 100,000 vehicles delivered throughout the year, which became an important pillar of BMW's overall sales growth. In 2023, the sales volume of BMW's battery electric models soared, with 99,972 units delivered throughout the year, representing a year-on-year increase of more than 138%. Specifically, the sales of BMW battery electric models exceeded 10,000 units per month for two consecutive months in last November and December. In 2023, the BMW brand had a total of six battery electric models available for sale in China, of which the BMW i3 and BMW iX3 were the two battery electric products with the highest sales volume.

In 2023, Mercedes-Benz Group sold 2,492,000 new vehicles globally, representing a year-on-year growth of 1.5%. Specifically, the sales volume in China reached 765,000 units, accounting for 29.58% of Mercedes-Benz's global sales volume, which the delivery level remained basically the same as that in 2022, achieving high-quality development in several strategic business segments. Among them, the annual delivery of battery electric models achieved more than a double, and plug-in hybrid models once again took the lead in the luxury car market. In 2024, Mercedes-Benz will continue its product strategy of "parallel operation of both fuel and electric models" and bring to the Chinese market more than 15 new and next-generation products covering different drive modes and market segments. In the high-end luxury product matrix, the new battery electric G-Class SUV, being the first battery electric product of the legendary G-Class, the new Maybach EQS battery electric SUV, being the first mass-produced pure electric model of the Mercedes-Maybach brand, and the new AMG battery electric EQE 53 SUV, will debut this year, further accelerating the progress of electrification of the high-end luxury product matrix. In the core luxury product matrix, the new long-wheelbase GLC SUV plug-in hybrid and the new long-wheelbase E-Class plug-in hybrid will be launched this year. In the new generation luxury product matrix, the new generation EQA and EQB battery electric SUV models will also enter the Chinese market, bringing the latest design elements, luxury driving and intelligent experience of the battery electric family. Up to now, Mercedes-Benz public charging service has covered nearly 590,000 public charging piles in more than 340 cities across China.

According to the official data released by Audi, Audi delivered a total of 1.90 million vehicles worldwide in 2023, representing a year-on-year growth of 17%. Specifically, Audi sold more than 178,000 battery electric vehicles globally, representing a year-on-year growth of 51%. In China's market, Audi delivered 729,000 vehicles in 2023, representing a year-on-year increase of 13.5%, of which 31,025 were delivered to customers of Audi's battery e-tron series. In the face of the complex market environment, the outstanding sales performance has laid the foundation for the development of Audi's electrification transformation. In the first quarter of 2024, the Q6 e-tron, the key product of Audi's intensified electrification campaign, will be presented globally. As for future development, Mr. Wen Zeyue, president of Audi China, said that Audi will launch a number of new models between 2024 and 2025 to diversify and strengthen its product portfolio. At the same time, Audi will simultaneously promote the development and launch of the new generation of internal combustion engine models and plug-in hybrid models to meet the needs of different consumers and further strengthen its brand positioning.

According to the official data released by Lexus, Lexus achieved a sales volume of 181,000 vehicles in China in 2023, representing a year-on-year increase of 3%, and continued to maintain the first position in the sales volume list of imported car brands.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, the Group proactively adjusted its operating strategies amidst rapid changes in the competitive landscape of the automobile market. By adhering to the business development pace, continuously improving the derivative horizontal business, focusing on the potential of the accident business and strengthening the core competence of the used car business, the Group achieved the "best customer experience" while responding to the market changes in a sound manner. In 2023, the Group realised operating income and gross operating profit of RMB10,977.8 million and RMB420.1 million, respectively.

As at 31 December 2023, the Group had a total of 43 sale points in operation.

	Northwestern China	Jiangsu	Other regions	Total
Number of sale points	30	7	6	43
Of which: Number of sale points for luxury brands	21	4	6	31

The Operational Capacity of New Automobile Sales Business Remained Stable, and Horizontal Business Continued to Improve

In 2023, the Group continued to adhere to the strategy of "increment-oriented, structural optimisation, schedule first", and eventually sold 32,204 new vehicles, representing a year-on-year increase of 0.8 percentage point; among which, the sales volume of new energy vehicles was still the key direction of improvement, and achieved a year-on-year increase of 33%, accounting for 6.6% of the total sales volume of new vehicles.

The Group continued to promote prior order execution, conducted advance warning and assessment of inventory turnover, and initiated intra-brand resource sharing to accelerate turnover while maximising profit. The Group also strengthened sales process management, and provided guidelines and rectification to various brand stores through spot check, inspections and data benchmarking analysis.

As competition in the automobile market further intensified, price cuts and promotions were intensified. Under such circumstance, the Group focused on increasing the contribution of the horizontal business on the sales side. Through restructuring of the finance business and redevelopment of derivative business, the horizontal business contribution increased by 2.52 percentage points year-on-year, which compensated for the impact of the price cuts of new vehicles on the Company's profit.

Through intensive cultivation of customer portraits, the Group effectively improved the quality of in-store invitations. The Group focused on internet lead maintenance, new media live streaming, Xiaohongshu and other online marketing channels to improve sales volume while expanding leads. The Group continued to strengthen circle marketing, and customer retention rate and referrals significantly increased by taking measures such as the grant of referral benefits to existing customers and replacement subsidies through the membership centre platform and capitalising on the "Member Centre Activity Month" campaign.

Expanded Fundamental Customer Base with Optimised Service and Focused on Exploring Accidental Maintenance Business

As competition in the market intensified in 2023, the after-sales business will be in the spotlight as a major profit contributor for dealership stores. In adherence to customer-centric principle, the Group further strengthened the function of customer management center, developed personalised products to meet individual needs, improved the efficiency of solicitation through accurate contact and maintenance, and attracted lost customers back. Leveraging on its quality services, expertise and innovative business model, the Group achieved steady growth in after-sales fundamental customers, representing an increase of 15% as compared with 2022.

Intensified competition in the accidental maintenance market caused lower profitability to insurance companies after several fee reforms, contracting the room for compensation. The Group focused on the insurance renewal business and has developed its own insurance renewal business management system, with the number of renewed policies increased by 8.1% year-on-year and premiums increased by 6% year-on-year. This enabled the Group to maintain the initiative in co-operation with insurance companies. On the other hand, the Group leveraged on its strengths to develop an online accident clue platform in order to closely monitor clues follow-up, and therefore ensured a steady growth in the retention rate. Accident revenue in 2023 increased by 18% as compared with the same period in 2022.

In respect of electromechanical business, the Group continued to promote prior technical diagnosis to strengthen its professional expertise, and continuously created a technology-leading brand image of Sunfonda. In addition, the Group launched service marketing competitions to reasonably increase the scale of its business.

In respect of the accident business, in 2023, by relying on the industrial zone-based layout, the Group carried out sheet metal spraying centre projects in key cities, which achieved certain intensification results. Looking ahead, the sheet metal spraying centres will attach more importance to technological innovation and service quality improvement, such as the use of more environmentally friendly materials and optimisation of the spraying process. The Group will improve efficiency and control costs to give full play to the advantages of the sheet metal spraying centres while reducing its footprints to the environment.

The Group's revenue from after-sales services in 2023 was RMB1,260.5 million, up by 10.4% from RMB1,141.4 million during the same period in 2022, and the gross profit of after-sales services was RMB504.1 million, up by 5.3% from RMB478.7 million during the same period in 2022.

In terms of decoration business, the Group's competitiveness was enhanced through refined operations to meet the individual needs of customers. In respect of products, the Group consolidated its supply resources to reduce the cost of product supply. In respect of human resources, the Group will improve the efficiency of its technical staff and the marketing capability of its sales staff. Looking ahead, the Group will continue to reduce costs and increase efficiency while increasing the scale of its business in order to enhance the profit contribution of this segment.

Used Car Business Grabs Market Development Opportunities and Will Serve as a New Growth Driver for Profit Contribution in the Future

The used car segment is the Group's focus of business development at this stage. Through continuous enhancement of its core competence in used cars, the Group has improved its systems for the acquisition, evaluation, testing, pricing and disposal of used cars to ensure that its business is carried out in a compliant manner and that its profits are maximised. The Group strictly controlled the inventory turnover of used vehicles and formulated a clear inventory management system for both retail and wholesale vehicles to ensure its healthy inventory and sound operation.

In 2023, the Group continued to focus on the development of in-use vehicles and the intranet auction business, and proactively expanded its used car sourcing channels to meet the demand for used car retail resources of the same brand. By leveraging on the regional strengths of the nationwide dealer group and through the integration of advantageous resources, the Group was able to maximise the profitability of the sales of vehicles of the same brand and achieve efficient turnaround. The average turnover days of used vehicles were only 14 days, achieving healthy operation. In addition, the Group continued to promote its used car certification system and build up the Sunfonda certified used car brand, which boosted the retail business and drove the growth of extended business such as transfer, finance, insurance, insurance renewal and decoration.

The used car replacement rate recorded a year-on-year increase of 3.3%, the volume of used car transactions amounted to 7,380 units, representing a year-on-year increase of 5.7%. Specifically, 2,904 units were distributed, representing a year-on-year increase of 25.1%, and gross profit on distribution was RMB20.0 million, representing a year-on-year increase of 24.3%.

In the future, the core of the Group's used car business are still to promote new vehicle replacement, develop loyal customers, improve the entry of in-use high-quality vehicles and brand certification retail, expand business scale, realise the lifetime value chain circulation of customers' in-use vehicles.

Automobile Financing Agency Business

In 2023, the Group continued to strengthen its total-to-total co-operation with financial institutions and further optimised its financial services and financial product structure to provide customers with diversified purchase options and more flexible payment methods, to promote the growth of new automobile sales business, and further acquire income from the whole value chain brought by financial business during the customer lifetime cycle. In 2023, income from the Group's automobile financing agency business recorded more than a double year on year.

Achieved "Best Customer Experience" in Adherence to Customer-Centric Principle

The customer relationship management (CRM) department is the core for the Group to connect with customers, while customers are the carrier for enterprises to achieve sustainable development, and customer satisfaction is the basis of the Group's customer management. For a long time, the Group has emphasised customer satisfaction, enhanced customer loyalty through good customer relationship management, and offered the best customer experience, thereby steadily improving customer retention and continuously enhancing profit margins.

In 2023, the Group used the digital management platform to integrate customer resources, provided customers with quality after-sales services and support through the collection of customer profiles and data analyses, supplemented by various customer communication channels such as Enterprise WeChat and Internet telephony. The Group conducted customer portrait analysis to accurately select customers, developed corresponding customer benefit cards and coupons, and improved the re-development of existing customers through precise promotion using Enterprise WeChat, WeChat mini program, WeChat Moments and other multiple channels. The Group also tapped into high-value and loyal customers, collected customer feedback and opinions, and optimised operational processes to meet customer needs and enhance customer loyalty.

In the future, the Group will consistently adhere to customer-centric principle, fully utilising its digital management platform to understand customers' needs in depth, provide multi-dimensional services to customers, and facilitate the development of the entire business chain, with a view to achieving the best customer experience and customer satisfaction, and sustained profit enhancement.

Carried out Multi-form Co-operation with Emerging Brands and Optimised Brand and Network Deployment

The Group is concerned about the changes in the overall economic environment and demand in the consumer market in 2023, the trend of rapid growth of new energy brands in the automobile market and the intensification of price wars in the automobile dealership industry. The Group is firmly confident that it will be able to tap into the room for development of the existing business of the automobile segment through a number of measures, such as enhancing the integrated control capability of the internal business, and further stabilising the base of the Group's existing automobile 4S shops as its main business. In response to changes in the Group's consumer demand in the automobile market in different regions, the Group proactively continued to optimise its brand stores so as to maintain the profitability of the Group's branded outlets in different regions. Meanwhile, the Group continued to focus on key regions covered by its brand network, and promoted the network construction of its dominant luxury brands and new energy brands, with a view to enhancing the Group's brand network advantage in key cities.

Since 2023, the Group has proactively and steadily pushed forward its brand network development plan, completing the construction of the Xi'an Chanba Porsche Project and the Beijing Xiaopeng Project in the first half of the year, of which, the Xi'an Chanba Porsche Center, as a pilot store of the Destination Porsche Programme, will improve the Xi'an Chanba brand network and enhance the quality of service provided by Sunfonda Group. The opening of the Xiaopeng Project in Beijing has provided the Group with experience in the development of new energy brands in key cities, which will be conducive to the rapid expansion of the Group's new energy brand network in the future. In addition, the Group made timely optimisations to some of its sales points in order to maintain the Group's overall profitability and continue with the integration of resources and optimisation of network resources.

The Group has entered into various forms of cooperation in 2023 with emerging new energy vehicle brands with strong market competitiveness, including venue leasing mode and business cooperation mode, and is steadily pushing forward with various matters of cooperation, among which the Group has obtained the authorisation of the business module of the NIO Authorised Service Centre in Weinan City, Shaanxi Province.

As at 31 December 2023, the Group had a total of 43 sale points in operation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2023 was RMB10,977.8 million, representing an increase of RMB54.1 million or 0.5% as compared to that for the corresponding period in 2022. Among which, revenue from the sales of new automobiles was RMB9,295.6 million, representing a decrease of RMB122.4 million or 1.3% as compared to that for the corresponding period in 2022. Among which, revenue from after-sales service business was RMB1,260.5 million, representing an increase of RMB119.1 million or 10.4% as compared to that for the corresponding period in 2022; and revenue from the sales of used cars was RMB421.7 million, representing an increase of RMB57.4 million or 15.8% as compared to that for the corresponding period in 2022.

A substantial portion of the revenue of the Group was generated from sales of new vehicles, accounting for 84.7% of our revenue for the year ended 31 December 2023 (2022: 86.2%). In addition, revenue generated from after-sales service business accounted for 11.5% of the revenue for the year ended 31 December 2023 (2022: 10.5%), and revenue from the sales of used cars accounted for 3.8% of the revenue for the year ended 31 December 2023 (2022: 3.3%). Revenue of the Group was mainly derived from our operations in the PRC.

The following table sets forth a breakdown of the Group's revenue and relevant information for the reporting periods:

	For the year ended 31 December					
	2023			2022		
	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of new vehicles						
Luxury and ultra-luxury brands	**7,667,818**	**21,928**	**349.7**	7,521,478	20,165	373.0
Mid-end market brands	**1,627,824**	**10,276**	**158.4**	1,896,555	11,784	160.9
Sub-total/Average	**9,295,642**	**32,204**	**288.6**	9,418,033	31,949	294.8
Sales of used cars	**421,652**	**2,904**	**145.2**	364,272	2,321	156.9
After-sales services	**1,260,529**			1,141,373		
Total	**10,977,823**			10,923,678		

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2023 was RMB10,557.7 million, representing an increase of RMB349.8 million or 3.4% as compared to that for the corresponding period in 2022. Among which, cost of sales of new automobiles for the year ended 31 December 2023 was RMB9,399.6 million, representing an increase of RMB202.6 million or 2.2% as compared to that for the corresponding period in 2022. Cost of after-sales services business for the year ended 31 December 2023 was RMB756.4 million, representing an increase of RMB93.7 million or 14.1% as compared to that for the corresponding period in 2022. Cost of sales of used cars for the year ended 31 December 2023 was RMB401.7 million, representing an increase of RMB53.5 million or 15.4% as compared to that for the corresponding period in 2022.

Gross Profit

Gross profit for the year ended 31 December 2023 was RMB420.1 million, representing a decrease of RMB295.6 million or 41.3% as compared to that for the corresponding period in 2022. Of which, sales of new automobiles recorded a negative gross profit of RMB104.0 million, as compared to the gross profit of sales of new automobiles of RMB221.0 million for the corresponding period in 2022. The change of position from gross profit to negative gross profit for the sales of new automobiles was mainly due to the decline in the terminal transaction price in the automobile dealership market as affected by certain factors such as the macroeconomic environment and fierce competition in the automobile consumer market, resulting in the decreased profitability of the overall sales of new vehicles. Gross profit of after-sales service business was RMB504.1 million, representing an increase of RMB25.4 million or 5.3% as compared to that for the corresponding period in 2022. For the year ended 31 December 2023, gross profit of after-sales services accounted for 120.0% of our total gross profit (2022: 66.9%). Gross profit of used car business was RMB20.0 million, representing an increase of RMB4.0 million or 24.3% as compared to that for the corresponding period in 2022.

Gross profit margin for the year ended 31 December 2023 was 3.8% (2022: 6.6%).

Other Income and Gains, Net

Other income and gains, net mainly consist of commission income from automobile sales on commission, insurance agency and automobile financing agency businesses, logistics and storage income, net gains from disposal of property, plant and equipment, and interest income.

Other income and gains, net for the year ended 31 December 2023 amounted to RMB477.4 million, representing an increase of 69.8% as compared with RMB281.2 million for the year ended 31 December 2022. The increase was mainly due to the increase in commission income from the automobile financing agency business as a result of the Group's focus on horizontal gross profit contribution and negotiations on commission rates with automobile financing companies on multiple occasions.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2023 amounted to RMB543.2 million, representing an increase of RMB35.7 million or 7.0% as compared with RMB507.5 million for the year ended 31 December 2022, The increase was mainly due to increase in expenses associated with newly opened stores. As a percentage of revenue, the selling and distribution expenses increased over the corresponding period last year from 4.6% for the year ended 31 December 2022 to 4.9% for the year ended 31 December 2023, up by 0.3 percentage point.

Administrative Expenses

Administrative expenses for the year ended 31 December 2023 amounted to RMB241.2 million, representing a decrease of RMB11.5 million or 4.6% as compared with RMB252.7 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in compensation of administrative personnel. As a percentage of revenue, the administrative expenses decreased as compared with the corresponding period last year, decreased from 2.3% for the year ended 31 December 2022 to 2.2% for the year ended 31 December 2023, down by 0.1 percentage point.

Finance Costs

Finance costs for the year ended 31 December 2023 amounted to RMB95.2 million, representing a decrease of 11.4% as compared with RMB107.4 million for the year ended 31 December 2022. The decrease was mainly due to rationalisation of the loan structure and reduction in financing fee expenses.

Profit Before Tax

As a result of the foregoing, profit before tax for the year ended 31 December 2023 amounted to RMB18.0 million, representing a decrease of RMB111.4 million or 86.1% as compared with RMB129.4 million for the year ended 31 December 2022.

Income Tax Expense

Income tax expense for the year ended 31 December 2023 amounted to RMB6.1 million, representing a decrease of RMB42.0 million or 87.3% as compared with RMB48.1 million for the year ended 31 December 2022, which was primarily due to the decline in profits for the Period resulting in a corresponding decrease in income tax expense. The effective income tax rate of the Group for the year ended 31 December 2023 was approximately 34.1% (2022: 37.2%).

Profit for the Year

As a result of the foregoing, profit for the year ended 31 December 2023 amounted to RMB11.9 million, representing a decrease of RMB69.4 million or 85.4% as compared with RMB81.3 million for the year ended 31 December 2022.

Profit for the Year Attributable to Owners of the Parent

For the year ended 31 December 2023, profit for the year attributable to owners of the parent amounted to RMB11.9 million, representing a decrease of RMB69.4 million or 85.4% as compared with RMB81.3 million for the year ended 31 December 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the year ended 31 December 2023, the Group's net cash inflow generated from operating activities was RMB365.7 million, as compared with RMB113.3 million of its net cash inflow generated from operating activities for the year ended 31 December 2022. The increase in net cash inflow from operating activities was mainly due to a decrease in the scale of inventory purchases during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2023, the Group's net cash outflow of investing activities was RMB209.7 million, as compared with RMB307.5 million of its net cash outflow of investing activities for the year ended 31 December 2022. The decrease in net cash outflow of investing activities was mainly attributable to the imminent completion of project investments.

For the year ended 31 December 2023, the Group's net cash outflow of financing activities was RMB120.6 million, as compared with RMB37.0 million of its net cash outflow of financing activities for the year ended 31 December 2022. The increase in net cash outflow of financing activities was mainly attributable to the increase in net cash outflows for repayment of bank loans and other borrowings for the Period.

Net Current Assets

As at 31 December 2023, the Group's net current assets amounted to RMB616.9 million, as compared with RMB376.8 million of its net current assets as at 31 December 2022.

Inventories

The Group's inventories primarily consist of new automobiles, used cars, spare parts and decoration accessories. As at 31 December 2023, the Group's inventories amounted to RMB1,277.5 million, representing a decrease of 5.2% as compared with RMB1,346.9 million as at 31 December 2022, mainly due to the increase in sales volume during the Period.

In 2023, the Group's average inventory turnover days (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that year and multiplied by 360 days) were 45.6 days, representing an increase as compared with 43.0 days in 2022, which was mainly attributable to the increase in the average inventory amount for the Period as compared with that for last year.

Bank Loans and Other Borrowings

As at 31 December 2023, the Group's bank loans and other borrowings were RMB2,521.1 million, representing an increase of 1.6% as compared with RMB2,481.1 million as at 31 December 2022.

The following table sets forth the Group's bank loans and other borrowings as at the dates indicated:

	As at 31 December			
	2023		2022	
	Effective interest rate (%)	**Amount RMB'000**	Effective interest rate (%)	Amount RMB'000
CURRENT				
Bank loans	**2.9-5.8**	**1,464,660**	3.2-5.9	1,667,657
Other borrowings	**1.3-8.5**	**347,040**	1.8-8.5	452,020
Sub-total		**1,811,700**		2,119,677
NON-CURRENT				
Bank loans	**3.5-5.8**	**709,402**	3.5-5.9	361,456
Sub-total		**709,402**		361,456
Total		**2,521,102**		2,481,133
Among which:				
Secured loans		**1,818,526**		1,882,047
Unsecured loans		**702,576**		599,086
Total		**2,521,102**		2,481,133

As at 31 December 2023, the Group's gearing ratio, which is net debt divided by total equity plus net debt, was 49.2% (2022: 47.2%). Net debt includes bank loans and other borrowings, trade and bills payables and other payables and accruals, less cash and cash at banks, short-term deposits, cash in transmit and pledged bank deposits.

Pledge of Assets

As at 31 December 2023, certain of the Group's bank loans were secured by charges or pledges over its assets. The Group's assets subject to these charges or pledges as at 31 December 2023 consisted of: (i) inventories amounting to RMB665.5 million; (ii) property, plant and equipment amounting to RMB374.6 million; (iii) land use rights amounting to RMB289.5 million; (iv) construction in progress amounting to RMB428.5 million; and (v) pledged bank deposits amounting to US$3.6 million (equivalent to RMB25.9 million) and RMB108.1 million.

As at 31 December 2023, certain of the Group's inventories amounting to RMB275.6 million and pledged bank deposits amounting to RMB445.1 million were pledged as securities for bills payable.

Capital Expenditures and Investment

The Group's capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. For the year ended 31 December 2023, the Group's total capital expenditures were RMB339.7 million, representing a decrease of RMB169.7 million as compared with the RMB509.4 million for the year ended 31 December 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures.

Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities or guarantees.

Staff Cost and Employee Remuneration Policy

As at 31 December 2023, the Group had 3,156 employees (as at 31 December 2022: 3,555 employees). Staff cost of the Group increased by 9.3% from RMB353.1 million for the year ended 31 December 2022 to RMB386.0 million for the year ended 31 December 2023, mainly attributable to the increase in staff remuneration as a result of the increase in the number of newly opened stores, as well as the impact on staff remuneration as a result of the closure of stores in the corresponding period of 2022 due to the impact of the pandemic. The Group offers attractive remuneration packages based on market conditions, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and after-sales staff with performance-based bonuses based on their contributions to revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. The remuneration of directors of the Company is determined by the remuneration committee of the Board having regard to the job nature, experience of the individuals and market trends. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. In order to maintain the rapid development of the Group's network, the Group also continues to build up its quality talent pool and prudently manage its human resources and makes corresponding adjustments to the arrangement of positions based on the changes in overall business volume. Meanwhile, the Group attaches great importance to the reserve of talent and team building. Regular training in respect of business skills, expertise and professional attributes have been provided to key personnel. The Group also pays close attention to the career development of its employees, so as to provide primary drivers for the future development of the Group.

PRINCIPAL RISKS

Business Risk

The Group's rights on operating points of sales, the supply of automobiles and spare parts as well as other important aspects in the Group's businesses and operations are all subject to our dealership authorization agreements with automobile suppliers. The Group's dealership authorization agreements are non-exclusive, and generally have terms of one to three years with the option of renewal. The automobile suppliers may terminate the dealership authorization agreements by giving three to twelve months' written notice in general for various reasons or without reasons. Of course, the Group may terminate the dealership authorization agreements with the automobile suppliers based on reasons such as adjustment of business strategies of the Group or others. In case of any of the foregoing, the Group's business, operating conditions and future development may be affected. Accordingly, the Group communicated and exchanged views with each automobile supplier regularly with a view to achieving a win-win cooperation relationship.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long- term debt obligations at a floating interest rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Exchange Rate Risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in US$, Euro and HK$ and certain loans denominated in HK$.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China which had HK$ as their functional currency, and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had immaterial foreign currency risk.

FUTURE STRATEGY AND PROSPECTS

Forecast of China's Economic Trend in 2024 – Rebounding and Positive, Achieving High-Quality Development

According to Wei Jianguo, former Vice Minister of the Ministry of Commerce, China's economy will be "on the rise" in 2024. In terms of foreign trade, the inflection point has already appeared, and foreign trade imports and exports will stabilise and rebound this year. The consumer market is also picking up rapidly, with increasing contribution of domestic demand to economic growth. He expects that the consumption potential will be further unleashed from the Spring Festival onwards, which will boost and pull China's economy.

"China's economy is in the midst of recovery, and some of the economic indicators are already showing the signs." Zhao Bo, an associate professor (employed on a long-term contract) of economics at Peking University's National Development Research Institute, said China's economy will be on a rebound in 2024, but some short-term challenges should be handled with caution. The key to whether China can increase its potential growth rate in the future is to find a new impetus to achieve high-quality development, to comprehensively upgrade its technological and innovation capabilities, to practically achieve the continuous upgrading and digital transformation of the manufacturing industry, to continuously deepen reforms, to increase the degree of liberalisation of the service industry, and to improve the certainty of policies, the transparency of policies as well as the compatibility of policies in terms of incentives.

Regarding the exchange rate trend of RMB, Guan Tao, Global Chief Economist of BOC International (China), estimated that the exchange rate of Renminbi may show a trend rebound in 2024. According to Guan Tao, cross-border capital flows and fluctuations in the Renminbi exchange rate should be viewed in a normal manner, as China is a large open economy with a much stronger risk-resistant capacity and policy manoeuvrability than a small open economy. Meanwhile, it is necessary to better co-ordinate financial openness and security, and continuously improve the management of cross-border capital flows and risk response capabilities.

Yu Yongding, a member of the Chinese Academy of Social Sciences, said that China's GDP growth could reach 5% in 2024. Considering the base number of 2023, this 5% growth target is a more realistic percentage.

According to Liu Qiao, Dean of Guanghua School of Management of Peking University, looking ahead to 2024, the effect of growth stabilisation policies will continue to take effect, domestic demand is expected to continue to recover, and the economic growth rate is expected to return to the potential growth level. The economic growth target of around 5.0% is in line with China's potential level of economic growth and maintains the reasonableness and consistency of China's economic growth target.

Xi'an – Regarding High-quality Construction of the "Dual Centres" as its Foundation

Xi'an is the capital of Shaanxi Province, where the Group's main business is located, and is also the location of the Group's headquarters. At the Sixth Plenary Meeting of the 14th Xi'an Municipal Committee of the Communist Party of China, Fang Hongwei, Secretary of the Xi'an Municipal Committee, emphasised the need to accelerate the construction of the "dual centres" in Xi'an is to achieve a new breakthrough in shaping the momentum, to make the construction of the "dual centres" in Xi'an the basis of the foundation of Xi'an, and to comprehensively strengthen the leading role of the Qinchuangyuan Innovation Platform, strengthen the construction of national strategic science and technology force, promote enterprises to become the real innovation main body, accelerate the industrialisation of Hard & Core Technology, promote integrated development by the power of innovation, steadily enhance the ability of scientific and technological innovation protection, and push the construction of "dual centres" to achieve actual operation and substantial progress, thereby making it a gold-lettered signboard for Xi'an to attract talents from all over the world, nurture emerging industries and breed future industries. At the same time, the integrated development of Xi'an and Xianyang will be deepened, the creation of an advanced zone for the transformation of scientific and technological achievements in Qinchuangyuan will be accelerated, and the development of the county economy, private economy, open economy and digital economy will be vigorously pursued, so as to accelerate the construction of a modern "famous city in the western China and the silk road capital".

Chinese Passenger Vehicle Market in 2024

Cui Dongshu, Secretary General of the CPCA, forecasts that the total retail sales of passenger vehicles will reach 22.2 million units in 2024, representing a 3% growth as compared with 2023, and that the new energy market will continue to maintain strong growth momentum, with wholesale sales expected to reach 11 million units, representing a net increase of 2.3 million units, a year-on-year growth of 22% and a penetration rate of 40%.

Cui Dongshu believes that in 2024, China's car market will be higher and stronger. Firstly, from the perspective of the total number of working days and the seasonal consumption characteristics of passenger vehicles, 2024 is a big year as one of the manifestations is that the later the spring festival is, the longer the pre-spring festival hot market period is, and the more it will bring consumption growth in the automobile market. Meanwhile, from the policy side, Cui Dongshu believes that, compared to 2023, as affected by the withdrawal of vehicle purchase tax concessions and new energy subsidy, the automobile market in 2024 is not subject to major policy changes and thus will maintain a better trend. In addition, a number of international organisations have recently raised their forecasts for China's economic growth, indicating that China's economic growth will be more dynamic in 2024.

Price wars will be a key word for the automobile market in 2023. Moving into 2024, Cui Dongshu believes that price wars may continue in the new energy market, which is due to the recent decline in lithium carbonate prices, lower battery prices, and the continuing trend of oil-to-electricity conversion. The fuel vehicle market, however, is still in a difficult situation. The overall profit of automobile manufacturers is at a low level. "It should be taken into account that the fuel vehicle is still an important vehicle model to protect the people's livelihood, most of the automobile manufacturers in the past two years will focus on the new energy market, but the fuel vehicle market should not be ignored." Cui Dongshu commented.

Looking at the new energy market in a specific manner, according to Cui Dongshu, from the perspective of the three major purchasing groups (namely, for leasing, company use and private use), the current market size of rental cars and ride-hailing is close to temporary saturation, and the industry is about to reshuffle and optimise. The market demand for battery electric and plug-in hybrid models gradually slowed down, extended range electric vehicles maintained the growth of the last few months. In the private market, the proportion of new energy vehicles in cities with restriction on purchase decreased, the proportion of electric vehicles purchased by high-end groups in large cities decreased, and the increase in the proportion of sales in small and medium-sized cities and county and rural markets was relatively large.

Fu Yuwu, Honorary Chairman of the China Society of Automotive Engineers, said that the automobile market is strongly correlated with GDP and other national economic indices. The good development of automobiles is conditional upon good national economy and high GDP. The automobile market growth was previously 2 times or 1.5 times the GDP growth, but in the last two years, the annual growth of the automobile market was lower than the GDP growth rate, which illustrates the national economy is not good enough with weak domestic demand growth. Therefore, the automobile market in 2024 should be cautiously optimistic, and the total amount is expected to record a slight growth over this year.

To Steadily Promote the Brand Network Development Programme to Capture the Benefits of New Energy Vehicle Market Development

In respect of the development of branded sales points, in the face of the increasingly competitive domestic automobile market environment, the Group has been steadily and consistently optimising and further focusing on the enhancement of its brand positioning, service quality and customer experience to provide customers with safer, energy-saving and environmentally friendly automobile brands and services that are more cost-effective. In terms of the expansion of its brand network, the Group has been more inclined to choose advantageous brands that are trusted by a wide range of customer groups. Since 2023, the Group's Xi'an Gaoxin Audi store and Xi'an Fengdong BMW store are also under construction, and are planned to be officially put into operation in the third quarter of 2024, by which time the Group's dominance as a luxury brand in Shaanxi will be further consolidated; In addition, the Group will actively implement the development direction of new energy brands, draw upon its own property resources, and communicate and cooperate with automobile brand manufacturers with outstanding performance to increase the number of sales points of new energy brands, so as to adapt to changes in the market while maximising the revitalisation of existing resources. The Group will also capture the benefits of the development of the automobile market and improve the Group's new energy brand structure in an orderly manner.

To Promote the Construction of the "FUN TIME LANE" Automobile Fashion Street Zone Project

The Group's "FUN TIME LANE" automobile fashion street zone project, which was innovatively built by combining the Group's resource advantages in the automobile industry, has been undergoing rapid construction in 2023, with the main project of "FUN TIME LANE" in Xi'an having been fully completed, and planning acceptance of the project having been completed as of 31 December 2023, while investment promotion is underway. It is planned that the investment promotion will be completed and the project will be put into operation in 2024. Meanwhile, the BMW and GAC Toyota 4S stores in the "FUN TIME LANE" project in Lanzhou were officially opened in December 2023, which have become representatives of high-quality stores in the region and attracted the intention of other brands to move in.

To Assist Online Operation with Intelligent Services, and to Creates a New Channel for Service Interaction through Enterprise WeChat

In 2023, the Group's private traffic user pool had begun to take shape, with a cumulative total of 324,000 registered users in the Membership Centre; 210,000 users were added to Enterprise WeChat, including 170,000 users of the business database linked to vehicle registration numbers.

In 2023, more and more intelligent tools have gradually played a key role in the production business: the customer management system basically covers the daily solicitation of retained customers; the after-sales callback system automatically schedules tracking visits to all after-sales work orders; the intelligent accident clue reporting system, which accumulated 4,200 Xi'an road accidents throughout the year, greatly supplemented the source of the after-sales accident business of the stores; and the clue management tool obtained 16,000 clues for sales, after-sales, used cars and other business categories throughout the year, of which more than 9,000 clues were related to online coupons collected by customers on their own initiative.

In 2024, the Group will continue to build its customer portrait database in depth and enhance the resolution capability of the algorithm to interface with the business. At the same time, through the in-depth development of the Enterprise WeChat function, it will provide functions such as WeChat customer service and online interactive material database function, which will help the frontline staff to carry out a richer and more intuitive presentation of materials in the interactive services with customers.

To Further Transform Traditional Marketing Methods and to Constantly Improve the Group's Innovative and Diversified Marketing

In the face of the rapid development of digitisation, artificial intelligence technology and mobile social networking in the context of the Internet+ era, the Group will change its traditional marketing methods and approaches, make full use of digital marketing methods and approaches, emphasise the maintenance and marketing of private traffic, increase close interaction with more customer groups, and grasp the customer portraits, understand customer needs, and increase the number of customers in the market in a timely manner through digitalisation and big data analysis. Through digital marketing means and big data analysis, the Group can accurately and timely grasp customer portraits and understand customer needs, so as to improve the efficiency and quality of brand services. Meanwhile, with the development of diversification and individualisation of customer needs, the Group will focus on customer experience and provide personalised services to different customer groups, and through an in-depth understanding of customers' needs and preferences, the Group will attach great importance to circle marketing and build a circle platform to meet the needs of the circle, so as to provide its customers with more considerate and convenient private tailor-made services in line with their needs, thereby enhancing the efficiency of brand services and improving the quality of brand services. The Group will also further focus on the development of heterogeneous resources, and through cross-industry co-operation, customers will be connected to each other with shared resources and for shared success. Moreover, along with the changes in user habits and the consideration of customer acquisition costs, the Group will not be confined to a single means of marketing in the future, but will attach greater importance to integrated marketing, and will comprehensively promote the commencement of various marketing activities by means of online new media marketing and offline all-round experience of precise marketing strategies, and will attach importance to the strategy of green, healthy and sustainable development, so as to promote the Group's comprehensive enhancement of its market share, brand influence and customer loyalty.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

DIRECTORS

Executive Directors

Mr. Wu Tak Lam (胡德林), aged 62, was appointed as the Chairman of the Board and an executive director of the Company on 13 January 2011. He is also the Chairman of both the Nomination Committee and the Finance and Investment Committee under the Board of the Company. Mr. Wu founded the Group with Ms. Chiu Man in November 2000 and has been primarily responsible for the strategic management, planning and business development of the Group as well as the development and maintenance of relationship with automobile suppliers of the Group. Mr. Wu serves as the chairman of the board and a director of each of the subsidiaries of the Company, and he has also been a director of Sunfonda (Hong Kong) Limited since April 1997. Prior to the establishment of the Group, Mr. Wu worked at China National Automotive Industry Sales Corp. (中國汽車工業銷售總公司) from July 1986 to December 1992. From August 1993 to March 1997, Mr. Wu was the managing director of Sunfonda Limited (新豐泰有限公司), which conducted import and export trade business and was dissolved in September 2002. He graduated from Wuhan Institute of Technology (武漢工學院) (currently known as Wuhan University of Technology (武漢理工大學)) in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. He is also the sole shareholder and director of Golden Speed Enterprises Limited ("**Golden Speed**", a controlling shareholder of the Company), a director of Top Wheel Limited ("**Top Wheel**", a controlled corporation of Golden Speed and a controlling shareholder of the Company), and the husband of Ms. Chiu Man (the Chief Executive Officer of the Group, an executive director and a controlling shareholder of the Company).

Ms. Chiu Man (趙敏), aged 60, was appointed as the Chief Executive Officer of the Group and an executive director of the Company on 13 January 2011. She is also a member of the Finance and Investment Committee under the Board of the Company. Ms. Chiu founded the Group with Mr. Wu Tak Lam in November 2000 and has been primarily responsible for the overall management and financial control of the Group. Ms. Chiu serves as a director in each of the subsidiaries of the Company and has also been a director of Sunfonda (Hong Kong) Limited (新豐泰(香港)有限公司) since April 1997. Ms. Chiu graduated from Wuhan Institute of Technology (武漢工學院) (currently known as Wuhan University of Technology (武漢理工大學)) in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. She is also the sole shareholder and director of Win Force Enterprises Limited ("**Win Force**", a controlling shareholder of the Company), a director of Top Wheel (a controlled corporation of Win Force and a controlling shareholder of the Company), and the wife of Mr. Wu Tak Lam (the Chairman of the Board, an executive director and a controlling shareholder of the Company).

Ms. Chen Wei (陳瑋), aged 49, was appointed as an executive director of the Company on 23 November 2018. Ms. Chen was appointed as the financial controller of the Group since May 2015. Ms. Chen has over 24 years of experience in accounting and financial management. She joined the Group in March 2007, and successively served in the following positions in the subsidiaries of the Company: the finance manager of Shaanxi Sunfonda Automobile Technology Development Co., Ltd. and Shaanxi Kaisheng Automobile Sales Services Co., Ltd. (陝西凱盛汽車銷售服務有限公司) from March 2007 to February 2009; and the finance manager of Shaanxi Sunfonda Automobile Co., Ltd. from March 2009 to April 2015. Ms. Chen graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) (currently known as Xi'an Jiaotong University (西安交通大學)) in June 1996 with an associate degree in accounting.

Mr. Deng Ning (鄧寧), aged 46, was appointed as an executive director of the Company on 9 November 2022. Mr. Deng has over 23 years of experience in automobile brand operation and management and extensive expertise and knowledge. Mr. Deng joined the Group in November 2011 and successively held the following management positions in the subsidiaries of the Company: sales manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from November 2011 to June 2012; assistant to the general manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from July 2012 to March 2015; general manager of Weinan Sunfonda Boao Automobile Sales Service Co., Ltd. (渭南新豐泰博奧汽車銷售服務有限公司) from April 2015 to October 2017; general manager of Weinan Zongshen Baotai Automobile Sales Service Co., Ltd. (渭南宗申寶泰汽車銷售服務有限公司) from November 2017 to September 2019; and general manager of Xi'an Sunfonda Haibao Automobile Sales and Service Co., Ltd. (西安新豐泰海寶汽車銷售服務有限公司) from October 2019 to November 2022. Mr. Deng has been appointed as the vice president of operations of the Group with effect from 18 November 2022 and is primarily responsible for the management of the operations of the Group. Mr. Deng graduated from Xi'an Institute of Technology (西安工業學院) (now known as Xi'an Technological University (西安工業大學)) with a bachelor's degree in Trade and Economics in July 2000.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-executive Directors

Mr. Song Tao (宋濤), aged 46, was appointed as an independent non-executive director of the Company on 26 May 2017. He is also the Chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee under the Board of the Company. Mr. Song has 23 years of experience in the automobile dealership industry, and currently serves as the Assistant President of China Automobile Dealers Association. Mr. Song served as the financial manager of Beijing Parts Branch of FAW Jilin Light Automobile (一汽吉輕北京零部件) in 2001. He served as the Operation Director of Automotive Channel of CCTV International Network (央視國際網路汽車頻道) in 2004. He joined China Automobile Dealers Association in 2006. Mr. Song was a director of the Membership Affairs Department in 2008. Mr. Song established the Top 100 Office of China's Automobile Dealership Groups (中國汽車經銷商集團百強工作辦公室) in 2009 and served as the director; and he has established Branch Dealers Association (經銷商分會) for various brands such as Benz, BMW, Audi, Porsche and Jaguar Land Rover and acted as the vice president and secretary-general since 2010. In 2014, Mr. Song established Branch Auto Finance (汽車金融分會) of China Automobile Dealers Association and served as the secretary-general. In 2019, Mr. Song prepared for the establishment of the Branch Motorcycle (摩托車分會) of China Automobile Dealers Association and served as the vice president and secretary-general. Mr. Song also serves as an off-campus practice tutor for graduate students at the Law School of the University of International Business and Economics. Mr. Song is also a member of Chinese Advisory Committee of American Society of Association Executives (ASAE). Mr. Song graduated from Beihua University (北華大學), majoring in accounting computerization. Mr. Song has been an independent non-executive director of China ZhengTong Auto Services Holdings Limited (whose shares are listed on the Stock Exchange (stock code: 1728)) since 7 February 2024.

Dr. Liu Xiaofeng (劉曉峰), aged 62, was appointed as an independent non-executive director of the Company on 26 May 2017. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee under the Board of the Company. Dr. Liu has over 30 years of experience in corporate finance and has worked with various international financial institutions since 1993, including NM Rothschild & Sons, NM Rothschild & Sons (Hong Kong) Limited, JP Morgan Chase, DBS Asia Capital Limited and China Resources Capital Holdings Company Limited (華潤金融控股有限公司). Dr. Liu served as an independent non-executive director of Honghua Group Limited (宏華集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 196) from January 2008 to November 2021. Dr. Liu was also an independent non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司) (which withdrew the listing of its shares on the Stock Exchange on 12 July 2023) from August 2018 to August 2023. Dr. Liu has been an independent non-executive director of each of Kunlun Energy Company Limited (昆侖能源有限公司) (stock code: 135) since April 2004, Cinda International Holdings Limited (信達國際控股有限公司) (stock code: 111) since July 2016, and currently Logory Logistics Technology Co., Ltd. (合肥維天運通信息科技股份有限公司) (stock code: 2482), all of the three companies are listed on the Stock Exchange. Dr. Liu served as an independent director of UBS Securities Co., Ltd. from June 2016 to June 2022. Dr. Liu obtained a master's degree and a Ph.D. from the Faculty of Economics, University of Cambridge in England in 1988 and 1994 respectively, a master's degree in development studies from the University of Bath, England, in 1987, and a bachelor of economics degree from Southwest University of Finance and Economics (西南財經大學) (previously known as Sichuan Institute of Finance and Economics (四川財經學院)) in 1983.

Dr. Han Qinchun (韓秦春), aged 65, was appointed as an independent non-executive director of the Company on 18 May 2023. He is also the chairman of the Audit Committee, and a member of each of the Nomination Committee, the Remuneration Committee and the Finance and Investment Committee under the Board of the Company. Dr. Han obtained a Bachelor degree in Planning in 1982 from Xi'an University of Architecture and Technology and a Master degree in China Real Estate Finance in 1995 from The University of Hong Kong, and then obtained a Doctorate degree in Urban Economics and Management from The University of Hong Kong in 1998. Dr. Han worked for the government agencies of the Ministry of Chemical Industry and the Ministry of Forestry of the People's Republic of China from 1982 to 1993. Dr. Han has extensive experience in financial investment and has served the supervisory roles at a number of leading Hong Kong investment banks from 1998 to 2006, including Shun Hing China Investment Limited (Hong Kong), BOCI Securities Limited (Hong Kong), China Everbright Securities (HK) Limited and ABC International Holdings Limited (Hong Kong). From 2012 to 2014, Dr. Han acted as a chief executive director of Straits Development Holding Company Limited, where he was responsible for the company's development strategy, capital market operation, financial management and investment and financing management. Dr. Han was also appointed as a director and distinguished professor of the Real Estate Research Centre at Peking University HSBC Business School from 2011 to 2015. Since 2014, Dr. Han has been acting as the founder and chairman of a Hong Kong fintech company – Hong Kong Private Markets Limited. Dr. Han has extensive experience in investment, financial management and management of listed companies. Dr. Han has served as an independent non-executive director of a number of companies listed on the Stock Exchange. He has been an independent non-executive director of Xinda Investment Holdings Limited (Stock Code: 1281) since April 2015, an independent non-executive director of Guangdong - Hong Kong Greater Bay Area Holdings Limited (Stock Code: 1396) since June 2022 and an independent non-executive director of Country Garden Holdings Company Limited (Stock Code: 2007) since March 2024. Dr. Han was an independent non-executive director of Lingbao Gold Group Company Ltd. (Stock Code: 3330) from March 2012 to May 2021.

SENIOR MANAGEMENT

Ms. Chiu Man (趙敏) was appointed as the chief executive officer of the Group on 13 January 2011. See "DIRECTORS – Executive Directors" of this section for profile of Ms. Chiu Man.

Mr. Deng Ning (鄧寧) has been appointed as the vice president of operations of the Group with effect from 18 November 2022. He is mainly responsible for the management of the operations of the Group. See "DIRECTORS – Executive Directors" of this section for profile of Mr. Deng Ning.

Mr. Gou Xinfeng (苟新峰), aged 50, has over 25 years of experience in the operation and management of automobile brands. Mr. Gou joined the Group in July 2002, and was successively responsible for the management of several major brands of the Group. Mr. Gou successively served in the following positions in the subsidiaries of the Company: the sales deputy manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from July 2002 to February 2006 and the sales director of Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd. (西安新銘洋豐田汽車銷售服務有限公司) from March 2006 to March 2009. Mr. Gou served as the general manager of Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (陝西新豐泰汽車技術開發有限責任公司) from April 2009 to September 2014, during which the store and the team were awarded a number of honors from Volkswagen Group under his leadership, including World Diamond Dealers 2014 (2014年度全球鑽石經銷商), Five-starred Management Team Award 2014 (2014年度五星級管理團隊獎) and Sales Excellence Award 2014 (2014年度卓越銷售獎). From October 2014 to July 2017, he served as the general manager of Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司); he was the general manager of Shaanxi Sunfonda Automobile Co., Ltd. from November 2020 to August 2023; and he has been the general manager of Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司) since September 2023. Mr. Gou served as the vice president of operations of the Group from August 2017 to November 2020; and served as an executive director of the Company from 9 November 2016 to 8 November 2022. Mr. Gou has been a director of Grand Forever Enterprises Limited since July 2018. Mr. Gou graduated from Wuhan Automotive Industry University (武漢汽車工業大學) (currently known as Wuhan University of Technology (武漢理工大學)) and obtained a bachelor's degree in automotive applied engineering in July 1998.

COMPANY SECRETARY

Ms. Chan Sze Ting (陳詩婷), was appointed as the company secretary of the Company on 18 June 2019. Ms. Chan is a director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 18 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom. Ms. Chan holds a bachelor of arts from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

CORPORATE GOVERNANCE PRACTICE OF THE COMPANY

The Board believes that effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and enhance the interests of the shareholders. The Company has adopted the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company regularly reviews its corporate governance practice to ensure the compliance with the CG Code.

The Board is of the view that the Company has complied with the code provisions set out in the CG Code during the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"). The major corporate governance principles and practices of the Company are summarised as below.

Corporate Governance Culture

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. In achieving its long-term goals, the Company must act in a clean, transparent and accountable manner. The Company believes that this will benefit shareholders, its employees and those who do business with the Company in the long run.

Corporate governance is the process by which the Board directs the management of the Group to conduct business to ensure that its objectives are achieved. The Board is committed to maintaining and developing sound corporate governance practices to ensure:

– Delivery of satisfactory and sustainable returns to shareholders;

– Understanding and management of overall business risks in a proper manner; and

– Maintenance of high ethical standards.

BOARD

The Board is jointly responsible to all shareholders for leading and overseeing the operations of the Group so as to ensure the achievement of the objective of value adding to shareholders. The Board is responsible for the overall development of the Group, approving and monitoring the overall development strategies of the Group, assessing, monitoring and controlling the operation and financial performance, ensuring the directors of the Company perform their duties properly and act in the best interests of the Group and hold discussions on various important and proper businesses of the Company in a timely manner. All directors are entitled to include any matter that needs to be submitted to the Board for discussion in the agenda of the Board meeting. The management shall provide members of the Board and specialised committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Company to facilitate the discharge of their duties and make informed assessment and decision.

Pursuant to code provision B.1.4 of the CG Code, the Board has established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive directors are encouraged to actively participate in the Board meetings; (ii) the number of independent non-executive directors must comply with the requirement under the Listing Rules; and (iii) the independent non-executive directors shall devote sufficient time to discharge their duties as a director. Furthermore, the Board may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

During the Reporting Period, all directors has completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

The executive directors and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board fully supports the senior management to discharge their responsibilities.

The Board as a whole is responsible for performing the corporate governance duties set out in code provision A.2.1 of the CG Code. The Board has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules and the employees' written guidelines, and the Company's compliance with the CG Code and disclosures in this Corporate Governance Report.

BOARD COMPOSITION

The Board composition of the Company during the Reporting Period and up to the date of this report are as follows:

Executive Directors:

Mr. Wu Tak Lam *(Chairman of the Board, Chairman of each of the Nomination Committee and the Finance and Investment Committee)*

Ms. Chiu Man *(Chief Executive Officer and member of the Finance and Investment Committee)*

Ms. Chen Wei

Mr. Deng Ning

Independent Non-executive Directors:

Dr. Han Qinchun *(Chairman of the Audit Committee, member of each of the Nomination Committee, the Remuneration Committee and the Finance and Investment Committee) (appointed on 18 May 2023)*

Mr. Song Tao *(Chairman of the Remuneration Committee, member of each of the Audit Committee and the Nomination Committee)*

Dr. Liu Xiaofeng *(Member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee)*

Mr. Liu Jie *(resigned on 12 June 2023)*

The biographical details of the current directors and the relationship among them, if any, are set out on pages 34 to 37 of this annual report.

The Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The appointment of independent non-executive directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received an annual confirmation letter of independence from each of the independent non-executive directors and considers the independent non-executive directors to be independent of the management and, as of the date of this report, free of any relationship that could materially interfere with the exercise of their independent judgment. Accordingly, the Company is of the view that the independent non-executive directors meet the independence requirements set out in Rule 3.13 of the Listing Rules. The Board considers that each of the independent non-executive directors could bring his own relevant expertise to the Board and bring a wide range of business and financial expertise, experiences and independent judgement to the Board, and is also invited to join the Board committees of the Company. Through active participation in Board meetings and taking the lead in managing issues involving potential conflict of interests, all independent non-executive directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and its shareholders.

BOARD MEETINGS

During the Reporting Period, the Board has convened 4 meetings. The Board has, by means of meetings and written resolutions, discussed and approved the overall strategies and policies of the Company, reviewed and approved the audited annual results of the Group for the year ended 31 December 2022, reviewed and approved the unaudited interim results of the Group for the six months ended 30 June 2023, discussed/approved the reporting and proposals of all Board committees, considered whether the continuing connected transactions for the year 2023 exceeded the annual caps set, reviewed the risk management and internal control systems of the Group, reviewed and approved the publication of the Company's Environmental, Social and Governance Report for the year ended 31 December 2022, etc. during the Reporting Period.

The attendance records of each director at the Board meetings during the Reporting Period are set out below:

Name of Director	Attendance/ No. of meetings held	Attendance rate (%)
Executive Directors:		
Mr. Wu Tak Lam	4/4	100
Ms. Chiu Man	4/4	100
Ms. Chen Wei	4/4	100
Mr. Deng Ning	4/4	100
Independent Non-executive Directors:		
Mr. Liu Jie (Note 1)	2/2	100
Mr. Song Tao	4/4	100
Dr. Liu Xiaofeng	4/4	100
Dr. Han Qinchun (Note 2)	2/2	100

Notes:

1. Mr. Liu Jie resigned as an independent non-executive director with effect from 12 June 2023. Prior to his resignation, the Company held 2 Board meetings during the Reporting Period.

2. Dr. Han Qinchun was appointed as an independent non-executive director with effect from 18 May 2023. Following his appointment, the Company held 2 Board meetings during the Reporting Period.

The Company has adopted the code provisions of the CG Code to issue meeting notice of at least 14 days before convening a regular Board meeting and a reasonable notice for other Board meetings so that all directors can have sufficient time and plan to attend the meetings. All meeting papers will be sent to all directors no less than three days before a meeting is convened. Matters discussed and resolved at Board meetings will be recorded in detail and a summary of minutes will be made, and resolutions will also be filed on a timely manner.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association contain provisions on the procedures and process of appointment and removal of directors.

According to the Company's Articles of Association, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Each director of the Company is subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Company's Articles of Association provisions as mentioned above.

Pursuant to the provisions of the Articles of Association of the Company, Mr. Wu Tak Lam, Mr. Song Tao and Dr. Han Qinchun shall retire at the 2024 annual general meeting of the Company (the "**2024 AGM**"). All of the above three directors are eligible for re-election at the 2024 AGM, and have indicated that they will offer themselves for re-election at the 2024 AGM. The Board and the Nomination Committee recommended the re-appointment of the said three retiring directors standing for re-election at the 2024 AGM. The Company's circular, to be published together with this annual report, contains detailed information of these three directors pursuant to the requirements of the Listing Rules.

TRAINING FOR DIRECTORS

Each newly appointed director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is adequately aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged by the Company whenever necessary. To ensure all directors' continuous contributions to the Board are made with comprehensive and relevant information as well as the development and the update of knowledge and skills of all directors, the Company would arrange trainings and provide relevant funds. Training records for the directors of the Company during the Reporting Period are as follows:

- All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Ms. Chen Wei, Mr. Deng Ning, Mr. Song Tao, Dr. Liu Xiaofeng and Dr. Han Qinchun) received regular briefings and updates from the senior management on the Group's business, operating position and corporate governance matters.

- All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Ms. Chen Wei, Mr. Deng Ning, Mr. Song Tao, Dr. Liu Xiaofeng and Dr. Han Qinchun) read technical bulletins, periodicals and other publications in relation to the Group and those in relation to directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate directors' liability insurance coverage for all directors.

BOARD DIVERSITY POLICY

The Company believes that the diversification of the Board is beneficial for enhancing the performance of the Company. Therefore, the Company established the "Board Diversity Policy", and approved its amendments in March 2019, ensuring that, in reviewing and evaluating the composition of the Board and nominating directors, the Company will consider the diversification of members of the Board from various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge, and industry and regional experience. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates.

The Nomination Committee will review the policy annually and set measurable targets and the achievement progress for implementing the policy when necessary, so as to ensure the effectiveness of the policy. The Nomination Committee will discuss any amendment to the policy that may need to be made and make recommendations to the Board for approval. Pursuant to Rule 13.92 of the Listing Rules, the Stock Exchange will not consider diversity to be achieved for a single gender board. As at the date of this report, the Board comprises 2 female and 5 male directors, which is in compliance with the requirement of appointing at least a director of a different gender under the Listing Rules and has achieved the current measurable targets set by the Company.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender
Male: 5 directors
Female: 2 directors

Designation
Executive directors: 4 directors
Independent non-executive directors: 3 directors

Age Group
41-50: 3 directors
51-60: 1 director
61-70: 3 directors

Educational Background
Economics: 2 directors
Account and Finance: 2 directors
Engineering: 3 directors

Business Experience
Accounting & Finance: 3 directors
Experience related to the Company's business: 4 directors

Gender Diversity

Currently, the Board has 2 female directors, accounting for 28.57% of all the directors of the Company, 1 female senior management member (i.e. Ms. Chen Wei, who is also an executive director of the Company), accounting for 33.33% of the senior management of the Company, and a total of 1,234 female employees, accounting for 39.1% of all the employees of the Group, and the Group considers that the current circumstances of gender diversity are satisfactory. During the Reporting Period, there were no mitigating factors or circumstances which make achieving gender diversity across the workforce (including the Board, senior management and other employees) more challenging or less relevant.

Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Company is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of directors of the Company to the Nomination Committee under the Board.

The Company established a "Director Nomination Policy" in March 2019 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and ensure the Board continuity and appropriate leadership at Board level.

In evaluating and selecting candidate for directorship, the following criteria should be considered:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy and diversity aspects under the Board Diversity Policy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; and
- Willingness and ability to devote adequate time to discharging duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code stipulates that the roles of chairman of the board of directors and chief executive officer should be separate and should not be performed by the same individual. The Company had complied the relevant code provision during the Reporting Period.

Mr. Wu Tak Lam is the Chairman of the Board, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of the Group and participates in the Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that sound corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with shareholders so that their views are communicated to the Board as a whole. During the Reporting Period, Mr. Wu Tak Lam held one meeting with independent non-executive directors without the presence of other directors.

Ms. Chiu Man is the Chief Executive Officer, who performs the functions of the Chief Executive Officer and is responsible for overseeing our operations and investment, managing our relationship with automobile manufacturers and exploring new business opportunities for the Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chairman of the Board coordinates with the senior management to provide adequate, complete and reliable information to all directors for consideration and review.

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Finance and Investment Committee, for overseeing particular aspects of the Company's affairs. All of these four committees are established with defined written terms of reference which are available at the websites of the Stock Exchange and the Company. All Board committees must report to the Board on their decisions or proposals.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee currently consists of the three independent non-executive directors, namely Dr. Han Qinchun (Chairman of the Committee), Mr. Song Tao and Dr. Liu Xiaofeng. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

During the Reporting Period, the Audit Committee held 2 meetings. The attendance records of each member of the Audit Committee at the Audit Committee meetings held during the Reporting Period are set out below:

Members of the Audit Committee	Attendance/ No. of meetings held	Attendance rate (%)
Dr. Han Qinchun (Note 1)	1/1	100
Mr. Liu Jie (Note 2)	1/1	100
Mr. Song Tao	2/2	100
Dr. Liu Xiaofeng	2/2	100

Notes:

1. Dr. Han Qinchun was appointed as the chairman of the Audit Committee with effect from 18 May 2023. Following his appointment, the Company held 1 Audit Committee meeting during the Reporting Period.

2. Mr. Liu Jie was re-designated as a member of the Audit Committee with effect from 18 May 2023 from the chairman of the Audit Committee, and resigned as a member of the Audit Committee with effect from 12 June 2023. Prior to his resignation, the Company held 1 Audit Committee meeting during the Reporting Period.

The external auditors have attended all the above-mentioned meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the engagement of external auditors.

During the Reporting Period, the Audit Committee had performed the following major duties by means of meetings and written resolutions:

- Reviewed and discussed the annual financial statements, results announcement and report for the year ended 31 December 2022, relevant accounting principles and practices adopted by the Group and internal controls related matters, and the proposed re-appointment of the external auditors;

- Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2023, and relevant accounting principles and practices adopted by the Group;

- Reviewed the Group's continuing connected transactions;

- Reviewed and inspected the performance and effectiveness of risk management and internal control systems;

- Listened to and discussed the internal audit situation and proposed remedial measures of the Company reported by the internal audit department; and

- Reviewed the annual audit plan, including the nature and scope of audit, fees payable to the auditors, their reporting obligations and working plans.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee currently consists of the three independent non-executive directors, namely Mr. Song Tao (Chairman of the Committee), Dr. Liu Xiaofeng and Dr. Han Qinchun. Major duties of the Remuneration Committee are to evaluate the remuneration policies for the directors and senior management of the Group as well as to make recommendations to the Board. The Company has adopted execution model of the remuneration committee as described in code provision E.1.2(c) (ii) of the CG Code.

During the Reporting Period, the Remuneration Committee held 3 meetings. The attendance records of each member of the Remuneration Committee at the Remuneration Committee meeting held during the Reporting Period are set out below:

Members of the Remuneration Committee	Attendance/ No. of meetings held	Attendance rate (%)
Mr. Song Tao	3/3	100
Mr. Liu Jie (Note 1)	2/2	100
Dr. Liu Xiaofeng	3/3	100
Dr. Han Qinchun (Note 2)	1/1	100

Notes:

1. Mr. Liu Jie resigned as a member of the Remuneration Committee with effect from 12 June 2023. Prior to his resignation, the Company held 2 Remuneration Committee meetings during the Reporting Period.

2. Dr. Han Qinchun was appointed as a member of the Remuneration Committee with effect from 18 May 2023. Following his appointment, the Company held 1 Remuneration Committee meeting during the Reporting Period.

During the Reporting Period, the Remuneration Committee had performed the following major duties by means of meetings and written resolutions:

- Generally reviewed and discussed the remuneration packages and benefits policies for the directors and senior management of the Group;

- Made recommendation on the remuneration package and the terms of service contract for appointment of Dr. Han Qinchun as an independent non-executive director of the Company; and

- Proposed final tranche grant of Award Shares under the Pre-IPO Share Award Scheme of the Company adopted on 8 January 2014 and proposed waiver of the vesting period of the awarded shares to be granted therefor in accordance with the terms of the Share Award Scheme.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration bands (RMB)	Number of individuals
0-500,000	1
500,001-1,000,000	2

Details of the remuneration of all directors of the Company for the year ended 31 December 2023 are set out in Note 8 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in accordance with the CG Code as set out in Appendix C1 to the Listing Rules. The Nomination Committee currently consists of the Chairman of the Board (who is an executive director) and the three independent non-executive directors of the Company, namely Mr. Wu Tak Lam (Chairman of the Committee), Mr. Song Tao, Dr. Liu Xiaofeng and Dr. Han Qinchun. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company, to oversee the process for evaluating the performance of the Board, to develop recommendations to the Board, and to monitor nomination guidelines for the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria set out in the Director Nomination Policy (for summary of the Company's director nomination policy in force, please see the section headed "Director Nomination Policy" above), such as the character, integrity, qualifications (including professional qualifications, skills, knowledges and experience that is relevant to the Company's business and corporate strategy) of the candidate, the amount of time and efforts that the candidate will devote to discharging his/her duties and responsibilities, and diversity of the Board (for summary of the Company's board diversity policy in force, please see the section headed "Board Diversity Policy" above). External recruitment professionals might be engaged to carry out selection process when necessary.

During the Reporting Period, the Nomination Committee held 2 meetings. The attendance records of each member of the Nomination Committee at the Nomination Committee meeting held during the Reporting Period are set out below:

Members of the Nomination Committee	Attendance/ No. of meetings held	Attendance rate (%)
Mr. Wu Tak Lam	2/2	100
Mr. Liu Jie (Note 1)	2/2	100
Mr. Song Tao	2/2	100
Dr. Liu Xiaofeng	2/2	100
Dr. Han Qinchun (Note 2)	–	–

Notes:

1. Mr. Liu Jie resigned as a member of the Nomination Committee with effect from 12 June 2023. Prior to his resignation, the Company held 2 Nomination Committee meetings during the Reporting Period.

2. Dr. Han Qinchun was appointed as a member of the Nomination Committee with effect from 18 May 2023. Following his appointment, the Company did not hold any Remuneration Committee meeting during the Reporting Period.

During the Reporting Period, the Nomination Committee had performed the following major duties by means of meetings and written resolutions:

- Reviewed the structure, size, composition and diversity of the Board;
- Considered and made recommendation to the Board on the re-election of the retiring directors at the 2023 annual general meeting;
- Assessed the independence of the independent non-executive directors; and
- Considered and made recommendation on appointment of Dr. Han Qinchun as an independent non-executive director of the Company.

The Nomination Committee believes that the composition of the Board is diversified. For example, there are two female directors, and there are also members with deep understanding of automobile dealers and members with extensive experience in corporate finance.

FINANCE AND INVESTMENT COMMITTEE

The Company has established the Finance and Investment Committee with written terms of reference. The Finance and Investment Committee currently consists of the Chairman of the Board (who is an executive director), an executive director and an independent non-executive director, namely Mr. Wu Tak Lam (Chairman of the Committee), Ms. Chiu Man and Dr. Han Qinchun. The primary duties of the Finance and Investment Committee are to arrange, consider, review and approve the Group's bank financing and loans as well as the Company's guarantees and indemnities for its subsidiaries.

During the Reporting Period, the Financial and Investment Committee held 1 meeting. The attendance records of each member of the Finance and Investment Committee at the Finance and Investment Committee meeting held during the Reporting Period are set out below:

Members of the Finance and Investment Committee	Attendance/ No. of meeting held	Attendance rate (%)
Mr. Wu Tak Lam	1/1	100
Ms. Chiu Man	1/1	100
Mr. Liu Jie (Note 1)	1/1	100
Dr. Han Qinchun (Note 2)	–	–

Notes:

1. Mr. Liu Jie resigned as a member of the Finance and Investment Committee with effect from 12 June 2023. Prior to his resignation, the Company held 1 Finance and Investment meeting during the Reporting Period.

2. Dr. Han Qinchun was appointed as a member of the Finance and Investment Committee with effect from 18 May 2023. Following his appointment, the Company did not hold any Finance and Investment Committee meeting during the Reporting Period.

During the Reporting Period, the Finance and Investment Committee had performed the following major duties:

- Reviewed the terms of reference and operation model of the Finance and Investment Committee, etc.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all Directors, all of the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2023.

The Company has established written guidelines for the relevant employees of the Company (the "**Relevant Employees**") in respect of their dealings in the securities of the Company (the "**Written Guidelines**") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employees" include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company for the Reporting Period.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and Relevant Employees in advance.

TRAINING FOR COMPANY SECRETARY

The company secretary of the Company is Ms. Chan Sze Ting from Tricor Services Limited, who has met the qualifications as required by the Listing Rules. The biography of Ms. Chan Sze Ting is set out in the section headed "Biographies of Directors, Senior Management and Company Secretary" of this annual report. The main contact person of Ms. Chan Sze Ting in the Company is Ms. Chiu Man (the Company's executive director).

During the year ended 31 December 2023, Ms. Chan Sze Ting has received relevant professional training of no less than 15 hours in accordance with the Listing Rules.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 105 to 110. The external auditors of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, and auditors' independence.

The fees to Ernst & Young, the Company's auditors, in respect of audit services and non-audit services provided for the year ended 31 December 2023 are analysed below:

Types of service provided by the external auditors	Fees paid/payable
Audit services (RMB'000)	
– audit fee for the year ended 31 December 2023	2,280
Non-audit services (RMB'000)	0

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility towards risk management and internal control systems and that it is responsible for reviewing their effectiveness, to safeguard shareholders' investments and the Company's assets. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of the risk management and internal control systems as well as internal audit department on an annual basis through the Audit Committee under the Board. The internal audit department of the Group is under the leadership of the Board with independent monitoring authority. During the Reporting Period, the internal audit department has maintained internal control systems in compliance with the principles of comprehensiveness, importance and applicability as well as cost-effective. Thereby, it is able to carry out effective risk management and internal control through internal control measures including routine supervision, special supervision, prior approval, in-process control and post verification. Generally, the measures are as follows:

1. Introducing the "Measures for Bidding and Tendering of the Group and Companies" (《集團公司招投標辦法》) to process tender management on the projects with qualified capital;

2. Developing appraisal rules of suppliers and carrying out management and control to admittance qualification of suppliers to maintain a strict standard of quality and price;

3. Optimising assets management practices by thoroughly monitoring assets safety from approval of their purchases until their disposals;

4. Enhancing the management and auditing of operation system. During the year, the Group redeveloped and improved report extraction of the ERP, OA and EAS operation systems operated by the Group's subsidiaries to ensure the accuracy, completeness and timeliness of corporate operation data; and

5. Controlling risks within a tolerable level by adopting a series of risk management measures, including property protection control, authorization and approval control, operation analysis control, performance appraisal control and budget control.

During the Reporting Period, the Board had conducted a review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2023. The review covered the financial, operational, compliance and risk management aspects of the Group.

According to the findings of the internal audit department, the conclusions made by the Board and the Audit Committee on risk management and internal control of the Group for the year ended 31 December 2023 are as follows: (i) the Group's risk management and internal control systems have been highly efficient and adequate; (ii) the Group has necessary control system in place for monitoring and rectifying any non-compliance incidents; and (iii) the Group has complied with the requirements as set out in the CG Code in respect of risk management and internal control.

There were no major breaches in the risk management and internal control systems of the Group that may have had an impact on shareholders' interests for the year ended 31 December 2023.

The Group conducts its affairs with close regard to the disclosure requirements under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012, and established specialised agency and appointed personnel being responsible for registration and management of insiders. It also sets up internal management files for insiders management of the Company which is subject to regular updating. Meanwhile, regular training has been conducted and engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

The Group has established the "System for Information Insiders Management" in respect of the Group's senior management and employees who are more likely to be familiar with inside information or other information unpublished by the Group in accordance with the "Guidelines on Disclosure of Inside Information", which stipulates that confidential and inside information shall not be used without authorisation.

The Company has adopted the disclosure policy intended to provide a general guidance for the Company's directors, officers, senior management and relevant employees with the aim to deal with the matters such as handling confidential information or monitoring information disclosure in accordance with applicable laws and rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company attaches great importance to the communication with shareholders and promotes understanding and communication with shareholders through various channels, such as general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee under the Board, or in their absence, other members of the respective committees will attend the annual general meeting and, where applicable, the Chairman of the Independent Board Committee will attend the general meetings to answer questions.

To promote effective communication, the Company maintains a website at www.sunfonda.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

During routine operations, the Company also strives to receive visits from shareholders and investors, and arrange onsite visits for the Company. The management of the Group will also communicate in person with investors and analysts. Shareholders are welcome to make enquiries in writing directly to the Company at its principal place of business in Hong Kong. The Company will respond to all enquiries on a timely and proper basis.

During the year ended 31 December 2023, the Company held one shareholders' general meeting, being the 2023 annual general meeting held on 18 May 2023. Details of individual attendance of each director at the aforesaid shareholders' general meeting are set out below:

Name of Director	Attendance/ No. of meeting held	Attendance rate (%)
Executive Directors		
Mr. Wu Tak Lam	1/1	100
Ms. Chiu Man	1/1	100
Ms. Chen Wei	1/1	100
Mr. Deng Ning	1/1	100
Independent Non-executive Directors		
Mr. Song Tao	1/1	100
Dr. Liu Xiaofeng	1/1	100
Dr. Han Qinchun (Note 1)	–	–
Mr. Liu Jie (Note 2)	1/1	100

Notes:

1. Dr. Han Qinchun was appointed as an independent non-executive director of the Company on 18 May 2023 after 2023 annual general meeting.

2. Mr. Liu Jie resigned as an independent non-executive director on 12 June 2023.

Any shareholders' enquiries regarding their shareholding, including transfer of shares, change of address, report of lost share certificates and dividend warrants, can be directed to Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar:

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852)2862-8628
Fax: (852)2865-0990, (852)2529-6087
Website: www.computershare.com.hk

RIGHTS OF SHAREHOLDERS

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Company's material developments to shareholders and investors. The annual general meetings of the Company provide a good opportunity for communication between shareholders and the Board.

To safeguard shareholders' interests and rights, separate resolutions on each substantial issue, including the election of individual directors, are proposed at general meetings for shareholders' consideration and voting. Shareholders of the Company could convene extraordinary general meetings or propose resolutions at general meetings as follows:

1. Pursuant to Article 12.3 of the Articles of Association of the Company, shareholders holding no less than one-tenth of the paid up capital of the Company as at the date of lodgement of the requisition may lodge a written requisition to the Board or the company secretary at the head office/principal place of business in Hong Kong of the Company to request the Board to convene an extraordinary general meeting. The written requisition must state the purposes of the meeting.

2. If a shareholder wishes to propose a person other than a retiring director for election as a director at the general meeting, pursuant to Article 16.4 of the Articles of Association of the Company, the shareholder (other than the person to be proposed) eligible for attending and voting at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong to the company secretary. The period for lodgement of such proposal notices shall be 7 days from the day after the despatch of the notice of such general meeting (or such other period being a period commencing on the day after the despatch of the notice of such general meeting as determined by the Board from time to time) and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, the shareholder must provide his/her full name, contact details and identification in the duly signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of the shareholder may be disclosed as required by law.

All resolutions put forward at shareholders' meetings shall be voted by poll, on a one vote per share basis, pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange and the Company after each shareholders' general meeting.

CONSTITUTIONAL DOCUMENTS

On 14 December 2022, the Board proposed to amend the existing memorandum of association and articles of association of the Company (the "**Existing M&A**") by adopting a new set of memorandum of association and articles of association of the Company (the "**New M&A**") in substitution for and to the exclusion to the Existing M&A in order to, among other things, permit the Company to (i) hold hybrid general meetings and electronic general meetings; (ii) bring the Existing M&A in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules, including the Core Shareholder Protection Standards in the Listing Rules; and (iii) incorporate certain housekeeping amendments (the "**Proposed Amendments**"). The Proposed Amendments were approved by way of a special resolution at the annual general meeting of the Company held on 18 May 2023. The New M&A is available on the websites of the Company and the Stock Exchange.

Save as disclosed above, there were no material changes to the Company's constitutional documents during the Reporting Period. For further details of shareholders' rights, shareholders may refer to the articles of association of the Company.

DIVIDEND POLICY

The Board adopted a dividend policy in March 2019. The Company aims at providing stable and sustainable returns to its shareholders. According to the dividend policy, the Company currently plans to pay dividends in amount of up to 30% of the distributable profit each fiscal year, and the declaration and payment of dividends shall remain to be determined at the discretion of the Board, subject to the articles of association of the Company and all applicable laws and regulations. In deciding whether to recommend the payment of a dividend and determining the amount of the dividend, the Board will consider the financial performance, cash flow status, business conditions and strategies, future operations and income, funding requirements and expenditure plans and shareholders' interests of the Group as well as any other factors. The Board will review the dividend policy from time to time. The Board may recommend and/or declare an interim dividend, a final dividend, a special dividend and any distribution of net profits as the Board considers appropriate for a financial year or period. Any final dividend is subject to approval by shareholders.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has developed a shareholders' communication policy. The policy aims to promote effective communication with shareholders and other stakeholders, encourage shareholders to engage actively with the Company, and enable shareholders to exercise their rights as shareholders effectively. The Board reviewed the implementation and effectiveness of the communication policy during the Reporting Period, and was satisfied with the results.

The Company has established certain channels to maintain an ongoing communication with shareholders as follows:

(a) Announcements and Other Documents in Compliance with the Listing Rules

The Company publishes announcements (on inside information, corporate actions and transactions, etc.) and other documents (e.g. memorandum of association and articles of association) on the website of the Stock Exchange in a timely manner in accordance with the Listing Rules.

(b) Corporate Website

Any information or documents published by the Company on the website of the Stock Exchange will also be posted on the Company's website (www.sunfonda.com.cn). Other corporate information about the Company's business development, goals and strategies, corporate governance and risk management will also be available on the Company's website.

(c) Shareholders' Meeting

Annual general meetings and other shareholders' meetings of the Company are the main platforms for communication between the Company and its shareholders. The Company shall, in accordance with the requirements of the Listing Rules, provide shareholders with relevant information on the resolutions of the shareholders' meeting in a timely manner. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolutions. Shareholders are encouraged to attend shareholders' meetings or, if they are unable to attend, proxies may be appointed to attend and vote on their behalf at meetings. Where appropriate or necessary, chairman of the Board and other Board members, chairman of the Board Committee or his/her representative and the external auditors should attend shareholders' meetings of the Company to answer questions (if any) from shareholders. The chairman of the independent board committee (if any) shall also answer questions at any shareholders' meetings to approve connected transactions or any other transactions subject to independent shareholders' approval.

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Group is a leading luxury and ultra-luxury automobile dealership group in China. The comprehensive automobile sales and services offered by the Group include:

(i) sale of automobiles, both imported and domestically manufactured;

(ii) after-sales services, including:
  a. maintenance and repair services;
  b. sales of spare parts;
  c. automobile detailing services; and

(iii) other value-added services, including:
  a. automobile insurance agency services;
  b. automobile financing agency services;
  c. automobile licensing services; and
  d. automobile survey services.

There was no significant change in the nature of the principal businesses of the Group during the year ended 31 December 2023.

BUSINESS REVIEW

Analysis on Results and Financial Key Performance Indicators

The Group's profits for the year ended 31 December 2023 and the financial position of the Company and the Group as at 31 December 2023 are set out in the Financial Statements on pages 111 to 112 and pages 113 to 114 of this annual report.

A review of the Group's business during the year, which includes a discussion on the principal risks and uncertainties faced by the Group, an analysis on the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, significant events after the financial year end date, important relationships with its employees, customers and suppliers, and an indication of likely future developments in the Group's business, can be found in this Report of the Directors and the Management Discussion and Analysis as set out on pages 9 to 33 of this annual report.

Environmental Policies and Performance

During the year, the Group continued to focus on improving its performance in environmental protection, enhancing the awareness of environmental protection and proactively addressing the environmental issues. The Group endeavoured to adopt various energy saving and emission reduction measures in its business operation, so as to reduce the consumption of natural resources by using environmentally-friendly products and verified materials. Meanwhile, the Group engaged qualified and professional hazardous waste treatment organizations by way of public tender to carry out centralized collection and treatment of hazardous waste, with an aim to minimizing the environmental pollution. The department of general affairs of the Group regularly inspected and monitored the treatment results.

Please refer to the Environmental, Social and Governance Report as set out on pages 78 to 104 of this annual report for the details of environmental policies and performance of the Company.

Compliance with Laws and Regulations

The Board has attached great importance to the Group's compliance with domestic and foreign laws, regulations and regulatory requirements. The industry that the Group engages in is highly regulated. The Group is required to hold all specific approvals, licenses and permits necessary for automobile dealers and the operation of automobile maintenance and repair business, and carry out a number of filing procedures for its business, including but not limited to the followings:

- Approval and license for highway transportation;
- License for automobile insurance agency; and
- Filing procedures for distributing brand automobiles.

Any loss of or failure to obtain or renew of the approvals, licenses or permits could lead to interruption of its operation, and any fine or punishment imposed by the PRC government could materially and adversely affect the Group's results of operations, financial position and reputation.

For the year ended 31 December 2023, as far as the Board is aware, there was no material breach of the laws or regulations that had a significant impact on the Group's business and operation by the Group.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2024 AGM of the Company will be held on Thursday, 30 May 2024. In order to determine shareholders' entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (both days inclusive). In order to be entitled to attend and vote at the 2024 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 24 May 2024.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended 31 December 2023 to shareholders of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the year are set out in Note 13 to the Financial Statements.

SHARE CAPITAL

As at the date of this report, the authorised share capital of the Company was US$100,000.00, divided into 1,000,000,000 shares of a par value of US$0.0001 each. There were no movements in the issued shares of the Company during the year. Details of the Company's share capital are set out in Note 30 to the Financial Statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the year are set out in Notes 42 and 32 to the Financial Statements and in the consolidated statement of changes in equity, respectively. Of which, details of reserves available for distribution to shareholders are set out in Notes 42 and 32 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the distributable reserves of the Company available for distribution, calculated based on the Companies Act of the Cayman Islands (as revised), amounted to RMB87.3 million in aggregate. No final dividend is proposed for the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

Transaction amounts with five largest customers of the Group for 2023 accounted for less than 30% of the operating income of the Company for 2023. None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year. The Group's business is of retail nature with customers being relatively dispersed.

The purchase attributable to the Group's five largest suppliers and the largest supplier accounted for approximately 77.4% and 51.0% respectively of the Group's total purchase for the year ended 31 December 2023. The Group has established long-term cooperation relationships with automobile suppliers. The Group believes that its strong performance record demonstrates its excellent capability and in-depth market knowledge of the automobile distribution business in Northwestern China. The Group is confident that its operating capability and professional knowledge is conducive for the automobile suppliers to gain market shares in China and win customer loyalty. Therefore, the automobile suppliers have maintained close communication with the Group and sought out recommendations in respect of their development strategies in Northwestern China and Jiangsu region.

REPORT OF THE DIRECTORS

During the year under review, so far as the directors of the Company are aware, none of the directors of the Company, their close associates or the shareholders of the Company (which to the knowledge of the directors of the Company owned more than 5% of total number of issued shares of the Company) had any interest in the five largest suppliers or customers of the Company during the year.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2023 are set out in Note 25 to the Financial Statements.

CHARITABLE DONATIONS

For the year ended 31 December 2023, the Group donated funds and supplies of approximately RMB11,700 in aggregate for charitable purposes.

DIRECTORS

The directors of the Company during the year ended 31 December 2023 and up to the date of this report were:

Executive Directors

Mr. Wu Tak Lam
Ms. Chiu Man
Ms. Chen Wei
Mr. Deng Ning

Independent Non-executive Directors

Mr. Song Tao
Dr. Liu Xiaofeng
Dr. Han Qinchun (appointed on 18 May 2023)
Mr. Liu Jie (resigned on 12 June 2023)

BIOGRAPHIES OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the directors and the senior management are set out on pages 34 to 38 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of the directors, the major particulars of which are as follows: (1) the renewed service contract entered into between Mr. Deng Ning and the Company is for a term of three years starting from 9 November 2022; (2) the renewed service contract entered into between Ms. Chen Wei and the Company is for a term of three years starting from 23 November 2021; (3) the renewed letters of appointment entered into between each of Mr. Song Tao and Dr. Liu Xiaofeng and the Company are for a term from 24 May 2023 to 31 December 2025; (4) the renewed service contracts entered into between each of Mr. Wu Tak Lam and Ms. Chiu Man and the Company are for a term from 15 May 2023 to 31 December 2025; (5) the renewed service contract entered into between Dr. Han Qinchun and the Company is for a term from 18 May 2023 to 31 December 2025; and (6) being terminable in accordance with the terms of the respective contracts.

None of the directors of the Company who are proposed for re-election at the 2024 AGM has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

The remuneration of the directors of the Company is approved by the Board with reference to each director's work performance, duties and responsibilities with the Company, the prevailing market rate and the remuneration policy of the Company. The remuneration of Ms. Chen Wei and Mr. Deng Ning is not covered by their respective director service contract, while the remuneration of Mr. Wu Tak Lam, Ms. Chiu Man and each independent non-executive director of the Company is covered by their respective director service contract or appointment letter. Details of remuneration of the directors of the Company are set out in Note 8 to the Financial Statements.

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of the five highest paid individuals of the Company are set out in Note 9 to the Financial Statements.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every director, auditor or other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a director, auditor or other officer of the Company in defending any proceedings, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for directors and officers of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries or parent companies, or any subsidiaries of the parent companies of the Company was a party and in which any director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the directors of the Company nor their associates has competing interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

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

As at 31 December 2023, the interests and short positions of the directors of the Company and the chief executives of the Company in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Interests and short positions in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1	434,183,000 (L)	72.36%
		2	20,000,000 (S)	3.33%
Ms. Chiu Man	Interest held by controlled corporations	1	434,183,000 (L)	72.36%
		2	20,000,000 (S)	3.33%
Ms. Chen Wei	Beneficial owner		864,000 (L)	0.14%
Mr. Deng Ning	Beneficial owner		1,071,000 (L)	0.18%

(L): Long position (S): Short position

Notes:

(1) These shares are all held by Top Wheel Limited ("**Top Wheel**").

The issued share capital of Top Wheel is owned as to 70% by Golden Speed Enterprises Limited ("**Golden Speed**"), a corporation wholly-owned and controlled by Mr. Wu Tak Lam, and 30% by Win Force Enterprises Limited ("**Win Force**"), a corporation wholly-owned and controlled by Ms. Chiu Man. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are deemed to be interested in the 434,183,000 shares held by Top Wheel pursuant to Part XV of the SFO.

(2) On 19 November 2020, Top Wheel, a company wholly and beneficially owned by Mr. Wu Tak Lam and Ms. Chiu Man, entered into two option agreements with Asian Equity Special Opportunities Portfolio Master Fund Limited ("**AESOP**"), and entered into a supplementary agreement on 18 November 2022, pursuant to which, Top Wheel has agreed to grant (i) a call option (the "**Option I**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option I Shares**") held by Top Wheel, with the exercise price of HK$1.60 per Option I Share and exercise period of 42 months from the date of the grant of the Option I; and (ii) a call option (the "**Option II**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option II Shares**") held by Top Wheel, with the exercise price of HK$2.98 per Option II Share and exercise period of 54 months from the date of the grant of the Option II. Please refer to the Company's announcement dated 19 November 2020 for other details.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2023.

(B) Long positions in the shares of associated corporations of the Company

Name of associated corporation	Name of Director	Capacity/ Nature of interest	Number of shares	Approximate percentage* of shareholding in the associated corporation
Golden Speed Enterprises Limited	Mr. Wu Tak Lam	Beneficial owner	1	100%
	Ms. Chiu Man	Interest of spouse	1	100%
Top Wheel Limited	Mr. Wu Tak Lam	Interest held by a controlled corporation	14,000	70%
		Interest of spouse	6,000	30%
			20,000	100%
	Ms. Chiu Man	Interest held by a controlled corporation	6,000	30%
		Interest of spouse	14,000	70%
			20,000	100%

Note: Mr. Wu Tak Lam holds the entire issued share capital of Golden Speed which holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu Man (an executive director of the Company), through her wholly-owned investment company, Win Force. As Top Wheel holds more than 50% of the issued share capital of the Company and Golden Speed holds more than 50% of the issued share capital of Top Wheel, Top Wheel and Golden Speed are the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of ordinary shares involved divided by the number of issued shares of the associated corporation as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the directors or chief executives of the Company had an interest or a short position 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 by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the below sections headed "Share Option Scheme" and "Pre-IPO Share Award Scheme", neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries or its parent companies or its fellow subsidiaries was a party and the objectives of or one of the objectives of such arrangement are/is to enable the Company's directors, their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2023, the following persons (other than the directors or chief executives of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 366 of the SFO:

Interests and short positions in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Top Wheel Limited	Beneficial owner	1	434,183,000 (L) 20,000,000 (S)	72.36% 3.33%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	434,183,000 (L) 20,000,000 (S)	72.36% 3.33%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	434,183,000 (L) 20,000,000 (S)	72.36% 3.33%
RAYS Capital Partners Limited	Investment manager	2	42,112,000 (L)	7.02%
RUAN David Ching Chi	Interest held by a controlled corporation	2	42,112,000 (L)	7.02%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	2	42,076,000 (L)	7.01%

(L): Long position (S): Short position

Notes:

(1) The above interests of Top Wheel, Win Force and Golden Speed were also disclosed as the interests of each of Mr. Wu Tak Lam and Ms. Chiu Man in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

(2) Asian Equity Special Opportunities Portfolio Master Fund Limited is wholly-owned by RAYS Capital Partners Limited, which is in turn owned as to 45.60% by Ruan, David Ching-chi, RAYS Capital Partners Limited and Ruan, David Ching-chi are therefore deemed to be interested in the 42,076,000 shares (of which 20,000,000 shares are non-listed derivatives under a convertible instrument) held by Asian Equity Special Opportunities Portfolio Master Fund Limited.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, no person, other than the directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

During the year ended 31 December 2023, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed.

SHARE OPTION SCHEME

The Share Option Scheme (as defined in the Company's prospectus) was conditionally adopted pursuant to a resolution of the shareholders of the Company on 18 January 2014 (the "**Adoption Date**") and became effective from 15 May 2014 when dealings in the shares of the Company on the Stock Exchange commenced and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date. The Share Option Scheme expired on 17 January 2024, and the Company has no intention to re-adopt a new share option scheme at this stage. No options have been granted under the Share Option Scheme since its adoption.

Details of the Share Option Scheme were disclosed in the Company's prospectus and Note 31 to the Financial Statements.

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme was adopted by the Company on 8 January 2014 for the purpose of recognising and rewarding the contribution of selected employees of the Group and motivating their contribution to the future development of the Group. For the implementation of the Pre-IPO Share Award Scheme, the Management Trust was established on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. 9,000,000 shares of the Company were transferred to the Management Trust for nil consideration on the same date pursuant to the Pre-IPO Share Award Scheme. Unless otherwise terminated or amended, the Pre-IPO Share

Award Scheme shall be valid and effective for a term of ten years from the date of adoption. The Pre-IPO Share Award Scheme expired on 7 January 2024, and the Company has no intention to re-adopt a new share award scheme at this stage. The maximum number of awarded shares granted to each qualified participant under the Pre-IPO Share Award Scheme (including both vested and outstanding awarded shares) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of awarded shares in excess of this limit is subject to shareholders' approval at a general meeting of the Company. Any awarded Shares granted pursuant to the Pre-IPO Share Award Scheme shall be subject to a vesting period of five years commencing from the date of award during which the awarded Shares will vest on specified dates commencing on the first anniversary date of the date of award and thereafter on each anniversary date, upon which awarded Shares in euqal portions (being 20% of the total awarded Shares) shall vest. The Board shall be at liberty to waive such vesting date at its discretion. As of 31 December 2023, all of the 9,000,000 Shares of the Company available to grant under the Pre-IPO Share Award Scheme had been awarded to the grantees in accordance with the Pre-IPO Share Award Scheme. Details of the Pre-IPO Share Award Scheme are disclosed in the Company's prospectus and Note 31 to the Financial Statements.

Details of movement of awarded shares under the Pre-IPO Share Award Scheme during the year:

Grantees of awarded shares[1]	Capacity in the Group	Number of awarded shares unvested as at 1 January 2023	Granted during the Reporting Period	Dates of grant	Purchase price	Vesting period	Vested during the Reporting Period	Weighted average closing price of the shares immediately prior to the date of vesting of the awarded shares	Cancelled during the period	Lapsed during the period	Number of awarded shares unvested as at 31 December 2023
Directors of the Company											
Mr. Deng Ning	Executive Director	12,000	–	8 February 2018	N/A	5 years[2]	12,000	HK$1.34	–	–	–
		–	1,000,000[3]	16 October 2023[4], [5]	N/A	immediate upon passing the 2023 key performance indicator ("**KPI**") assessment	–	–	–	–	1,000,000
Ms. Chen Wei	Executive Director	–	700,000[3]	16 October 2023[4], [5]	N/A	immediate upon passing the 2023 KPI assessment	–	–	–	–	700,000
	Sub-total	12,000	1,700,000				12,000		–	–	1,700,000
1 non-director and non-chief executive five highest paid employee of 2023 in aggregate	–	–	1,009,600[3]	16 October 2023[4],[5]	N/A	Immediate upon passing the 2023 KPI assessment	–	–	–	–	1,009,600
	Sub-total	–	1,009,600				–	–	–	–	1,009,600
6 employees of the Company		55,600		8 February 2018	N/A	5 years[2]	55,600	HK$1.34	–	–	–
			1,100,000[3]	16 October 2023[4], [5]	N/A	immediate upon passing the 2023 KPI assessment	–	–	–	–	1,100,000
	Sub-total	55,600	1,100,000				55,600		–	–	1,100,000
Total		67,600		8 February 2018	N/A	5 years[2]	67,600	HK$1.34	–	–	–
			3,809,600[3]	16 October 2023[4], [5]	N/A	immediate upon passing the 2023 KPI assessment	–	–	–	–	3,809,600
	Total	67,600	3,809,600				67,600		–	–	3,809,600

Note:

(1) None of the non-director and non-chief executive top five highest paid individuals for 2023 had outstanding awarded shares during the year 2023 which were granted on 8 February 2018.

(2) The awarded shares granted to any particular selected employee during the vesting period will vest on each anniversary of the grant date of the relevant awards in equal portions.

(3) The vesting of the awarded shares is conditional upon the passing of the 2023 KPI assessment by the relevant grantee. As at 31 December 2023 and the date of this annual report, the relevant 2023 KPI assessments had not been completed.

(4) The closing price of the Shares immediately before the date of grant was HK$0.91.

(5) The fair value of the awarded shares granted on 16 October 2023 was HK$0.91. The fair value of the awarded shares was determined by reference to the market value of the share awards as at the date of grant, taking into account the terms and conditions upon which the share awards were granted.

During the year ended 31 December 2023, 3,809,600 awarded shares were granted. As at 31 December 2023 and the date of expiry of the Pre-IPO Share Award Scheme (i.e. 7 January 2024), no share awards were available for grant under the Pre-IPO Share Award Scheme. As at the date of this annual report, 3,809,600 awarded shares granted under the Pre-IPO Share Award Scheme remained unvested, representing 0.63% of the total number of the issued shares of the Company as at the date of this annual report.

ISSUED DEBENTURES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries issued any debentures.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the above sections headed "Share Option Scheme" and "Pre-IPO Share Award Scheme", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted as at the end of the year.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company, or any of its subsidiaries and the controlling shareholder or any of its subsidiaries during the year ended 31 December 2023.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 28 and the paragraph "Other employee benefits" in Note 2.4 to the Financial Statements.

CORPORATE GOVERNANCE

Please refer to the Corporate Governance Report on pages 39 to 61 of this annual report for details.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors of the Company, not less than 25% of the Company's total issued shares were in the hands of the public as at the date of this report, which complied with the public float requirements under the Listing Rules.

MATERIAL LITIGATION

During the year ended 31 December 2023, the Group was neither involved in any material litigation or arbitration, nor may be brought up or accused of any pending material litigation or claims.

AUDIT COMMITTEE

The Audit Committee (consisting of the three independent non-executive directors of the Company) has reviewed the consolidated financial statements for the year ended 31 December 2023, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2023 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2023 and up to the date of this annual report, the controlling shareholders of the Company, namely Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed, Win Force and Top Wheel (collectively referred to as the "**Controlling Shareholders**"), have no interests in any business which competes with or is likely to compete with the businesses of the Group.

The Company has obtained the annual written confirmations from the Controlling Shareholders in respect of their compliance with the Deed of Non-competition (the "**Deed of Non-Competition**") entered into between the Controlling Shareholders and the Company.

Based on the information and confirmations provided by or obtained from the Controlling Shareholders, the independent non-executive directors of the Company reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 December 2023 and up to the date of this annual report, and believed that the Controlling Shareholders had fully complied with the Deed of Non-Competition.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 39 to the Financial Statements, the following transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are required to be disclosed in this annual report in accordance with the requirements set out in Chapter 14A of the Listing Rules. Please see the below information disclosed in compliance with Chapter 14A of the Listing Rules.

On 14 December 2022, the Company entered into a new merchandise sale and purchase framework agreement (the "**MSP Framework Agreement**") with Yangzhou Sunfonda Automobile Co., Ltd. ("**Yangzhou Sunfonda**"), pursuant to which the Group may sell or purchase imported Volkswagen automobiles and related spare parts to or from Yangzhou Sunfonda from time to time. All transaction prices for the sale or purchase of imported Volkswagens automobiles and related spare parts between the Group and Yangzhou Sunfonda are equivalent to the transaction prices between the Group and Volkswagen Group Import (China) Co., Ltd., which is in line with the pricing policy of the transactions conducted by the Group with other independent automobile dealers. In the transactions under the MSP Framework Agreement, as the transaction prices are completely the same as those offered by or to Volkswagen Group Import (China) Co., Ltd. or other independent automobile dealers, neither the Group nor Yangzhou Sunfonda will profit from any price differentiation from the MSP Framework Agreement and transactions contemplated thereunder. The term of the MSP Framework Agreement is three years, commencing on 1 January 2023 and expiring on 31 December 2025. For details, please refer to the announcement of the Company dated 14 December 2022.

Yangzhou Sunfonda is held as to 99.69% equity interest by Mr. Zhao Yijian ("**Mr. Zhao**"), who is the brother-in-law and the brother of Mr. Wu Tak Lam and Ms. Chiu Man (both being directors of the Company) respectively, and 0.31% equity interest by Ms. Zhao Bailu ("**Ms. Zhao**"), who is the daughter of another brother-in-law and the daughter of another brother of Mr. Wu Tak Lam and Ms. Chiu Man (both being directors of the Company) respectively, hence Mr. Zhao, Ms. Zhao and Yangzhou Sunfonda are connected persons of the Company. As a result, the MSP Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions according to Chapter 14A of Listing Rules.

For the year ended 31 December 2023, the total actual transaction amount and annual cap of sales of imported Volkswagen automobiles and related spare parts to Yangzhou Sunfonda by the Group under the the MSP Framework Agreement were RMB2,000,700 and RMB15,000,000, respectively; the total actual transaction amount and annual cap of purchase of imported Volkswagen automobiles and related spare parts from Yangzhou Sunfonda by the Group were RMB10,874,100 and RMB12,000,000, respectively. For more information, please also see Note 39 to the Financial Statements.

Independent non-executive directors of the Company have confirmed that the above continuing connected transactions were entered into: (i) in the ordinary course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with relevant governance agreements (including the pricing principle and guidelines set out therein) and on terms that were fair and reasonable and in the interest of the Company and the shareholders as a whole.

Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with relevant provisions of Rule 14A.56 of the Listing Rules.

AUDITORS

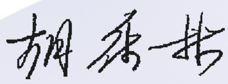
The consolidated financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the 2024 AGM. A resolution for the re-appointment of Ernst & Young as the auditors of the Company is to be proposed at the 2024 AGM. The auditors of the Company have not been changed for the three years ended 31 December 2023.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END DATE

There were no significant subsequent events that had occurred from 1 January 2024 up to the date of this annual report.

Other parts, sections or notes of this annual report referred to in this section of the annual report (the Report of the Directors) constitute part of the Report of the Directors.

By order of the Board
Sunfonda Group Holdings Limited



Mr. Wu Tak Lam
Chairman

Hong Kong, 28 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Sunfonda Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**our**") is pleased to present its Environmental, Social and Governance (ESG) Report (the "**Report**" or the "**ESG Report**"), which aims to describe our development and performance in all aspects of ESG in 2023 in response to the expectations and concerns of stakeholders for the sustainable development of the Group.

The Board firmly believes that prudent use of resources, enhanced talent management and cleaner operations will help the Group to achieve its established mission and sustainable development goals. The Board believes that emphasizing ESG management can promote the sustainable business development to increase revenue, improve the core competitiveness of the enterprises, and strengthen its ability to comply with relevant laws and regulations. The Board believes that the enhancement of staff training, the establishment of dedicated teams and the upgrading of equipment will contribute to the continuous improvement of the Group. The Board comprises both male and female directors to reflect diversified governance, and will continue to enhance the diversity of directors in terms of age, gender and ESG-related experiences in the future.

The Board leads the Group to fulfill its social responsibilities and assumes the responsibility for guiding the sustainable development of the Group. The Chairman and the Chief Executive Officer performs leadership and oversight responsibilities, organise the execution of the ESG strategy by each department through a dedicated ESG working group comprising senior management members, monitor the Group's sustainability goals and strategies, oversee the Group's performance, and review the Group's ESG reports. The Board has employed a number of approaches to strengthen the ESG governance structure, including assumption of additional responsibilities by the risk management committee and the corporate governance committee of the Company. Each functional department and each dealership store of the Group is responsible for implementing the relevant objectives and plans set by the ESG working group, performing specific management work, recording and reporting data, etc.

The working group leads the preparation of the ESG report, and reports annually to the Board. The Board regularly reviews the performance of the plans and goals with the working group to monitor ESG performance, advises on the Group's ESG strategy and direction, and reviews the stakeholders engagement and materiality assessments and ESG reports, to ensure the Group's development direction and disclosure meets the expectations of the stakeholders. The Board will, where applicable, consider inviting relevant experts to provide advice on improving ESG performance, and enhancing staff training for continuous improvement.

Risk management in ESG related areas is critical for the Board. In order to promote comprehensive risk management within the Group, through the extensive understanding of the business by the Board and communication with different stakeholders, we have made basic assessments on respective relevant risks and incorporated relevant risks into the risk management and internal control system. Although the risks in all areas are at a low level, we will pay special attention to the long-term risks and policy and regulatory risks associated with the enhancement of climate resilience and adaptability, as well as the risks associated with managing the impacts of operations on the environment and natural resources. At the same time, the Group believes that our occupational safety statistics should be regularly assessed against our pre-determined targets, as these targets and assessments are effective indicators of production capacity and operational control.

Looking back on the past year, our environmental performance has been recognised by the market, enhancing our brand awareness and bringing opportunities to increase market share, which helps us secure better cooperation terms with banks and suppliers. Looking ahead, high fossil fuel prices at the macroeconomic level, hiking global interest rates and accelerated digital operations and customer interaction at the technological level will all influence the Group's ESG strategy and goals for the coming year. The Board believes that ESG will help the Group to address the net-zero transformation of its business operations, move away from carbon-intensive industries and actively support sustainable investments and clean technologies.

ABOUT THE REPORT

The Report presents our continuous commitment to environment and social responsibility, with a focus on our performance, data and the effectiveness of existing measures in respect of environmental, social and governance issues of the Group. The Report is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.sunfonda.com.cn).

Reporting Scope

The Report presents the environmental, social and governance performance of the Group for the financial year from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"), with a focus on the Group's environmental, social and governance performance of the principal operations in the PRC, including the sales and after-sales services, automobile aftermarket business and supply chain of luxury and ultra-luxury brand automobiles as well as other mid-end brand automobiles.

Basis of Preparation

The Report has been prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" to the Listing Rules issued by the Stock Exchange. The principles of preparation are as follow:

1. Materiality: This Report relates to environmental, social and governance matters that have a significant impact on investors and other related parties.

2. Quantitative: If there are key performance indicators ("**KPI**"), the indicators should be measurable and be compared effectively where appropriate. Purposes and impact must also be stated for the indicators.

3. Balance: This Report should impartially present the Group's environmental, social and governance performance and avoids the inappropriate misleading of readers and omission of important data.

4. Consistency: This Report adopts a consistent method of statistics disclosure so that meaningful comparisons of information regarding environment, society and governance may be made in the future. Any future changes in methodology should be indicated in the Report.

Stakeholders Engagement and Materiality Assessment

Stakeholders engagement and materiality assessment is one of the major reporting principles for preparing high-quality ESG reports. Therefore, the Group determines which topics are of great significance to its business through stakeholders engagement and materiality assessment, and accordingly prioritises relevant content in the report.

The Group carried out online surveys on stakeholders engagement in November and December 2023, and invited stakeholders such as directors, investors, senior-level management personnel, middle-level management personnel and supervisors, laborial staff, customers and suppliers/contractors, to participate in the survey, in which the reporting issues set out in the ESG Guidelines were rated according to their perceived importance to the Group or the stakeholder groups they represented. The materiality of each reporting issue was then determined by aggregating the materiality levels given by all participants. The materiality level for each stakeholder category is the average of all respondents within that stakeholder category. The overall materiality level across multiple stakeholder categories is the average of the materiality levels for each category.

To clearly illustrate the results, a materiality matrix below is used to place the importance rating given to each issue by the Group (including directors, investors and senior-level management personnel) and other stakeholders (including middle-level management personnel and supervisors, laborial staff, customers and suppliers/contractors).

Materiality Matrix

Mark:

Environment
A1 Emission and Carbon Reduction
A2 Uses of Resources
A3 Environment and Natural Resources
A4 Climate Change

Society
B1 Employment
B2 Health and Safety
B3 Development and Training
B4 Labour Standards
B8 Community Care

Governance
B5 Supply Chain Management
B6 Product Responsibility
B7 Integrity Operations

Note: The scores of all the issues shown above are 3 or above according to the survey results. In order to show the relative distribution of each issue in a clearer manner, no issues with the score below 3 are shown in the chart above.

B6 Product Responsibility was identified as the most important issues in both stakeholder engagement and materiality assessment, while B4 Labour Standards and B5 Supply Chain Management were assessed as the least important issue. However, all issues are above the critical threshold of materiality (i.e., the materiality to the Group and its stakeholders is above 3.0), and therefore shall be disclosed in the forthcoming environmental, social and governance Report.

The table below summarizes the most important ESG issues expressed by different stakeholders.

Stakeholder Category	Most Important Issue
Investors	B2 Health and Safety
Senior-level Management Personnel	Most issues are of roughly equal importance
Middle-level Management Personnel and Supervisors	A3 Environment and Natural Resources A4 Climate Change
Laborial Staff	B2 Health and Safety B6 Product Responsibility B7 Anti-corruption
Customers	B6 Product Responsibility
Suppliers/Contractors	B2 Health and Safety

In response to the demands of relevant stakeholders, the policies and measures adopted by the Group for relevant stakeholders have been disclosed in the corresponding sections of the Report.

A ENVIRONMENTAL

A1 Emission and Carbon Reduction

The Group has always adhered to emission reduction and carbon footprint reduction, which is the major key areas of concern for the current and future global development. The Group attaches great importance to fulfilling corporate environmental responsibility of green and environmental protection, and realising the sustainable development concept. In order to meet the targets of exhaust gas and greenhouse gas emissions, the Group has formulated various measures including the Energy Conservation Policy, the Business Travel Conservation Policy, the procurement policy that supports local suppliers, and the Indoor Air Quality Policy, so as to reduce direct and indirect greenhouse gas emissions. Meanwhile, in order to reduce the generation of hazardous and non-hazardous waste, the Group has various measures including the Waste Reduction Policy, the Reducing Office Waste Policy and the Waste Recycling Policy.

The Group's emissions target is to ensure that the annual emissions growth will not exceed the growth of its main business. It also conducts regular reviews of the effectiveness of measures and annual summaries to ensure that the environmental targets are successfully achieved. To this end, the Group capitalises on its industrial position by taking the following key measures to minimise emissions in its daily main business operations:

- Increasing sales of battery electric vehicle brands;
- The car repair business operations will consider prioritising the use of environmentally friendly paint and related environmentally friendly materials;
- Preferential use of energy efficient equipment;
- Addition of air filters to the exhaust parts of the spray booths with the aim of reducing the impact on air quality;
- Installation and use of "volatile organic compounds (VOCs) online monitoring system" in spray booths of some stores;
- Preferential use of local suppliers so as to reduce carbon emissions due to long-distance transport.

In terms of drainage, the Group conducts wastewater discharge monitoring once a year, and has a sewage discharge permit issued by the local environmental protection department. At the same time, the Group gives priority to the use of environmentally-friendly lighting systems such as LED lights in the office, and employees are required to avoid turning on the lights when there is sufficient sunlight in their daily work. In addition, the Group avoids long distance face-to-face meetings and replace such with telephone or video conferencing to reduce carbon emissions stemming from transport usage. We also encourage the replacement of office vehicles in stores with electric vehicles as much as possible to reduce emissions. In addition, smoking is prohibited in office and green plants are planted to improve the quality of air in our offices.

The implementation of the above measures has helped the Group continue to achieve good results in fulfilling its social responsibilities, environmental protection and emission reduction.

During the Reporting Period, the levels of greenhouse gases (GHGs) emissions in the operation process are as follows:

Greenhouse Gases (GHGs) Emissions		
Greenhouse Gases (GHGs) Emissions	**2023**	2022
Direct GHG emissions (t CO_{2-e})	**1,738**	1,597
Energy indirect GHG emissions (t CO_{2-e})	**10,793**	10,716
Other indirect GHG emissions (t CO_{2-e})	**323**	151
Total GHG emissions (t CO_{2-e})	**12,854**	12,464
Total GHG emission intensity (t CO_{2-e}/employee)	**4.07**	3.51

Notes:

– The calculations were based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Sixth Assessment Report, latest emission factor of the National Grid of China published by the Ministry of Ecology and Environment of the People's Republic of China (MEE).

– Direct emissions refer to the emissions from the Group's use of unleaded gasoline and diesel as well as natural gas, while the physical density of natural gas converted from volume to weight is the density at room temperature and pressure. Energy indirect emissions refer to emissions from purchased electricity. Other indirect emissions refer to emissions from the employees' air travels for business purposes

The total greenhouse gas emissions remained stable compared to the same period last year, with the increase in other indirect emissions due to an increase in staff flight miles after the pandemic during the Reporting Period.

During the Reporting Period, The Xi'an Chanba Porsche Center of the Group was grandly opened. The Porsche Center is the first Porsche Center in the world that has been awarded the Platinum level of the WELL Healthy Building Standard, which focuses on the design of sustainable spaces with a human-based approach. The centre is equipped with advanced energy-saving technologies and green planting. The Porsche Center has become an industry benchmark for its spatial aesthetics, green and healthy architecture and WELL Platinum certification.

The centre has adopted a number of environmentally friendly and sustainable measures. It features advanced energy-saving technologies including eco-friendly LED lighting, high-efficiency air-conditioning systems, photovoltaic panels, high-performance facades and ventilation systems with heat recovery, as well as intelligently controlled lighting and ventilation systems and decentralised energy meters. It is designed to reduce carbon emissions by 185.3 tonnes per year, equivalent to a 47.2% reduction in carbon emissions.

In addition to greenhouse gas emissions, the Group also attaches equal importance to waste. In the after-sales repair and maintenance of vehicles, wastes have been inevitably generated. The Group treats wastes in strict compliance with the requirements of laws and regulations by classifying waste into two categories, i.e., hazardous and non-hazardous waste, which are collected at a designated place. For non-hazardous wastes, the Group gives priority to recycling or selling for reuse. Hazardous wastes will be dealt with by qualified suppliers that are authorized by the bureau for environment protection with which the Group maintains long-term and stable co-operation.

The Group takes the submission of the annual hazardous waste discharge plan to the local environmental protection bureau at the beginning of each year as the waste management goal, aims to ensure that the annual waste growth will not exceed its main business growth. We regularly carry out reviews on the effectiveness of measures and annual summaries to ensure that the environmental targets are successfully achieved. To this end, the Group adopts the following key measures in its daily main business operations to maximise waste reduction:

- For non-hazardous wastes, priority is given to recycling or selling for reuse;
- Reducing the use of plastic products in construction activities; and
- Regularly training employees on hazardous waste environmental protection knowledge to raise their environmental awareness.

During the Reporting Period, the levels of waste discharged in the operation process are as follows:

	Wastes Generated	
Type of waste	**2023**	2022
Non-hazardous waste (tonnes)	**561**	895
Non-hazardous waste intensity (tonnes per employee)	**0.18**	0.25
Hazardous waste (tonnes)	**677**	552
Hazardous waste intensity (tonnes per employee)	**0.21**	0.16

As the Group has increased efforts in the management of non-hazardous waste discharge, the non-hazardous waste discharge for the Reporting Period reduced as compared with last year. With the growth of the Group's business, the Group continues to step up efforts in the management of hazardous waste discharge, although the hazardous waste discharge for the Reporting Period increased as compared with the corresponding period last year. In the future, the Group will continue to make efforts to achieve the goal of the growth of hazardous waste discharge not exceeding its business growth. The Group strictly complies with various environmental regulations of the PRC, such as Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, to keep in line with the standards. There was no relevant non- compliance that had a significant impact on the Group during the Reporting Period.

A2 Uses of Resources

In order to effectively utilise resources, reduce wastage and protect the ecological environment, the Group encourages all employees to raise their awareness of environmental protection and the concept of green office. The Group has promoted a number of environmental protection policies to minimise resource consumption, including but not limited to Energy Conservation Policy, Water Conservation Policy, Waste Reduction Policy, and Waste Recycling Policy. The Group actively promotes the concept of "think before you use" to our employees to encourage them to save water, electricity and paper as well as recycling office supplies for reuse.

The Group's energy efficiency goal is to strive for annual energy consumption growth not exceeding its main business growth. To this end, the Group has taken the following key measures in its daily main business operations to minimise energy consumption:

- Preferential use of energy efficient products;
- Promotion of "Green Travel" to encourage the use of staff transport to replace the individual use of private cars; and
- Affixing a reminder on air conditioners at the switch in the office so that employees are reminded that the temperature should be set at 25 degrees and turned off in spring and autumn and the operating time is from 10:00 to 17:00.

In addition, the Group has established an electronic filing system to replace saving the print copy, thereby implementing resources conservation and green documentation management in practice. Furthermore, we provide reusable tote bags instead of disposable storage bags to reduce waste. We are also committed to recycling reusable resources and reducings the use of disposable products. At employees' canteens, we use reusable tableware to reduce waste. Moreover, we endeavor to avoid paper waste, recycle and re-use ink cartridges. Meanwhile, we collect discarded or remaining metal parts and accessories for other production use.

The Group actively cooperates with environmental authorities in organising various activities to educate and guide staff on environmental protection practices in their daily life and at work. The implementation of the above measures has helped the Group continue to achieve good results in the use of resources.

During the Reporting Period, the Group's energy consumption is as follows:

Type of energy	Energy consumption 2023	2022
Unleaded gasoline (thousand kWh)	**4,338**	4,411
Diesel (thousand kWh)	**45**	72
Natural gas (thousand kWh)	**3,098**	2,279
Electricity (thousand kWh)	**18,926**	18,444
Total energy consumption (thousand kWh)	**26,407**	25,205
Energy consumption intensity (thousand kWh per employee)	**8.37**	7.09

Notes:

– Energy conversion was based on CDP Technical Note: Conversion of fuel data to MWh. The physical density of natural gas converted from volume to weight adopted the density at room temperature and pressure.

– Based on past statistics, gas accounted for very little of the Group's total energy consumption and was not disclosed in line with the materiality principle.

Total energy consumption remained broadly stable over the same period last year.

We also use eco-friendly paint and eco-friendly materials in our vehicle repair business. When repairing a car, our employees adhere to the principle of "saving electricity and water" to reduce environmental pollution and the use of resources. The Group aims to ensure that the growth rate of the use of resources, including water consumption, does not exceed that of its main business, and each store aims to reduce water consumption based on actual usage. To this end, the Group prioritises the use of water-efficient equipment and remind all employees and visitors to conserve water.

The Group mainly sources water from municipal pipelines, and there is no difficulty in obtaining suitable water source. During the Reporting Period, the Group's water consumption is as follows:

Water consumption	**2023**	2022
Water consumption (m^3)	**268,581**	168,026
Water consumption intensity (m^3 per employee)	**85**	47

The increase in total water consumption as compared to the same period last year was due to the leakage of some underground water pipes due to breakage and the increase in water demand due to business expansion in some of our stores, which led to the cancellation of the originally purchased bottled water and switching to the use of municipal water in order to save the total cost, resulting in an increase in water consumption as shown in the statistics.

A3 Environment and Natural Resources

The Group is committed to reducing the adverse impact of operating activities on the environment and has been constantly improving environment management measures to reduce consumption of energy and other resources, minimize generation of wastes and increase recycle and reuse. Meanwhile, we have been actively promoting and advocating environmental protection concepts by raising all staff's awareness on environmental protection, educating them to care for environment and to implement the concept of green office. We encourage them to cherish each unit of electricity, each drop of water, each sheet of paper and each litre of gasoline so as to make full use of natural resources. During the Reporting Period, the Group did not have any incidents which had a significant impact on the environment and natural resources.

A4 Climate Change

The Group has always paid attention to the issue of climate change, and has carefully studied the national laws, regulations and policies on climate change, to strive to take the best measures to reduce greenhouse gas emissions from business operations. According to its actual business situation, the Group has adopted a series of measures such as increasing the sales of new energy vehicles in response to the national carbon neutrality goal. In addition, the Group has formulated policies to cope with climate change and established the "Natural Disaster Emergency Plan", which is designed for the maximum reduction of possible incident impact in the event of severe natural disasters caused by weather changes. The relevant response actions include:

- Arranging each store to prepare for summer flood control in the summer with relatively heavy rainfall every year;
- All stores store flood control materials for a long time to cope with the sudden flood season; and
- Purchasing insurance depending on the risk assessment to provide additional protection.

The Group's emergency plan can assure the safety of the Company's properties and employees, and in the actual operation process, the Group strives to take all kinds of best measures to reduce greenhouse gas emissions to combat climate change.

B CHERISHING TALENTS

B1 Employment

Human capital is the driving force for corporate development, and talent is the key to corporate development. The Group attracts elite staff of the industry and provides them with a platform of fair competition so as to create a harmonious working environment and cooperative atmosphere, open a path for staff career development to realize their own values, and provide strong support for the Group's development.

The starting salary range of different position ranks is formulated according to the position rank, regional differences, market factors, branch scale and personal ability, with reference to the remuneration system of the Group, and the remuneration has certain competitive advantages in the same industry and region. Guided by the external market rate, the Group regularly evaluates the reasonableness of the starting salary range of employees at different ranks within the Group according to the Group's remuneration adjustment policy, post responsibilities and work contribution, so as to ensure the external competitiveness of the remuneration package. By providing competitive remuneration packages in the market, and based on the value of the position, the Group offers higher remuneration to employees with excellent performance to encourage continuous progress.

In recruitment process, the Group strictly abides by the Company's "Recruitment and Hiring System", actively expands a variety of recruitment channels, and widely attracts talents. The recruitment and employment adheres to the principle of "openness, equality, competition and merit", all applicants have equal opportunities, and are not treated differently according to their gender, race, religious beliefs and recommenders. The Group has established reasonable recruitment channels and promotion mechanism for key positions. Through selection and review, necessary evaluation and assessment of personnel promotion are carried out to obtain talents that meet the position requirements. Smooth internal talent flow mechanism can help employees find development opportunities within the Group. In adherence to the principle of attaching equal importance to morality and performance, the Group conducts comprehensive evaluation of promoted employees in respect of work evaluation, post performance appraisal and performance appraisal according to post promotion evaluation mechanism.

The Group actively protects employees' basic rights and interests, understand their needs and enhances their physical and mental health so as to create a professional and efficient workforce. The Group provides annual leave, vacation, marriage leave, maternity leave, etc. The Group also provides employees with insurance coverage, maternity protection and other benefits, and organises various cultural and social activities from time to time to attract and retain outstanding talents. In order to ensure that employees have legitimate and reasonable rights and interests, the Group has set up a scientific employment management system to regulate and supervise the employment and promotion of employees, labour relations, employee diversity, treatment and equal opportunities, welfare and anti-discrimination, aiming to safeguard the legitimate rights and interests of employees. The employment contracts signed between the Group and employees sets out the term of employment and specifies the conditions for the dissolution and termination of the employment contracts. The Group handles dismissals and resignations reasonably and lawfully in strict accordance with applicable laws and regulations, conducts exit interviews with departing employees, understands the reasons for resignation, and listens to feedback and suggestions. The Group has established a culture of equal opportunities, work-life balance, anti-discrimination and employee diversity to create a "Zero Discrimination and Happy Workplace" for its employees.

As of 31 December 2023, the Group had a total of 3,156 employees, including 1 part-time employee, 22 temporary workers, 23 apprentices or interns, and the remaining 3,110 full-time employees.

The number of employees and employee turnover rate of the Group by different categories are as follows:

Category	Number of employees (person)	Employee turnover rate (%)
By Gender		
Male	1,922	42.98%
Female	1,234	52.19%
By Age Group		
16-24	217	90.32%
25-34	1,537	53.16%
35-44	1,176	30.70%
45-54	201	33.33%
55 and above	25	116.00%
By Geographical Region		
Mainland China	3,154	46.61%
Hong Kong	2	0.00%
Total	**3,156**	**46.61%**

Note: The calculations were based on the social KPI reporting guide issued by the Stock Exchange.

Certain employees left the Group for their own reasons. The Group continued to increase its efforts in employee promotion and care. During the Reporting Period, the employee turnover rate was 46.61%, representing an increase as compared with that of last year. The Group strictly complies with relevant employment laws, including the Labour Law of the People's Republic of China, and has not been prosecuted for any breach of employment-related laws.

B2 Health and Safety

Talents are one of the most valuable assets of a corporation. As such, we always place the health and safety of the employees as its top priority and strives to provide a safe working environment for employees to ensure their safety and prevent occupational hazards. We strictly comply with relevant laws and regulations including the Production Safety Law of the People's Republic of China, Prevention and Control of Occupational Diseases Law of the People's Republic of China, and have formulated a number of policies covering areas such as occupational health and safety, the provision of safety and protective tools, employee safety monitoring and training, and job safety monitoring of contractors.

On one hand, we strictly require factory workers to always give priority to "safety first", regularly remind them to wear protective equipment and arrange dedicated personnel to monitor work performance. On the other hand, we attach great importance to both physical and mental health of employees. It advocates an effective working manner and a healthy life concept, cares for employees and helps them overcome difficulties in life, so that employees can feel the warmth of home at work. We also arrange health check for employees on a regular basis to identify potential hazards and health risks in advance, and educate employees about health knowledge.

The Group implements and monitors the following key occupational health and safety measures:

- After-sales workshops and employees at special posts are equipped with professional protective tools and protective clothing to ensure the safe operation of employees;

- Each store is equipped with heat-relieving items and first-aid items in order to cope with the high temperature in summer;

- Posts warning signs in high-risk places and high-level operating equipment to remind employees;

- Provides occupational health and safety related training in internal training courses, and organises regular staff training, learning and examinations;

- Holds fire safety training at least twice a year to improve employees' awareness of fire prevention and disaster prevention. According to the latest requirements of fire protection, anti-smoke and fire shutter door devices and equipment have been installed in the stores under construction and reconstruction;

- Engages professional testing institutions to conduct occupational hazard assessment depending on the risks involved; and

- New employees are offered preferential entry physical examination at cooperative professional physical examination institutions.

During the Reporting Period, there was no incident that had an adverse impact on the health and safety of employees of the Group due to work, nor was there any major safety accident. The Group strictly abides by relevant safety laws and regulations, including the Labour Safety Law of the People's Republic of China and the Law on the Prevention and Treatment of Occupational Diseases, and was not prosecuted for any breach of occupational safety-related laws during the Reporting Period.

B3 Development and Training

With a view to improving the overall quality, business skills and professional capability of the employees, The Group has formulated various career development policies to provide employees with more learning opportunities and to enhance their knowledge and skills. Based on the business needs of the Company and in light of the requirements of different positions, the human resources department of the Group introduces various comprehensive and systematic programs, which cover courses of different levels including induction training for new recruits as well as training for supervisors, middle management and senior management. In addition, we offer various training courses for different positions such as sales consultants, after-sales technicians and financial personnel, and we focus on training of soft skills and practical techniques.

Based on our business needs, we regularly arrange personnel to participate in various professional training organized by various entities such as external automobile manufactures, professional organizations and government departments, so as to develop a better understanding of the changes in and trends of the market and external environment, thereby improving employees' quality in all aspects. Furthermore, we work with colleges and universities to carry out targeted talent training projects through school-enterprise cooperation. We select outstanding graduates through the campus job fair and includes them in the training program.

In terms of career development, we manage career development planning by grasping the work status and related information of employees with promotion potential, and implementing specialized assessment and training for those who are eligible for promotion, thereby carrying out career development planning and management. We engage experienced employees to lead new employees in their development to enhance mutual communication among employees, improve their working abilities and skills through practice and exchange of ideas, impart knowledge, skills and work experience to help new employees master work skills in a short period of time and become competent for their jobs as soon as possible. All new employees will receive the introduction and explanation of the employee handbook to help them adapt to the working environment and integrate into the corporate culture as soon as possible.

The percentage of employees trained and the average training hours completed per employee of the Group by employee category are shown as follows:

Type	Percentage of employees trained	Average training hours completed per employee (hour)
By Gender		
Male	62.99%	26
Female	37.01%	15
By Employee Category		
Senior-level Management Personnel	2.28%	23
Middle-level Management Personnel	10.50%	21
Supervisor	8.12%	22
Laborial Staff	79.09%	22
Total	**91.70%**	**22**

Note: The calculations were based on the social KPI reporting guide issued by the Stock Exchange.

During the Reporting Period, the percentage of employees trained of the Group over the total number of employees was roughly the same with the corresponding period last year, and the average training hours completed per employee recorded an increase.

B4 Labour Standards

The Group maintains a stringent labour policy and forbids the employment of child labour or forced labour, which is routinely inspected by the local labor and social security department. In order to implement such policy more effectively, the Recruitment Management System of the Group clearly specifies that the identity documents of the applicants shall be strictly checked during recruitment to ensure the accuracy of the information provided. The Group requires all job applicants to have at least completed a high school diploma, so that no children will be employed in labour recruitment.

The Group strictly abides by relevant laws and regulations and does not employ forced labor. The Group's system requires that no deposit or security deposit shall be collected from employees in any form, identity cards shall not be withheld and employees' wages shall be paid in full and on time. The Group has formulated the Attendance Management System, which promotes the combination of work and rest, does not encourage overtime work, and protects employees' rights to normal work, rest and vacation, to eliminate forced labour.

The Group strictly abides by the Labour Contract Laws of the PRC and the Employment Ordinance of Hong Kong, together with relevant regulations. As a result of the concerted efforts of the Group and its staff, the Group has not identified any non-compliance with the labour standards during the Reporting Period. No corrective action was required given that no violations of labour standards were identified during the Reporting Period.

B5 Supplier Management

The Group is well aware of the importance of supply chain management and continuously strives to build a win-win relationship with suppliers and to forge fair, open, efficient and mutual-trusting partnerships. We continuously optimize and improve the supplier management system and actively promote green procurement, which allow us to ensure smooth business operation and guarantee the quality and safety of all products and services through effective supplier management.

The Group carries out the bidding process for the actual selection of suppliers by establishing a bidding committee, and assigning specific persons to be responsible for organizing and completing the bidding review within the scope of their respective responsibilities. Suppliers' company size, product quality, product services and the supplier's brand influence, delivery capability and reputation are taken into account as the basis for the bidding review. After confirming the bidding with a supplier, the Group will send the official "Notice of Successful Bidding" and the "Supplier Qualification Certificate" to the successful bidder. We will only commence cooperation with the supplier after it receives the above "Notice of Successful Bidding" and the "Supplier Qualification Certificate". In order to establish an open and orderly platform for healthy competition between suppliers, the Group also has the supplier termination mechanism in place, which helps maintain the high quality of suppliers' product and service offerings. Under the mechanism, we review suppliers' annual performance at the end of each year and assess the actual cooperation with them to determine whether to proceed with the collaboration. The Group requires all suppliers to possess the legal intellectual property rights for their product supply and relevant confidentiality clauses are included in the agreements with suppliers.

In accordance with the relevant national and local regulations, the Group has formulated corresponding management procedures for suppliers of various products and services, including the supplier code and the supplier bidding and evaluation mechanisms. The Group also conducts random checks on multi-dimensional information such as industrial and commercial information, judicial proceedings, intellectual property rights and equity structure of suppliers through third parties such as Qixinbao or Qichacha to understand their possible environmental and social risks.

In order to promote the use of environmental products and services, the Group requires suppliers to comply with relevant environmental standards and regulations. When purchasing materials and engaging services, the Group will also give priority to the environmental performance and certification of suppliers. Before establishing cooperation with us, suppliers must undergo a series of review procedures which comprehensively review their performance in quality, environment and safety, and can cooperate with us only after passing relevant review procedures. The Group conducts audit and risk rating on suppliers. If a supplier is found to have seriously violated the contracted responsibilities and operational rules, the cooperation will be terminated to ensure that the procurement process is compliant with laws and regulations, and the quality, environment and safety of the supply chain are in line with the Group's policy.

During the Reporting Period, the Group's suppliers were mainly automobile related suppliers including automobile manufacturers as well as decoration suppliers, totalling 34, all of which were from Mainland China. The above evaluation and management mechanism was applied to these 34 suppliers of the Group.

B6 Product Responsibility

Product responsibility is the foundation of our corporate development. The Group attaches great importance to product responsibility, sells products and provides services in strict accordance with the quality assurance policies of the respective manufacturers of each brand, provides products that meet national and industry standards and have product qualification certificates in the course of business operations, formulates relevant management policies and measures that exceed the requirements of laws and regulations to ensure product quality and safety, the accuracy of product descriptions in promotional messages and the quality of after-sales services, and keeps sensitive customer information confidential.

The Group adheres to the service principle of "customer first", and strives to fully respect the needs of the customers while providing sincere and quality services to them, not only focusing on service results but also emphasising the experience of the service process. The Group takes customer complaints seriously and regards each of them as an opportunity for us to make correction and improvement. In this regard, the Group has established comprehensive customer complaints procedures, pursuant to which customers can raise complaints and give us opinions through email, telephone, mail or in person, and we will respond immediately to placate discontented customers and provide them with a satisfactory solution as soon as possible. Complaints received via any of these channels will be handled by the responsible person of the respective department, who will then communicate with customers and propose solutions. For handling of major customer complaints, the Group implements the mechanism of joint operation across different departments for the purpose of customer satisfaction. If neither party is able to reach a negotiated solution during the dialogue and negotiation process and a dispute arises with the customer, we will consider including a third-party organisation to conduct mediation to resolve the issue. The Group will internally file documents, conduct summary and analysis on the complaint cases, and organise special training and discussion. By drawing conclusion and learning from the experience, we will improve our service quality and enhance our service standard on a continuous basis. The Group received 8 complaints about product quality and services this year, which were followed up and resolved in accordance with the above-mentioned response measures.

The promotional materials from all channels in the Group's brand stores must be legally authorised by the copyright owner to avoid infringement. The Group requires all sales staff to provide accurate and truthful information to customers during sales. When providing after-sales services, we will provide customers with an interactive and open platform to make enquiries about product details and give feedback. The promotional materials from all channels in the brand stores must comply with relevant regulations, and the content must meet the requirements of brand manufacturers and their product standards and requirements. The relevant departments of the Group will also periodically inspect the marketing materials in stores.

Xi'an Chanba Porsche Center of the Group is the first Porsche Center in the world to be awarded the Platinum level of the WELL Health Building Standard. The centre focuses on the health and comfort of its users and is equipped with various facilities including a direct drinking water system, greenery, a mother and baby room and a fitness area. The Porsche Center features Chinese-Western aesthetics, green and healthy architecture and WELL Platinum certification.

In terms of human health care, it focuses on improving people's health and reducing air pollution. For example, it houses barrier-free sanitary facilities, indoor air quality monitoring equipment, thermal comfort and open spaces. The center's main functional areas, such as the project gallery, office area, cafeteria and guest lounge, are equipped with integrated air quality sensors installed at the breathing height of people to monitor total volatile organic compounds fine particulate matter, carbon dioxide and temperature and humidity in real time. In addition, a 2D code is placed for easy scanning so as to check the real-time air quality at any time. An additional air purification unit with H12 filter is installed at the end of the fresh air to further remove particulate matter, while the charcoal filtration section of the unit removes odours, formaldehyde and other organics from the air. Furthermore, the air-conditioning system is equipped with ultraviolet lamps for disinfection, which effectively prevents the health hazards that may be brought about by the growth of mould in the air-conditioning system, thereby providing customers with a healthy and comfortable space.

In respect of product quality control, the Group conducts business operations in strict accordance with manufacturers' quality assurance policy of various brands. Prior to the sale of products, we will carry out safety inspections and will only sell products that have passed testing. For product recall procedures, in order to safeguard the interests of customers to the greatest extent, as an automobile dealer, the Group keeps strict records to ensure that the process can be traced back, fully cooperates with automobile manufacturers in respect of their recall policies, and provides follow-up services for recalls in accordance with the manufacturer's policies to ensure orderly completion within specified deadlines.

The Group implements stringent confidentiality policies to protect customers' privacy, strengthens the management over customer information, avoids collecting personal information that is unrelated to the service scenarios, and formulates the corresponding system for the filing and access to customer information. Users are informed of the rules governing the handling of personal information in a concise, clear and understandable manner, and are notified of any changes on a timely basis. Customer information is collected for the purpose of customer communication, relationship maintenance, and analysis and classification. Customer information is determined in accordance with certain procedures, and can only be accessed by a limited range of personnel within a certain period of time. Copying and extraction, sending and receiving, transmission and carrying-out are strictly controlled. The Group regularly reviews its measures and monitors any suspected leakage.

The Group strictly complies with the Law of the People's Republic of China on Protection of Consumer Rights and Interests and other relevant regulations. During the Reporting Period, there was no significant event that constitutes a non-compliance with product responsibility regulations.

B7 Integrity Operations

The Group has established sound corporate governance and integrity operation systems with zero tolerance to corruption of any form. In this regard, we have formulated various anti-corruption policies, including anti-bribery policies, conflict of interest reporting policies, anti-fraud policies, open bidding policies, confidential policies and independent auditing policies. Meanwhile, the Legal Department and the Internal Audit Department of the Group have been assigned to supervise and put an end to any form of corruption, including extortion and money laundering, and has establish a whistle-blowing channel to keep the Group informed of any corruption. In addition, an external auditor and other external bodies are engaged to supervise the Group's integrity operations from time to time. The Group also provides appropriate anti-corruption training to directors and staff from time to time.

During the Reporting Period, the Group did not have any cases of corruption or any other cases related to any breach of integrity operations. The Group strictly abides by the relevant anti-corruption and anti-bribery laws, and was not prosecuted for any violation of relevant laws including the Corruption Punishment Regulation of the People's Republic of China during the Reporting Period.

B8 Community Care

Being part of the community, we see the support of local members as the driver of our success. Whilst pursuing business growth, we are devoted to giving back, so that the love and care in the community can benefit more people in need. To this end, the Group actively integrates into the community and maintains good communication and interaction therewith. For example, it has specially appointed the general administration department to be responsible for active response and involvement in community events, such as public welfare campaigns, study assistance, charitable donation, environmental protection events and fitness team building activities.

PROSPECT

The Group will continue to focus on sales, after-sales service, automobile aftermarket business and supply chain of luxury and ultra-luxury brand vehicles and other medium-end brand vehicles, and strengthen the sustainable development of its principal business. The Group's new energy brands are mainly subdivided models of luxury car brands, and the proportion of electric vehicles of the entire traditional luxury brands is on the momentum of rising year by year. Although the current proportion is relatively low, many luxury brands have announced their plans to launch electric vehicles in the coming years. Major traditional automobile brands have announced the future development strategy of new energy vehicles to gradually increase the proportion of new energy sales. Currently, major manufacturers are supporting dealers in the promotion of new energy business, and provide related subsidies. The Group has advanced its layout in terms of new energy planning, and has begun to formulate a clear development plan and set up sales or management teams for new energy vehicles at the group and store levels. All brands represented by the Group have rolled out their new energy vehicle models. Looking ahead, the Group will continue to refine its new energy business, further retain its existing customers and develop new customers, and conduct new energy market portrait analysis. Meanwhile, in line with the manufacturer's product matrix, the Group will enrich its marketing channels.

HKEx ESG Reporting Guide Index

A	Environmental	Section
Aspect A.1	Emissions	A1
KPI A.1.1	The types of emissions and respective emissions data	There were no major sources of emissions within the scope of the Report, and vehicle movement does not form part of its principal business, so there is no pollutant emission data
KPI A.1.2	Greenhouse gas emissions and intensity	A1
KPI A.1.3	Total hazardous waste produced and intensity	A1
KPI A.1.4	Total non-hazardous waste produced and intensity	A1
KPI A.1.5	Description of emissions target(s) set and steps taken to achieve them	A1
KPI A.1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	A1
Aspect A.2	Uses of Resources	A2
KPI A.2.1	Direct and/or indirect energy consumption by type in total and intensity	A2
KPI A.2.2	Water consumption in total and intensity	A2
KPI A.2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	A2
KPI A.2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	A2
KPI A.2.5	Total packaging material used for finished products and with reference to per unit produced	No amount of product packaging materials used is disclosed in the Report as no additional product packaging was required for automobile sales and after-sales service
Aspect A.3	The Environment and Natural Resources	A3
KPI A.3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	A3
Aspect A.4	Climate Change	A4
KPI A.4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	A4

B	Social	
Aspect B.1	Employment	B1
KPI B.1.1	Total workforce by gender, employment type, age group and geographical region	B1
KPI B.1.2	Employee turnover rate by gender, age group and geographical region	B1
Aspect B.2	Health and Safety	B2
KPI B.2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	No work-related fatalities occurred in the past three years including the Reporting Period
KPI B.2.2	Lost days due to work injury	There were a total of 515 lost days due to work injury during the Reporting Period
KPI B.2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	B2
Aspect B.3	Development and Training	B3
KPI B.3.1	The percentage of employees trained by gender and employee category	B3
KPI B.3.2	The average training hours completed per employee by gender and employee category	B3
Aspect B.4	Labour Standards	B4
KPI B.4.1	Description of measures to review employment practices to avoid child and forced labour	B4
KPI B.4.2	Description of steps taken to eliminate such practices when discovered	No non-compliance occurred during the Reporting Period
Aspect B.5	Supply Chain Management	B5
KPI B.5.1	Number of suppliers by geographical region	B5
KPI B.5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	B5
KPI B.5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	B5
KPI B.5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	B5

B	Social	
Aspect B.6	Product Responsibility	B6
KPI B.6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	During the Reporting Period, the recall rate was 0.019% in line with the recall policies of automobile manufacturers
KPI B.6.2	Number of products and service-related complaints received and how they are dealt with	B6
KPI B.6.3	Description of practices relating to observing and protecting intellectual property rights	B6
KPI B.6.4	Description of quality assurance process and recall procedures	B6
KPI B.6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	B6
Aspect B.7	Anti-corruption	B7
KPI B.7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No legal cases regarding corrupt practices during the Reporting Period
KPI B.7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	B7
KPI B.7.3	Description of anti-corruption training provided to directors and staff	B7
Aspect B.8	Community Investment	B8
KPI B.8.1	Focus areas of contribution	B8
KPI B.8.2	Resources contributed to the focused area	No resources were utilised in any area during the Reporting Period

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To the shareholders of Sunfonda Group Holdings Limited

(Incorporated in the Cayman Islands as an exempted company with limited liability)

Opinion

We have audited the consolidated financial statements of Sunfonda Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 199, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Vendor rebate receivables	
The Group recognised volume-related vendor rebates on an accrual basis according to the terms of the supplier contracts. As at 31 December 2023, the rebate receivables recognized were RMB338,325,000. The balance of rebate receivables was significant and the process of accruing the rebates was complex. Information of the rebate receivables is disclosed in note 20 to the financial statements.	Our audit procedures included, among others, checking the rebate policies adopted against the terms of the relevant supplier contracts and checking the calculation of the rebate receivables based on the rebate policies. We also checked the subsequent receipts of the rebates.
Deferred tax assets	
As at 31 December 2023, deferred tax assets recognised were RMB63,976,000. The deferred tax assets were recognised based on management's estimation of future taxable profits that would be available for utilising the deferred tax assets. As at 31 December 2023, deferred tax assets have not been recognised on accumulated tax losses of RMB67,001,000. The process of estimating the amount of the future taxable profits was complex, and involved estimates and judgements that would be affected by future actual operations, tax regulations, market or economic conditions. Information of the deferred tax assets and the unrecognised tax losses is disclosed in note 29 to the financial statements.	Our procedures included, among others, evaluating the assumptions and methodologies used by the Group in estimating future taxable profits. We evaluated and tested management assessment on available taxable profits by comparing to the Group's business plans approved by those charged with governance, expected future profit forecasts, associated growth rates, historical financial and tax information. We checked the adequacy of the relevant disclosures of deferred tax assets and unrecognised temporary differences.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current non-financial assets (other than goodwill)	
As at 31 December 2023, the carrying amount of non-current non-financial assets (other than goodwill) amounted to RMB2,551,670,000, which was material to the consolidated financial statements. The management performed an impairment test, where an indication of impairment exists or when annual impairment testing for an asset is required. In assessing the value in use, the discounted cash flow method was used with estimations and judgements. The Group's disclosures about the impairment of non-financial assets are included in note 3 to the financial statements, which explains the major judgements and estimations that management made in the assessment.	Our audit procedures, among others, included an evaluation of the determination of the cash-generating units, the key assumptions used in the cash flow forecast and other data used by the Group. We also involved our valuation specialists to assist us in evaluating the associated growth rates and the discount rates applied. We checked the adequacy of the relevant disclosures of non-financial assets (other than goodwill).

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our 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 to 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 Wang Jun Ying.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5(a)	**10,977,823**	10,923,678
Cost of sales and services	6(b)	**(10,557,688)**	(10,207,944)
Gross profit		**420,135**	715,734
Other income and gains, net	5(b)	**477,408**	281,205
Selling and distribution expenses		**(543,186)**	(507,486)
Administrative expenses		**(241,189)**	(252,676)
Profit from operations		**113,168**	236,777
Finance costs	7	**(95,172)**	(107,377)
Profit before tax	6	**17,996**	129,400
Income tax expense	10	**(6,130)**	(48,135)
Profit for the year		**11,866**	81,265
Attributable to:			
Owners of the parent		**11,866**	81,265
Earnings per share attributable to ordinary equity holders of the parent	12		
Basic and diluted (RMB)		**0.02**	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 RMB'000
Profit for the year	**11,866**	81,265
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,283)**	6,071
Other comprehensive (loss)/income for the year, net of tax	**(1,283)**	6,071
Total comprehensive income for the year	**10,583**	87,336
Attributable to:		
Owners of the parent	**10,583**	87,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,847,499**	1,702,459
Right-of-use assets	14	**693,722**	726,249
Intangible assets	15	**10,449**	10,145
Prepayments	16	**22,237**	47,162
Goodwill	17	**10,284**	10,284
Deferred tax assets	29	**63,976**	41,729
Total non-current assets		**2,648,167**	2,538,028
CURRENT ASSETS			
Inventories	18	**1,277,491**	1,346,879
Trade receivables	19	**37,307**	37,641
Prepayments, other receivables and other assets	20	**1,016,344**	866,524
Amount due from a related party	39(b)	**–**	5,090
Financial assets at fair value through profit or loss	21	**2,665**	3,065
Pledged bank deposits	22	**579,065**	388,139
Cash in transit	23	**14,917**	17,198
Short-term deposits	24	**93,280**	84,920
Cash and cash at banks	24	**653,932**	626,003
Total current assets		**3,675,001**	3,375,459
CURRENT LIABILITIES			
Bank loans and other borrowings	25	**1,811,700**	2,119,677
Trade and bills payables	26	**823,280**	481,310
Other payables and accruals	27	**380,676**	355,798
Lease liabilities	14(b)	**16,780**	28,685
Income tax payable		**25,642**	13,171
Total current liabilities		**3,058,078**	2,998,641
NET CURRENT ASSETS		**616,923**	376,818
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,265,090**	2,914,846

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	25	**709,402**	361,456
Lease liabilities	14(b)	**71,854**	66,288
Deferred tax liabilities	29	**20,986**	24,287
Total non-current liabilities		**802,242**	452,031
NET ASSETS		**2,462,848**	2,462,815
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**377**	377
Reserves	32	**2,462,471**	2,462,438
Total equity		**2,462,848**	2,462,815

Director
Wu Tak Lam

Director
Chiu Man

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023	377	97,842	118,045	179,645	157,947	11,408	41,675	1,855,876	2,462,815
Profit for the year	–	–	–	–	–	–	–	11,866	11,866
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(1,283)	–	(1,283)
Total comprehensive income for the year	–	–	–	–	–	–	(1,283)	11,866	10,583
Transfer from retained profits	–	–	–	8,885	–	–	–	(8,885)	–
Final 2022 dividend declared	–	(10,560)	–	–	–	–	–	–	(10,560)
Equity-settled share award expense (note 31)	–	–	–	–	–	10	–	–	10
At 31 December 2023	377	87,282*	118,045*	188,530*	157,947*	11,418*	40,392*	1,858,857*	2,462,848

* These reserve accounts comprise the consolidated reserves of RMB2,462,471,000 (2022: RMB2,462,438,000) in the consolidated statement of financial position.

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022	377	161,202	118,045	156,505	157,947	11,390	35,604	1,797,751	2,438,821
Profit for the year	–	–	–	–	–	–	–	81,265	81,265
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	–	–	6,071	–	6,071
Total comprehensive income for the year	–	–	–	–	–	–	6,071	81,265	87,336
Transfer from retained profits	–	–	–	23,140	–	–	–	(23,140)	–
Final 2021 dividend declared	–	(42,240)	–	–	–	–	–	–	(42,240)
Interim 2022 dividend (note 11)	–	(21,120)	–	–	–	–	–	–	(21,120)
Equity-settled share award expense (note 31)	–	–	–	–	–	18	–	–	18
At 31 December 2022	377	97,842*	118,045*	179,645*	157,947*	11,408*	41,675*	1,855,876*	2,462,815

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Profit before tax		**17,996**	129,400
Adjustments for:			
Depreciation and impairment of items of property, plant and equipment	13	**168,960**	163,566
Depreciation of right-of-use assets	14	**48,074**	43,076
Amortisation of intangible assets	15	**858**	795
Interest income	5(b)	**(11,247)**	(9,072)
Net gain on disposal of items of property, plant and equipment	5(b)	**(10,365)**	(15,810)
Net gain on disposal of right-of-use assets	5(b)	**(963)**	–
Equity-settled share award expense	6(a)	**10**	18
Fair value loss, net:			
Financial products	5(b)	**400**	487
Finance costs	7	**95,172**	107,377
Accrual of impairment of inventories	6(c)	**9,824**	4,182
		318,719	424,019
Increase in pledged bank deposits		**(190,926)**	(23,516)
Decrease/(Increase) in cash in transit		**2,281**	(12,416)
Decrease/(Increase) in trade receivables		**334**	(6,970)
(Increase)/Decrease in prepayments, other receivables and other assets		**(148,935)**	274,045
Decrease in an amount due from a related party		**5,090**	720
Decrease/(Increase) in inventories		**59,564**	(296,688)
Increase/(Decrease) in trade and bills payables		**341,970**	(150,954)
Increase in other payables and accruals		**(3,203)**	(19,799)
Cash generated from operations		**384,894**	188,441
Tax paid		**(19,207)**	(75,167)
Net cash generated from operating activities		**365,687**	113,274

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(338,542)**	(509,148)
Proceeds from disposal of items of property, plant and equipment		**118,906**	122,064
Purchase of intangible assets		**(1,162)**	(263)
Interest received		**10,363**	9,072
Proceeds from disposal of equity investment designated at fair value through profit or loss		**–**	40,000
Decrease in time deposits with maturity over three months		**747**	30,762
Net cash used in investing activities		**(209,688)**	(307,513)
Financing activities			
Proceeds from bank loans and other borrowings		**7,990,639**	8,090,287
Repayment of bank loans and other borrowings		**(7,953,545)**	(7,919,229)
Principal portion of lease payments	14(b)	**(25,453)**	(34,226)
Interest paid for bank loans and other borrowings		**(121,635)**	(110,481)
Dividends paid		**(10,560)**	(63,360)
Net cash used in financing activities		**(120,554)**	(37,009)
Net increase/(decrease) in cash and cash equivalents		**35,445**	(231,248)
Cash and cash equivalents at the beginning of year		**709,179**	931,300
Effect of foreign exchange rate changes, net		**1,591**	9,127
Cash and cash equivalents at the end of year	24	**746,215**	709,179
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**653,932**	626,003
Short-term deposits with maturity less than three months		**92,283**	83,176
		746,215	709,179

1. CORPORATE AND GROUP INFORMATION

Sunfonda Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 January 2011 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The registered office address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 May 2014.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the sale and service of motor vehicles in Chinese Mainland.

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Golden Speed Enterprises Limited, which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows:

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
新豐泰(香港)有限公司 (Sunfonda (Hong Kong) Limited)	Hong Kong, the PRC 1997	Issued capital of HK$1,501,000	–	100%	Investment holding
Grand Forever Enterprises Limited	Tortola, the BVI 2011	Registered capital of US$50,000 and paid-in capital of US$2,001	100%	–	Investment holding
陝西新豐泰汽車有限責任公司* (Shaanxi Sunfonda Automobile Co., Ltd.)	Xi'an, the PRC 2000	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰汽車技術開發有限責任公司* (Shaanxi Sunfonda Automobile Technology Development Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB531,284,500	–	100%	Sale and service of motor vehicles
西安新銘洋豐田汽車銷售服務有限公司* (Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2003	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
陝西凱盛汽車銷售服務有限公司* (Shaanxi Kaisheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
陝西信捷汽車有限責任公司* (Shaanxi Xinjie Automobile Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB13,000,000	–	100%	Sale and service of motor vehicles
西安鈞盛雷克薩斯汽車銷售服務有限公司* (Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2006	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
山西盈捷汽車銷售服務有限公司* (Shanxi Yingjie Automobile Sales Services Co., Ltd.)	Taiyuan, the PRC 2009	Registered and paid-in capital of RMB13,204,500	–	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰信捷汽車有限責任公司* (Ordos Sunfonda Xinjie Automobile Co., Ltd.)	Ordos, the PRC 2010	Registered and paid-in capital of RMB26,846,750	–	100%	Sale and service of motor vehicles
陝西新豐泰博奧汽車有限責任公司* (Shaanxi Sunfonda Boao Automobile Co., Ltd.)	Xi'an, the PRC 2010	Registered and paid-in capital of RMB55,199,805	–	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰凱盛汽車有限責任公司* (Ordos Sunfonda Kaisheng Automobile Co., Ltd.)	Ordos, the PRC 2010	Registered and paid-in capital of RMB29,733,148	–	100%	Sale and service of motor vehicles
西安新豐泰之星汽車銷售服務有限公司*** (Xi'an Sunfonda Zhixing Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2009	Registered and paid-in capital of HK$84,000,000	–	100%	Sale and service of motor vehicles
蘇州新豐泰汽車銷售服務有限公司** (Suzhou Sunfonda Automobile Sales Services Co., Ltd.)	Suzhou, the PRC 2011	Registered capital of HK$52,000,000 and paid-in capital of HK$45,000,000	–	100%	Sale and service of motor vehicles
蘭州新豐泰汽車銷售有限責任公司* (Lanzhou Sunfonda Automobile Sales Co., Ltd.)	Lanzhou, the PRC 2011	Registered and paid-in capital of RMB38,104,012	–	100%	Sale and service of motor vehicles
陝西新豐泰迎賓汽車銷售服務有限公司* (Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2011	Registered and paid-in capital of RMB27,187,450	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
延安新豐泰博奧汽車有限責任公司* (Yan'an Sunfonda Boao Automobile Co., Ltd.)	Yan'an, the PRC 2011	Registered and paid-in capital of RMB36,408,200	–	100%	Sale and service of motor vehicles
陝西新豐泰駿美汽車銷售服務有限公司* (Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
無錫新豐泰汽車有限責任公司* (Wuxi Sunfonda Automobile Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
揚州新豐泰博奧汽車銷售服務有限公司* (Yangzhou Sunfonda Boao Automobile Sales Services Co., Ltd.)	Yangzhou, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰紅旗汽車銷售服務有限公司* (Xi'an Sunfonda Hongqi Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧夏新豐泰信捷汽車銷售服務有限公司** (Ningxia Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	Yinchuan, the PRC 2013	Registered and paid-in capital of HK$49,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰尚眾汽車銷售服務有限公司* (Shaanxi Sunfonda Shangzhong Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB26,000,000	–	100%	Sale and service of motor vehicles
北京新豐泰博奧汽車銷售服務有限公司* (Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.)	Beijing, the PRC 2014	Registered and paid-in capital of RMB70,000,000	–	100%	Sale and service of motor vehicles
渭南新豐泰博奧汽車銷售服務有限公司* (Weinan Sunfonda Boao Automobile Sales Services Co., Ltd.)	Weinan, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰福生汽車銷售服務有限公司* (Shaanxi Sunfonda Fusheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
新豐泰(中國)投資有限公司** (Sunfonda (China) Investment Co., Ltd.)	Shanghai, the PRC 2015	Registered and paid-in capital of US$89,232,599	–	100%	Investment holding
陝西新豐泰銘威汽車銷售服務有限公司* (Shaanxi Sunfonda Mingwei Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
銀川順馳路捷汽車銷售服務有限公司* (Yinchuan Shunchi Lujie Automobile Sales Service Co., Ltd.)	Yinchuan, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
延安新豐泰鈞盛雷克薩斯汽車銷售服務有限公司* (Yan'an Sunfonda Junsheng Lexus Automobile Sales Service Co., Ltd.)	Yan'an, the PRC 2015	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
揚州新豐泰鈞盛雷克薩斯汽車銷售服務有限公司* (Yangzhou Sunfonda Junsheng Lexus Automobile Sales Service Co., Ltd.)	Yangzhou, the PRC 2016	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰涇河物流開發有限公司* (Xi'an Sunfonda Jinghe Logistics Development Co. Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB19,171,896	–	100%	Logistics service
陝西新豐泰金達實業開發有限公司* (Shaanxi Sunfonda Jinda Industrial Development Co. Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Storage service
西安豐泰信捷汽車銷售服務有限公司* (Xi'an Fun Time Xinjie Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2017	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
渭南市宗申寶泰汽車銷售服務有限公司* (Weinan Zongshen Baotai Automobile Sales & Service Co., Ltd.)	Weinan, the PRC 2012	Registered and paid-in capital of RMB63,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
蘇州新豐泰豐田汽車銷售服務有限公司* (Suzhou Sunfonda Fengtian Automobile Sales Services Co., Ltd.)	Suzhou, the PRC 2012	Registered and paid-in capital of RMB53,500,000	–	100%	Sale and service of motor vehicles
西安泰愛車網路技術開發銷售服務有限公司* (Xi'an Sunfonda Automobile Technology Development Co., Ltd.)	Xi'an, the PRC 2015	Registered and paid-in capital of RMB8,000,000	–	100%	Internet service and technology development
陝西新豐泰二手車交易市場有限公司* (Shaanxi Sunfonda Second-hand Car Transaction Market Co., Ltd.)	Xi'an, the PRC 2015	Registered and paid-in capital of RMB1,000,000	–	100%	Sale and service of second-hand cars
陝西新豐泰新能源汽車銷售服務有限公司* (Shaanxi Sunfonda New Energy Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2016	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
甘肅新豐泰汽車銷售服務有限公司* (Gansu Sunfonda Automobile Sales Services Co., Ltd.)	Qingyang, the PRC 2017	Registered and paid-in capital of RMB5,500,000	–	100%	Sale and service of motor vehicles
蘭州新豐泰華寶汽車銷售服務有限公司* (Lanzhou Sunfonda Huabao Automobile Sales Services Co., Ltd.)	Lanzhou, the PRC 2017	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
南京新豐泰汽車銷售服務有限公司* (Nanjing Sunfonda Automobile Sales Service Co., Ltd.)	Nanjing, the PRC 2018	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰海寶汽車銷售服務有限公司* (Xi'an Sunfonda Haibao Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2019	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安鈞盛豐泰雷克薩斯汽車銷售服務有限公司* (Xi'an Junsheng Fun Time Lexus Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2020	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰凱達汽車銷售有限公司* (Xi'an Sunfonda Kaida Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2020	Registered capital of RMB45,000,000 and paid-in capital of RMB20,000,000	20%	80%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
銀川鈞盛雷克薩斯汽車銷售服務有限公司* (Yinchuan Junsheng Lexus Automobile Sales Service Co., Ltd.)	Yinchuan, the PRC 2019	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
渭南海眾汽車銷售服務有限公司* (Weinan Haizhong Automobile Sales Services Co., Ltd.)	Weinan, the PRC 2017	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
陝西宗泰實業發展有限公司* (Shaanxi Zongtai Industrial Development Co., Ltd.)	Xi'an, the PRC 2018	Registered and paid-in capital of RMB100,000,000	–	100%	Commercial Management
蘭州豐泰榮嘉商貿有限責任公司* (Lanzhou Fengtai Rongjia Trading Co. Ltd.)	Lanzhou, the PRC 2021	Registered and paid-in capital of RMB30,000,000	–	100%	Commercial Management
武漢豐泰海寶汽車銷售服務有限公司* (Wuhan Sunfonda Haibao Automobile Sales Services Co., Ltd.)	Wuhan, the PRC 2021	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
臨夏豐泰凱達汽車銷售服務有限公司* (Linxia Sunfonda kaida Automobile Sales&Services Co., Ltd.)	Linxia, the PRC 2021	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
無錫豐泰凱達汽車銷售服務有限公司* (Wuxi Sunfonda Kaida Automobile Sales&Services Co., Ltd.)	Wuxi, the PRC 2021	Registered and paid-in capital of RMB22,000,000	–	100%	Sale and service of motor vehicles
銀川豐泰海寶汽車銷售服務有限公司* (Yinchuan Fengtai Haibao Automobile Sales & Service Co., Ltd.)	Yinchuan, the PRC 2022	Registered capital of RMB16,000,000 and paid-in capital of RMB11,200,000	–	100%	Sale and service of motor vehicles
西寧豐泰海寶汽車銷售服務有限公司* (Xining Fengtai Haibao Automobile Sales & Service Co., Ltd..)	Xining, the PRC 2022	Registered capital of RMB18,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰報廢汽車回收拆解有限公司* (Shaanxi Sunfonda Scrap Car Recycling & Dismantling Co., Ltd.)	Xi'an, the PRC 2022	Registered capital of RMB10,000,000 and paid-in capital of RMB1,000,000	–	100%	Recycle and disassemble of motor vehicles

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
山西凱瑞貿易有限公司* (Shanxi Kairui Trading Co., Ltd.)	Taiyuan, the PRC 2022	Registered capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
北京新豐泰新能源汽車銷售服務有限公司* (Beijing Sunfonda New Energy Vehicle Sales & Service Co., Ltd.)	Beijing, the PRC 2022	Registered capital of RMB10,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
蘭州豐泰凱達汽車銷售服務有限公司* (Lanzhou Sunfonda Kaida Automobile Sales&Services Co.,Ltd.)	Lanzhou, the PRC 2022	Registered capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

* These companies are registered as limited liability companies under PRC law.

** These companies are registered as wholly-foreign-owned enterprises under PRC law.

*** This company is registered as a Sino-foreign equity joint venture under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[1]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, contract assets, deferred tax assets, and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 controlled or jointly controlled by a person identified in (a);

(vi) 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); and

(vii) 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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	10-20 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Plant and machinery	5-10 years	5%
Furniture and fixtures	3-5 years	5%
Motor vehicles	4-5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Software	5-10 years
Dealership agreements	40 years

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings and lands	2 to 11 years
Land use rights	36 to 66 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and bank loans and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)
After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

- Sale of goods
  Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

Service income is recognised at the point in time when the services are fully rendered and accepted by customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Logistics income is recognised at the point in time when the services are fully rendered and accepted by customers.

Storage income is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

Commission income is recognised at the point in time when the services are fully rendered and accepted by customers.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the reporting date for each relevant supplier contract.

Rebates relating to items purchased but still held at the reporting date are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

Share-based payments

The Company operates a share award scheme and a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details of the fair value are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Company and certain overseas subsidiaries is the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 MATERIAL SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB63,976,000 as at 31 December 2023 (2022: RMB41,729,000). The amount of unrecognised tax losses at 31 December 2023 was RMB67,001,000 (2022: RMB55,116,000). Further details are contained in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB10,284,000 (2022: RMB10,284,000). Further details are given in note 17.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets other than indefinite life assets and goodwill are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of the sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment, which is the sale of motor vehicles and the provision of related services.

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

Information about geographical areas

Since all of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Chinese Mainland and over 90% of the Group's non-current assets and liabilities were located in Chinese Mainland no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information in accordance with HKFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

Revenue represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

An analysis of revenue is as follows:

	2023 **RMB'000**	2022 RMB'000
Revenue from contracts with customers	**10,977,823**	10,923,678

	2023 **RMB'000**	2022 RMB'000
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Types of goods or services		
Revenue from sale of motor vehicles	**9,717,294**	9,782,305
Revenue from after-sales services	**1,260,529**	1,141,373
Total revenue from contracts with customers	**10,977,823**	10,923,678
Timing of revenue recognition		
At a point in time	**10,977,823**	10,923,678

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

(a) Revenue: *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of motor vehicles

Each sale of motor vehicles is a single performance obligation. The transaction price for a vehicle sale is determined with the customer at the time of sale. The performance obligation is satisfied upon delivery of the motor vehicles. The Group generally receive payment directly from the customer at the time of sale or from the third-party financial institutions within 30 days following the sale.

After-sales services

Each after-sales service related to repairs and maintenance under manufacturer warranties or customer-paid repairs and maintenance is a single performance obligation. The transaction price for automotive repair and maintenance services is based on the parts used, the number of labour hours applied, and standardised hourly labour rates. The performance obligation is satisfied upon finalisation, delivery and acceptance upon the service completion. The Group generally receives payment on the delivery date for the customer-paid repairs and maintenance services and within two to three months for repairs and maintenance services under manufacturer warranties or covered by insurance companies.

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the reporting periods and recognised from performance obligations satisfied in previous periods:

	2023 **RMB'000**	2022 RMB'000
Sale of motor vehicles	**111,687**	129,100
After-sales services	**60,902**	63,764
Total contract liabilities	**172,589**	192,864

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

(b) Other income and gains, net:

	2023 RMB'000	2022 RMB'000
Commission income	**397,719**	214,334
Logistics and storage income	**26,798**	22,066
Interest income	**11,247**	9,072
Advertisement support received from motor vehicle manufacturers	**7,739**	4,508
Net gain on disposal of items of property, plant and equipment	**10,365**	15,810
Net gain on disposal of items of right-of-use assets	**963**	–
Government grants	**1,447**	2,099
Fair value loss, net:		
Financial assets at fair value through profit or loss – mandatorily classified as such, including those held for trading	**(400)**	(487)
Others	**21,530**	13,803
	477,408	281,205

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

(a) Employee benefit expense (including directors' and chief executive's remuneration (note 8))

	2023 RMB'000	2022 RMB'000
Wages and salaries	**268,366**	247,943
Equity-settled share award expense	**10**	18
Other welfare	**53,441**	54,436
	321,817	302,397

6. PROFIT BEFORE TAX *(Continued)*

(b) Cost of sales and services

	2023 RMB'000	2022 RMB'000
Cost of sales of motor vehicles	**9,801,305**	9,545,247
Others*	**756,383**	662,697
	10,557,688	10,207,944

* Employee benefit expenses of RMB56,165,000 (2022: RMB50,722,000) were included in the cost of sales and services.

(c) Other items

	2023 RMB'000	2022 RMB'000
Depreciation of items of property, plant and equipment	**168,960**	163,566
Depreciation of right-of-use assets	**48,074**	43,076
Amortisation of intangible assets	**858**	795
Auditors' remuneration	**2,280**	2,280
Advertising and business promotion expenses	**70,099**	73,323
Lease payments not included in the measurement of lease liabilities	**1,453**	5,288
Bank charges	**4,240**	4,845
Accrual of impairment of inventories	**9,824**	4,182
Net gain on disposal of items of right-of-use assets	**(963)**	–
Net gain on disposal of items of property, plant and equipment	**(10,365)**	(15,810)

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings and other borrowings	**116,653**	118,759
Interest expense on lease liabilities	**4,982**	5,511
Less: Interest capitalised	**(26,463)**	(16,893)
	95,172	107,377

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December 2023				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity–settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
-Mr. Wu Tak Lam	–	1,500	–	10	1,510
-Ms. Chiu Man[(i)]	–	800	–	10	810
-Mr. Deng Ning[(ii)]	–	646	–	40	686
-Ms. Chen Wei	–	414	–	40	454
	–	3,360	–	100	3,460
Independent non-executive directors:					
-Mr. Liu Jie	100	–	–	–	100
-Mr. Song Tao	200	–	–	–	200
-Dr. Liu Xiaofeng	210	–	–	–	210
-Dr. Han Qinchun[(iii)]	113	–	–	–	113
	623				623
	623	3,360	–	100	4,083

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	Year ended 31 December 2022				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity–settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
-Mr. Wu Tak Lam	–	1,500	–	10	1,510
-Ms. Chiu Man(i)	–	800	–	10	810
-Mr. Deng Ning(ii)	–	765	–	38	803
-Mr. Gou Xinfeng(ii)	–	495	2	38	535
-Ms. Chen Wei	–	514	1	38	553
	–	4,074	3	134	4,211
Independent non-executive directors:					
-Mr. Liu Jie	197	–	–	–	197
-Mr. Song Tao	197	–	–	–	197
-Dr. Liu Xiaofeng	223	–	–	–	223
	617				617
	617	4,074	3	134	4,828

(i) The Company's chief executive is Ms. Chiu Man, who is also an executive director of the Company.

(ii) Mr. Deng Ning was appointed as an executive director of the Company and Mr. Gou Xinfeng has resigned as an executive director of the Company on 9 November 2022.

(iii) Dr. Han Qinchun was appointed as an independent non-executive director of the Company on 18 May 2023.

During the year ended 31 December 2023, certain directors were granted shares, in respect of their services to the Group, under the Pre-IPO Share Award Scheme of the Company. Details of the share award scheme are set out in note 31 to the financial statements. The fair value of share awards granted in previous year, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three directors (2022: two), details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining two (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**3,179**	5,228
Pension scheme contributions	**58**	114
	3,237	5,342

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following band are as follows:

	Number of employees 2023	 2022
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	2
Total	**2**	3

During the year ended 31 December 2023, shares were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group under the Pre-IPO Share Award Scheme of the Company. Details of are included in the disclosures in note 31 to the financial statements. The fair value of such share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	2023 RMB'000	2022 RMB'000
Current Chinese Mainland corporate income tax	**31,678**	56,940
Deferred tax (note 29)	**(25,548)**	(8,805)
	6,130	48,135

The Company incorporated in the Cayman Islands is not subject to income or capital gains tax under the law of the Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The subsidiary incorporated in the BVI is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate for the Chinese Mainland subsidiaries is 25% from1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the region in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	**17,996**	129,400
Tax at the applicable tax rate (25%)	**4,498**	32,350
Preferential tax rate reduction	**(2,298)**	(3,507)
Adjustment in respect of current tax of previous periods	**(387)**	(57)
Expenses not deductible for tax	**1,483**	17,658
Tax losses utilised from previous periods	**(3,430)**	(800)
Tax losses recognised from previous periods	**(3,572)**	(295)
Tax losses not recognised	**9,836**	2,936
Effect of withholding tax at 5% (2022: 5%) on the distributable profits of the Group's PRC subsidiaries	**–**	(150)
Tax charges	**6,130**	48,135

11. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Interim – Nil (2022: HK$0.04) per ordinary share	**–**	21,120
Proposed final – Nil (2022: HK$0.02) per ordinary share	**–**	10,719
	–	31,839

The board of the Company has resolved not to declare any dividend for the year ended 31 December 2023.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 600,000,000 (2022: 600,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share are based on:

	2023 RMB'000	2022 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**11,866**	81,265

	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**600,000,000**	600,000,000
Earnings per share		
Basic (RMB)	**0.02**	0.14

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 31 December 2022 and at 1 January 2023:							
Cost	1,196,622	159,993	204,191	126,598	246,858	638,171	2,572,433
Accumulated depreciation and impairment	(480,307)	(73,983)	(147,035)	(92,908)	(75,741)	–	(869,974)
Net carrying amount	716,315	86,010	57,156	33,690	171,117	638,171	1,702,459
At 1 January 2023, net of accumulated depreciation	716,315	86,010	57,156	33,690	171,117	638,171	1,702,459
Additions	3,523	29,601	25,423	13,425	184,251	166,318	422,541
Disposals	(1,732)	–	(3,396)	(1,842)	(101,571)	–	(108,541)
Depreciation provided during the year	(56,350)	(28,625)	(14,361)	(12,856)	(56,768)	–	(168,960)
Transfer	46,133	42,941	1,358	1,009	–	(91,441)	–
At 31 December 2023, net of accumulated depreciation	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499
At 31 December 2023:							
Cost	1,242,584	222,683	222,110	132,889	275,729	713,048	2,809,043
Accumulated depreciation and impairment	(534,695)	(92,756)	(155,930)	(99,463)	(78,700)	–	(961,544)
Net carrying amount	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 31 December 2021 and at 1 January 2022:							
Cost	1,195,406	122,613	194,865	120,465	234,716	362,956	2,231,021
Accumulated depreciation and impairment	(427,200)	(49,752)	(133,602)	(84,130)	(67,326)	–	(762,010)
Net carrying amount	768,206	72,861	61,263	36,335	167,390	362,956	1,469,011
At 1 January 2022, net of accumulated depreciation	768,206	72,861	61,263	36,335	167,390	362,956	1,469,011
Additions	7,465	35,704	13,926	11,218	154,692	280,264	503,269
Disposals	(3,971)	(1,951)	(919)	(377)	(99,037)	–	(106,255)
Depreciation provided during the year	(55,542)	(24,231)	(18,046)	(13,819)	(51,928)	–	(163,566)
Transfer	157	3,627	932	333	–	(5,049)	–
At 31 December 2022, net of accumulated depreciation	716,315	86,010	57,156	33,690	171,117	638,171	1,702,459
At 31 December 2022:							
Cost	1,196,622	159,993	204,191	126,598	246,858	638,171	2,572,433
Accumulated depreciation and impairment	(480,307)	(73,983)	(147,035)	(92,908)	(75,741)	–	(869,974)
Net carrying amount	716,315	86,010	57,156	33,690	171,117	638,171	1,702,459

As at 31 December 2023, the application for the property ownership certificates of certain buildings with an aggregate net book value of approximately RMB184,423,000 (2022: RMB215,111,000) was still in progress.

At 31 December 2023, certain of the Group's buildings with an aggregate net book value of approximately RMB374,588,000 (2022: RMB356,747,000) were pledged as security for the Group's bank borrowings (note 25(a)).

At 31 December 2023, certain of the Group's construction in progress with an aggregate net book value of approximately RMB428,483,000 (2022: RMB346,892,000) were pledged as security for the Group's bank borrowings (note 25(a)).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings in its operations. Leases of buildings generally have lease terms between 2 and 20 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 19 to 58 years, and no ongoing payments will be made under the terms of these land leases. The rest of the leases have lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings and lands RMB'000	Land use rights RMB'000	Total RMB'000
As at 1 January 2022	73,498	649,044	722,542
Addition	50,881	–	50,881
Depreciation charge	(28,514)	(18,660)	(47,174)
Including: amount capitalised	–	(4,098)	(4,098)
As at 31 December 2022 and 1 January 2023	95,865	630,384	726,249
Addition	31,405	–	31,405
Disposal	(9,703)	–	(9,703)
Depreciation charge	(35,588)	(18,641)	(54,229)
Including: amount capitalised	–	(6,155)	(6,155)
At 31 December 2023	81,979	611,743	693,722

At 31 December 2023, certain land use rights of the Group with an aggregate net book value of approximately RMB289,486,000 (2022: RMB254,069,000) was pledged as securities for the Group's bank borrowings (note 25(a)).

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**94,973**	72,850
New leases	**31,405**	50,838
Accretion of interest recognised during the year	**4,982**	5,511
Payments	**(32,060)**	(34,226)
Disposal	**(10,666)**	–
Carrying amount at 31 December	**88,634**	94,973
Analysed into:		
Current portion	**16,780**	28,685
Non-current portion	**71,854**	66,288

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

As disclosed in note 2.2. to the financial statements, the Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**4,982**	5,511
Depreciation charge of right-of-use assets	**48,074**	43,076
Expense relating to leases of short-term or low-value assets (included in selling and distribution expenses, and administrative expenses)	**1,453**	5,288
Total amount recognised in profit or loss	**54,509**	53,875

15. INTANGIBLE ASSETS

31 December 2023

	Software RMB'000	Dealership RMB'000	Total RMB'000
Cost at 1 January 2023, net of accumulated amortisation	**2,583**	**7,562**	**10,145**
Addition	**1,162**	**–**	**1,162**
Amortisation provided during the year	**(643)**	**(215)**	**(858)**
At 31 December 2023	**3,102**	**7,347**	**10,449**
At 31 December 2023			
Cost	**12,155**	**8,643**	**20,798**
Accumulated amortisation	**(9,053)**	**(1,296)**	**(10,349)**
Net carrying amount	**3,102**	**7,347**	**10,449**

31 December 2022

	Software RMB'000	Dealership RMB'000	Total RMB'000
Cost at 1 January 2022, net of accumulated amortisation	2,898	7,779	10,677
Addition	263	–	263
Amortisation provided during the year	(578)	(217)	(795)
At 31 December 2022	2,583	7,562	10,145
At 31 December 2022			
Cost	10,993	8,643	19,636
Accumulated amortisation	(8,410)	(1,081)	(9,491)
Net carrying amount	2,583	7,562	10,145

The Group's principal identifiable intangible asset represents a dealership agreement in Chinese Mainland with a certain vehicle manufacturer acquired from a third party. The dealership agreement does not include a specified contract period or termination arrangement. The dealership agreement is amortised over 40 years, which is management's best estimation of its useful life.

16. PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Prepaid lease payments for buildings and land use rights	**–**	1,625
Prepayments for purchase of land use rights	**15,000**	15,000
Prepayments for purchase of items of property, plant and equipment	**7,237**	30,537
	22,237	47,162

17. GOODWILL

	RMB'000
At 1 January 2022 and 2023	
Cost	10,794
Accumulated impairment	(510)
Net carrying amount	10,284
Cost at 1 January 2022 and 2023, net of accumulated impairment, and at 31 December 2022 and 2023	10,284
At 31 December 2022 and 2023:	
Cost	10,794
Accumulated impairment	(510)
Net carrying amount	10,284

17. GOODWILL *(Continued)*

Impairment testing of goodwill

In the opinion of the Company's directors, the goodwill comprises the fair value of expected business synergies arising from acquisitions, which is not separately recognised.

Goodwill acquired through business combinations has been allocated to the relevant 4S dealership business from which the goodwill was resulted. The individual 4S dealership business is treated as a cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 2.3% (2022: 3%) for all years. The pre-tax discount rate applied to the cash flow projections beyond the one-year period is 12% (2022: 12%).

Assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections.

Revenue from the sale and service of motor vehicles — the bases used to determine the future earnings from the sale and service of motor vehicles are historical sales and the average growth rate of similar 4S stores of the Group over the last two years.

Operating expenses — the bases used to determine the values assigned are cost of inventories, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain the Group's operating expenses at an acceptable level.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to materially exceed the recoverable amount.

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Motor vehicles	**1,174,678**	1,247,220
Spare parts	**102,813**	99,659
	1,277,491	1,346,879

At 31 December 2023, certain of the Group's inventories with an aggregate carrying amount of approximately RMB665,455,000 (2022: RMB644,603,000) were pledged as securities for the Group's bank loans and other borrowings (note 25(a)).

At 31 December 2023, certain of the Group's inventories with an aggregate carrying amount of approximately RMB275,604,000 (2022: RMB169,339,000) were pledged as securities for the Group's bills payable (note 26).

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**37,307**	37,641

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

19. TRADE RECEIVABLES *(Continued)*

An ageing analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**35,925**	36,113
More than 3 months but less than 1 year	**882**	422
Over 1 year	**500**	1,106
	37,307	37,641

As at 31 December 2023, no provision for impairment of trade receivables was accrued.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is disclosed in note 40 to the financial statements.

An ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2023 RMB'000	2022 RMB'000
Neither past due nor impaired	**36,807**	36,535
Over 1 year past due but not impaired	**500**	1,106
	37,307	37,641

19. TRADE RECEIVABLES *(Continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments and deposits to suppliers	**450,954**	430,240
Vendor rebate receivables	**338,325**	264,570
VAT recoverable	**105,617**	62,487
Others	**121,448**	109,227
	1,016,344	866,524

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Financial products	**2,665**	3,065

The financial products were wealth management products issued by financial institutions. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. PLEDGED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks and bills payable	**579,065**	388,139

Pledged bank deposits earn interest at interest rates stipulated by financial institutions.

As at 31 December 2023, certain of the Group's pledged bank deposits with an aggregate carrying amount of approximately RMB445,057,000 (2022: RMB240,215,000) were pledged as securities for the Group's bills payable (note 26).

As at 31 December 2023, certain of the Group's pledged bank deposits with aggregate carrying amounts of approximately RMB108,104,000 (2022: RMB119,872,000) and US$3,657,000 (equivalent to RMB25,904,000) (2022: US$3,281,000 (equivalent to RMB22,849,000)) were pledged as securities for the Group's bank loans and other borrowings (note 25(a)).

23. CASH IN TRANSIT

	2023 RMB'000	2022 RMB'000
Cash in transit	**14,917**	17,198

Cash in transit is the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

24. CASH AND CASH AT BANKS AND SHORT-TERM DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and cash at banks	**653,932**	626,003
Short-term deposits	**93,280**	84,920
	747,212	710,923
Time deposits with maturity of over three months	**997**	1,744
Cash and cash equivalents	**746,215**	709,179

	2023 RMB'000	2022 RMB'000
RMB	**622,090**	595,505
HKD	**24,159**	33,035
USD	**98,612**	79,278
EUR	**517**	488
JPY	**837**	873
	746,215	709,179

As at 31 December 2023, the cash and cash at banks and short term deposits of the Group denominated in RMB amounted to RMB622,090,000 (2022: RMB595,505,000) in Chinese Mainland. The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

25. BANK LOANS AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	**Amount RMB'000**	Effective interest rate (%)	Maturity	Amount RMB'000
CURRENT:						
Bank loans	**2.9-5.8**	**2024**	**1,464,660**	3.2-5.9	2023	1,667,657
Other borrowings	**1.3-8.5**	**2024**	**347,040**	1.8-8.5	2023	452,020
Total – current			**1,811,700**			2,119,677
NON-CURRENT:						
Bank loans	**3.5-5.8**	**2025-2033**	**709,402**	3.5-5.9	2024-2030	361,456
Total – non-current			**709,402**			361,456
Total			**2,521,102**			2,481,133
Bank loans and other borrowings represent:						
– secured loans (a)			**1,818,526**			1,882,047
– unsecured loans			**702,576**			599,086
			2,521,102			2,481,133

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,464,660**	1,667,657
In the second year	**324,568**	88,400
In the third to fifth years, inclusive	**200,886**	142,188
Over five years	**183,948**	130,868
	2,174,062	2,029,113
Other borrowings repayable:		
Within one year	**347,040**	452,020
	2,521,102	2,481,133

25. BANK LOANS AND OTHER BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2023, certain of the Group's bank loans and other borrowings are secured by:

(i) mortgages over the Group's land use rights situated in Chinese Mainland, which had an aggregate carrying value of approximately RMB289,486,000 (2022: RMB254,069,000) (note 14);

(ii) mortgages over the Group's buildings, which had an aggregate net book value of approximately RMB374,588,000 (2022: RMB356,747,000) (note 13);

(iii) mortgages over the Group's construction in progress an aggregate carrying amount of approximately RMB428,483,000 (2022: RMB346,892,000) (note 13);

(iv) mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB665,455,000 (2022: RMB644,603,000) (note 18);

(v) mortgages over the Group's bank deposits, which had an aggregate carrying amount of approximately RMB108,104,000(2022: RMB119,872,000), and US$3,657,000 (equivalent to RMB25,904,000) (2022: US$3,281,000 (equivalent to RMB22,849,000)) (note 22);

(b) Except for the secured bank loan amounting to HK$54,400,000 (equivalent to RMB49,298,000) (2022: HK$66,400,000 (equivalent to RMB59,313,000)) which is denominated in Hong Kong dollars, all bank loans and other borrowings are in Renminbi.

26. TRADE AND BILLS PAYABLES

	2023 **RMB'000**	2022 RMB'000
Trade payables	**121,454**	84,838
Bills payable	**701,826**	396,472
Trade and bills payables	**823,280**	481,310

An ageing analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	2023 **RMB'000**	2022 RMB'000
Within 3 months	**470,210**	331,989
3 to 6 months	**317,114**	140,838
6 to 12 months	**32,070**	364
Over 12 months	**3,886**	8,119
	823,280	481,310

The trade and bills payables are non-interest-bearing. The trade and bills payables are normally settled on 90 to180 days terms.

As at 31 December 2023, the Group's bills payable are secured by mortgages over the Group's inventories and bank deposits, which had an aggregate carrying value of approximately RMB275,604,000(2022: RMB169,339,000) (note 18) and RMB445,057,000 (2022: RMB240,215,000) (note 22), respectively.

27. OTHER PAYABLES AND ACCRUALS

		2023 RMB'000	2022 RMB'000
Payables for purchase of items of property, plant and equipment		**116,000**	87,919
Contract liabilities	(a)	**178,383**	172,589
Staff payroll and welfare payables		**26,208**	39,196
Tax payable (other than income tax)		**14,703**	9,745
Others		**45,382**	46,349
		380,676	355,798

(a) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
Sale of motor vehicles	**119,642**	**111,687**	**129,100**
After-sales services	**58,741**	**60,902**	**63,764**
Total contract liabilities	**178,383**	**172,589**	**192,864**

Contract liabilities include short-term advances received to deliver new automobiles or to provide after-sales services. The increase in contract liabilities in 2023 was mainly due to the increase in short-term advances received from customers in relation to the sales of new automobiles at the end of the year.

28. EMPLOYEE RETIREMENT BENEFITS

Under the People's Republic of China ("PRC") state regulations, the employees of the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The subsidiaries in Mainland China are required to make contributions to the local social security bureau at 10% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in Mainland China.

For the year ended 31 December 2023, there is no forfeited contribution under the retirement schemes and Pension Scheme which may used by the Group to reduce the contribution in future years.

29. DEFERRED TAX

Deferred tax assets

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

	Losses available for future taxable profits RMB'000	Inventory impairment RMB'000	Accrued payroll and social welfare RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	18,254	3,387	8,074	409	30,124
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 10(a))	15,717	756	(5,503)	635	11,605
At 31 December 2022	33,971	4,143	2,571	1,044	41,729
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 10(a))	19,946	3,136	(2,000)	1,165	22,247
At 31 December 2023	53,917	7,279	571	2,209	63,976

The Group also has tax losses arising in Chinese Mainland of RMB67,001,000 (2022: RMB55,116,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

29. DEFERRED TAX *(Continued)*

Deferred tax liabilities

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

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Depreciation charges in less than depreciation allowances RMB'000	Capitalisation of interest expense and others RMB'000	Withholding Tax RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	2,265	12,463	2,859	3,900	–	21,487
Deferred tax recognised in the consolidated statement of profit or loss during the year (note10)	(79)	874	2,155	(150)	–	2,800
At 31 December 2022	2,186	13,337	5,014	3,750	–	24,287
Deferred tax charged/(credited) in the consolidated statement of profit or loss during the year (note10)	(78)	(6,528)	2,759	–	546	(3,301)
At 31 December 2023	2,108	6,809	7,773	3,750	546	20,986

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

The aggregate amounts of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB2,180,000,000 and RMB2,068,000,000 at 31 December 2023 and 2022, respectively.

30. SHARE CAPITAL

Authorised

	2023 No. of shares of US$0.0001 each	2022 No. of shares of US$0.0001 each
Ordinary shares	**1,000,000,000**	1,000,000,000

Shares

	No. of shares of US$0.0001 each	Equivalent to RMB'000
Issued and fully paid: ordinary shares	**600,000,000**	600,000,000

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary shares RMB'000
As at 1 January 2022 and 31 December 2022	600,000,000	60	377
As at 1 January 2023 and 31 December 2023	600,000,000	60	377

31. SHARE-BASED PAYMENTS

(a) Pre-IPO Share Award Scheme

The Company's Pre-IPO Share Award Scheme was approved and adopted on 8 January 2014 for the purpose of recognising and rewarding the contribution of the selected employees of the Group and motivating their contribution to the future development of the Group.

For the implementation of the Pre-IPO Share Award Scheme, a Management Trust was established by Top Wheel Limited, which was fully owned by Mr. Wu Tak Lam and Ms. Chiu Man on 8 January 2014 with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel Limited transferred, for nil consideration, 9,000,000 shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. The vesting in full of the share award would, under the present capital structure of the Company, have no impact on the additional ordinary shares of the Company.

The following awarded shares were outstanding under the scheme during the year:

	2023 Number of awarded shares '000	2022 Number of awarded shares '000
At 1 January	**67**	475
Granted during the year	**3,809,600**	–
Forfeited during the year	**–**	(44)
Vested during the year	**(67)**	(364)
At 31 December	**3,809,600**	67

Under the Pre-IPO Share Award Scheme, the vesting period is five years during which the awarded shares granted to any particular selected employee will vest on each anniversary of the grant date of the relevant awards in equal portions.

31. SHARE-BASED PAYMENTS *(Continued)*

(a) Pre-IPO Share Award Scheme *(Continued)*

Particulars of the awarded shares as at 31 December 2023 and 2022 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at 31 December 2023 '000	2022 '000
5 years	8 February 2018	1.23	–	67
			–	67

In 2023, the Company granted 3,809,600 shares to the Group's management personnel, the fair value of the shares granted was HK$3,466,736. The shares shall be vested in whole or in part in accordance with certain performance target, which subject to the adjustment in terms of the grantee's performance review conducted individually by the Board.

The fair value of share awards granted was estimated, by reference to the market value of the share awards as at the date of grant, taking into account the terms and conditions upon which the share awards were granted.

The Group recognised a share award expense of RMB10,000 (2022: RMB18,000) during the year ended 31 December 2023.

At the end of the reporting period, the Company had no (2022: RMB67,000) awarded shares outstanding under the Pre-IPO Share Award Scheme.

(b) Share Option Scheme

On 18 January 2014, a share option scheme was approved and adopted by the then shareholder (the "Share Option Scheme") for the purposes of recognising and rewarding the contribution of the selected employees of the Group and motivating their contribution to the future development of the Group.

No share options were granted under the Share Option Scheme during the years ended 31 December 2023 and 2022.

32. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC company law to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(iv) Capital reserve

The capital reserve of the Group represents the capital contributions from the equity holders of the Company and the excess of the carrying amount of the non-controlling interests acquired over the consideration.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions. of right-of-use assets and lease liabilities of RMB31,405,000 (2022: RMB50,838,000) and RMB31,405,000 (2022: RMB50,838,000), respectively, and non-cash disposals to right-of-use assets and lease liabilities of RMB9,703,000 (2022: nil) and RMB10,666,000 (2022: nil), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2023

	Bank and other loans RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000
At 1 January 2023	**2,481,133**	**94,973**	**–**
Changes from financing cash flows	**37,094**	**(32,060)**	**(10,560)**
New leases	**–**	**31,405**	**–**
Interest expense	**–**	**4,982**	**–**
Disposal of leases	**–**	**(10,666)**	**–**
Foreign exchange movement	**2,875**	**–**	**–**
Final 2022 dividend declared	**–**	**–**	**10,560**
At 31 December 2023	**2,521,102**	**88,634**	**–**

2022

	Bank and other loans RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000
At 1 January 2022	2,307,019	72,850	–
Changes from financing cash flows	171,058	(34,226)	(63,360)
New leases	–	50,838	–
Interest expense	–	5,511	–
Foreign exchange movement	3,056	–	–
Interim 2022 dividend	–	–	21,120
Final 2021 dividend declared	–	–	42,240
At 31 December 2022	2,481,133	94,973	–

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date were as follows:

2023

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	37,307	37,307
Financial assets included in prepayments, other receivables and other assets	–	459,773	459,773
Financial assets at fair value through profit or loss	2,665	–	2,665
Pledged bank deposits	–	579,065	579,065
Cash in transit	–	14,917	14,917
Cash and cash at banks and short-term deposits	–	747,212	747,212
	2,665	1,838,274	1,840,939

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	823,280
Financial liabilities included in other payables and accruals	161,382
Bank loans and other borrowings	2,521,102
	3,505,764

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the reporting date were as follows: (Continued)

2022

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	37,641	37,641
Financial assets included in prepayments, other receivables and other assets	–	373,797	373,797
Financial assets at fair value through profit or loss	3,065	–	3,065
Amount due from a related party	–	5,090	5,090
Pledged bank deposits	–	388,139	388,139
Cash in transit	–	17,198	17,198
Cash and cash at banks and short-term deposits	–	710,923	710,923
	3,065	1,532,788	1,535,853

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	481,310
Financial liabilities included in other payables and accruals	141,962
Bank loans and other borrowings	2,481,133
	3,104,405

35. CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group did not have any significant contingent liabilities.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair Values	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets at fair value through profit or loss	**2,665**	3,065	**2,665**	3,065

Management has assessed that the fair values of cash and cash at banks, short-term deposits, cash in transit, amounts due from related parties, pledged bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 31 December 2023 was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy *(Continued)*

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**2,665**	**–**	**–**	**2,665**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	3,065	–	–	3,065

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: nil).

37. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group at the reporting date not provided for in these financial statements are as follows:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided for: Buildings	**23,656**	232,540

38. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank loans and other borrowings and bills payable are disclosed in notes 13, 14, 18 and 22 to these financial statements.

39. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders (the "Controlling Shareholders") of the Group. They are also the key management personnel and considered to be related parties of the Group.

Mr. Zhao Yijian is a close family member of the Controlling Shareholders and considered to be a related party of the Group.

The Group had the following transactions with related parties during the year:

(a) Transactions with a related party

The following transactions were carried out with a related company during the year:

		2023 RMB'000	2022 RMB'000
(i)	Sales of motor vehicles and spare parts		
	Yangzhou Sunfonda Automobile Co., Ltd.*	**2,001**	3,800
(ii)	Purchase of motor vehicles and spare parts		
	Yangzhou Sunfonda Automobile Co., Ltd. *	**10,874**	1,795

* Yangzhou Sunfonda Automobile Co., Ltd. is controlled by Mr. Zhao Yijian.

The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Balance with a related party

Due from a related party:

	2023 **RMB'000**	2022 RMB'000
Trade related		
Yangzhou Sunfonda Automobile Co., Ltd.	**–**	5,090

(c) Compensation of key management personnel of the Group

	2023 **RMB'000**	2022 RMB'000
Short term employee benefits	**4,442**	4,691
Equity-settled share award expense	**–**	3
Post-employment benefits	**140**	134
Total compensation paid to key management personnel	**4,582**	4,828

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 22), short-term deposits, and cash and cash at banks (note 24).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 25. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on long term floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2023			
RMB	**50**	**(2,295)**	**(1,721)**
HKD	**50**	**(201)**	**(151)**
RMB	**(50)**	**2,295**	**1,721**
HKD	**(50)**	**201**	**151**
2022			
RMB	50	(6,034)	(4,526)
HKD	50	(310)	(233)
RMB	(50)	6,034	4,526
HKD	(50)	310	233

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group's businesses are located in Chinese Mainland and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in US$ and HK$ and certain loans denominated in HK$.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Chinese Mainland which had HK$ as their functional currency and the Group did not have material foreign currency transactions in Chinese Mainland during the year.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, short-term deposits, cash and cash at banks, trade and other receivables, an amount due from a related party included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	37,307	37,307
Financial assets included in prepayments, other receivables and other assets	459,773	–	459,773
	459,773	37,307	497,080

As at 31 December 2022

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	37,641	37,641
Financial assets included in prepayments, other receivables and other assets	373,797	–	373,797
	373,797	37,641	411,438

For trade receivables to which the Group applies the simplified approach for impairment. For the financial assets included in prepayments, other receivables and other assets to which the Group applies the general approach for impairment, there was no recent history of default. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No loss allowance was provided because management estimated that the expected credit loss rate was less than 1‰ and the expected credit losses as at 31 December 2023 were not significant.

As at 31 December 2023, all pledged bank deposits, short-term deposits, and cash and cash at banks were deposited in reputable financial institutions without significant credit risk.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	555,568	1,351,224	598,845	195,305	2,700,942
Lease liabilities	–	11,115	10,953	51,261	38,531	111,860
Trade and bills payables	121,454	362,848	338,978	–	–	823,280
Financial liabilities included in other payables and accruals	45,382	29,000	87,000	–	–	161,382
	166,836	958,531	1,788,155	650,106	233,836	3,797,464

	As at 31 December 2022					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	722,899	1,455,825	191,733	263,640	2,634,097
Lease liabilities	–	8,747	23,142	55,484	27,354	114,727
Trade and bills payables	84,838	263,538	132,934	–	–	481,310
Financial liabilities included in other payables and accruals	46,349	21,980	65,939	–	–	134,268
	131,187	1,017,164	1,677,840	247,217	290,994	3,364,402

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes bank loans and other borrowings (other than convertible bonds), trade and bills payables and certain other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits. The gearing ratios as at the reporting dates were as follows:

	2023 **RMB'000**	2022 RMB'000
Bank loans and other borrowings	**2,521,102**	2,481,133
Trade and bills payables	**823,280**	481,310
Other payables and accruals	**380,676**	355,798
Less: Pledged bank deposits	**(579,065)**	(388,139)
Cash in transit	**(14,917)**	(17,198)
Short-term deposits	**(93,280)**	(84,920)
Cash and cash at banks	**(653,932)**	(626,003)
Net debt	**2,383,864**	2,201,981
Total equity	**2,462,848**	2,462,815
Total equity and net debt	**4,846,712**	4,664,796
Gearing ratio	**49.2%**	47.2%

41. EVENTS AFTER THE REPORTING PERIOD

There was no significant subsequent event undertaken by the Group after 31 December 2023.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**445,936**	470,921
CURRENT ASSETS		
Prepayments, other receivables and other assets	**123**	84
Cash and cash equivalents	**10,422**	7,975
Total current assets	**10,545**	8,059
NET CURRENT ASSETS	**10,545**	8,059
TOTAL ASSETS LESS CURRENT LIABILITIES	**456,481**	478,980
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	**49,298**	59,313
NET ASSETS	**407,183**	419,667
EQUITY		
Share capital	**377**	377
Reserves (note)	**406,806**	419,290
Total equity	**407,183**	419,667

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated gains/(losses) RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	161,202	320,214	4,816	(13,446)	472,786
Total comprehensive income for the year	–	–	(11,304)	21,168	9,864
Interim 2022 dividend	(21,120)	–	–	–	(21,120)
Final 2021 dividend declared	(42,240)	–	–	–	(42,240)
At 31 December 2022 and 1 January 2023	97,842	320,214	(6,488)	7,722	419,290
Total comprehensive income for the year	–	–	(242)	(1,682)	(1,924)
Final 2022 dividend declared	(10,560)	–	–	–	(10,560)
At 31 December 2023	87,282	320,214	(6,730)	6,040	406,806

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

FINANCIAL SUMMARY

31 DECEMBER 2023

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**10,977,823**	10,923,678	11,639,221	10,634,418	9,314,733
Cost of sales and services	**(10,557,688)**	(10,207,944)	(10,645,937)	(9,885,623)	(8,660,514)
Gross profit	**420,135**	715,734	993,284	748,795	654,219
Other income and gains, net	**477,408**	281,205	360,082	187,176	183,711
Selling and distribution expenses	**(543,186)**	(507,486)	(521,868)	(410,523)	(375,335)
Administrative expenses	**(241,189)**	(252,676)	(271,467)	(218,691)	(213,640)
Profit from operations	**113,168**	236,777	560,031	306,757	248,955
Finance costs	**(95,172)**	(107,377)	(93,705)	(103,022)	(107,859)
Profit before tax	**17,996**	129,400	466,326	203,735	141,096
Income tax expense	**(6,130)**	(48,135)	(120,475)	(58,546)	(21,167)
Profit for the year	**11,866**	81,265	345,851	145,189	119,929
Attributable to:					
Owners of the parent	**11,866**	81,265	345,851	145,189	119,929
Non-controlling interests	**–**	–	–	–	–
	11,866	81,265	345,851	145,189	119,929

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS		Year ended 31 December			
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**6,323,168**	5,913,487	5,879,162	5,036,259	5,310,529
Total liabilities	**3,860,320**	3,450,672	3,440,341	2,877,971	3,275,337
Non-controlling interests	**–**	–	–	–	–
Equity attributable to owners of the parent	**2,462,848**	2,462,815	2,438,821	2,158,288	2,035,192