



CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED  
中國永達汽車服務控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 03669

# 2023 Annual Report





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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHEUNG Tak On (*Chairman*)  
Mr. CAI Yingjie (*Vice-chairman*)  
Mr. WANG Zhigao (*Vice-chairman*)  
Mr. XU Yue (*Vice-chairman, President and Chief Executive Officer*)  
Ms. CHEN Yi (*Vice-president*)  
Mr. TANG Liang (*Vice-president*)

### Independent Non-executive Directors

Ms. ZHU Anna Dezhen  
Mr. LYU Wei  
Mr. MU Binrui

## CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District  
Shanghai  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5708, 57/F, The Center  
99 Queen's Road Central  
Central  
Hong Kong

## REGISTERED OFFICE

Ogier Global (Cayman) Limited  
89 Nexus Way, Camana Bay  
Grand Cayman, KY1-9009  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited  
89 Nexus Way, Camana Bay  
Grand Cayman, KY1-9009  
Cayman Islands

## LEGAL ADVISERS TO HONG KONG LAW

Davis Polk & Wardwell  
10/F, The Hong Kong Club Building  
3A Chater Road  
Central, Hong Kong

## JOINT COMPANY SECRETARIES

Ms. ZHANG Hong  
Ms. SO Ka Man (*HKFCG(PE), FCG*)

## AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao  
Ms. SO Ka Man

## AUDIT AND COMPLIANCE COMMITTEE

Ms. ZHU Anna Dezhen (*Chairlady*)  
Mr. LYU Wei  
Mr. MU Binrui

## REMUNERATION COMMITTEE

Ms. ZHU Anna Dezhen (*Chairman*)  
Mr. WANG Zhigao  
Mr. LYU Wei

## NOMINATION COMMITTEE

Mr. CHEUNG Tak On (*Chairman*)  
Mr. LYU Wei  
Mr. MU Binrui

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## STOCK CODE

03669

## AUDITOR

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors  
35/F One Pacific Place  
88 Queensway  
Hong Kong

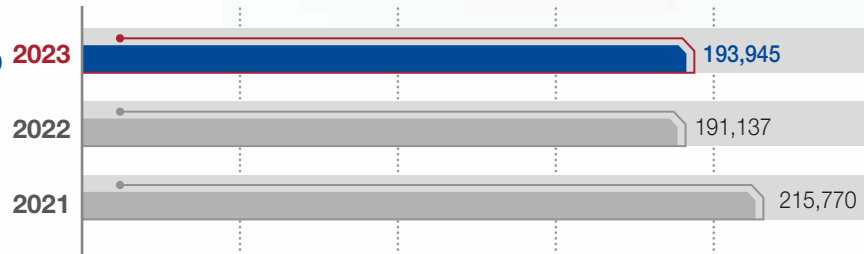
## COMPANY WEBSITE

[www.ydauto.com.cn](http://www.ydauto.com.cn)

# Financial Highlights

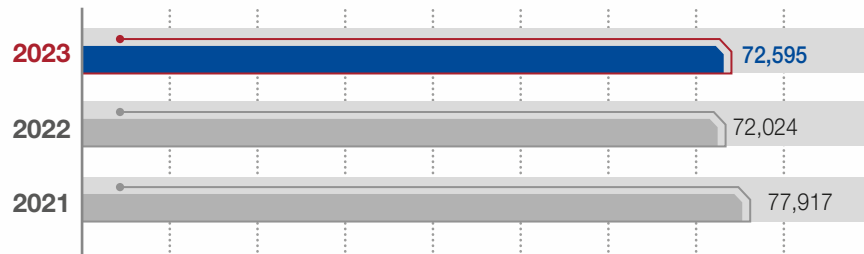
## New vehicles sales volume (Note 1)

Sales volume of new vehicles (units)



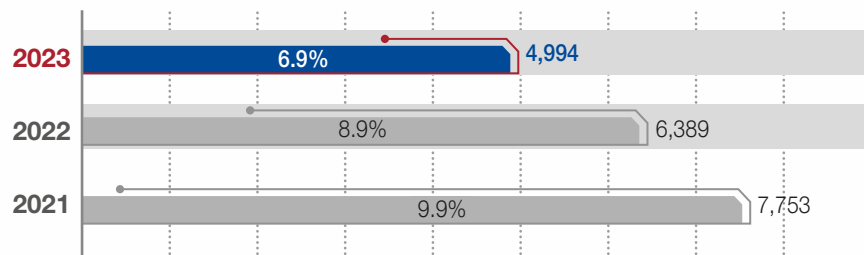
## Revenue

RMB million



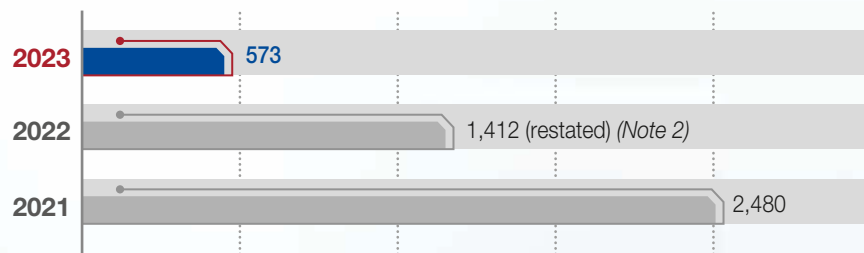
## Gross profit and gross profit margin

RMB million



## Profit attributable to owners of the Company

RMB million



Notes:

1. New vehicles sales volume includes sales volume of direct agency sales of independent new energy brand vehicles.
2. Please refer to note 2 to the Consolidated Financial Statements in this annual report for details of the restatement.



# Chairman's Statement



Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) and the management of China Yongda Automobiles Services Holdings Limited (the “Company”), I am pleased to present the 2023 Annual Report of the Company and its subsidiaries (collectively referred to as the “Group”, “we” or “us”).

According to the data from the China Passenger Cars Association (the “CPCA”), in 2023, the retail sales of passenger vehicles reached 21.699 million units, representing a year-on-year increase of 5.6%. Among them, the sales volume of luxury brands vehicles was 4.294 million units, representing a year-on-year increase of 14.7%, and the sales volume of new vehicles of new energy brands was 7.736 million units, representing a year-on-year increase of 36.2%. According to the statistics of the China Automobile Dealers Association (中國汽車流通協會), the transaction volume of pre-owned vehicles in China reached 18.413 million units in 2023, representing a year-on-year increase of 14.9%.

In 2023, the comprehensive revenue and comprehensive gross profit taking into account the revenue from agency services of the Group amounted to RMB74,295 million and RMB6,694 million respectively, representing an increase of 1.1% and a decrease of 15.1% respectively compared to the corresponding period in 2022. Our net profit and net profit attributable to the owners of the Company was RMB586 million and RMB573 million respectively, representing a decrease of 60.2% and 59.4% respectively compared to the corresponding period in 2022.

In 2023, the domestic passenger vehicle market was subjected to greater growth pressure due to a combination of complex factors such as the domestic and international macro situation, the recovery of the economy and demand. Although the overall sales volume maintained a positive growth trend, the brand structure intensified, and the downward trend of new vehicle prices was obvious. Due to the impact of the above factors, the Company's 2023 annual results fell short of its expectations in terms of the growth and the gross profit of the new vehicle business, while the after-sales, pre-owned vehicle and new energy vehicle businesses maintained a better growth, moreover, the Company continued to improve the efficiency of its operations.



## KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD

In 2023, our sales volume of new vehicles was 193,945 units. The sales revenue of new vehicles amounted to RMB56,599 million, representing a decrease of 2.8% compared with the corresponding period of 2022; the gross profit margin of new vehicle distribution was 0.31%, representing a decrease of 2.16 percentage points compared with the corresponding period of 2022.

In 2023, revenue from after-sales service business, including repair and maintenance services and extended automotive products and services, was RMB10,543 million, representing an increase of 4.4% compared with the corresponding period of 2022. The gross profit margin of our after-sales service was 41.53%.

In 2023, our sales volume of pre-owned vehicles was 93,012 units, representing a year-on-year increase of 15.1%, of which 44,590 units were distributed by us, representing a year-on-year increase of 167.3%, and recorded a revenue from distribution of RMB5,277 million, representing a year-on-year increase of 56.6%. The gross profit of pre-owned vehicles from distribution was RMB344 million, representing a year-on-year increase of 16.9%.

In 2023, our sales volume of new energy vehicles under all brands reached 32,919 units, representing a year-on-year increase of 33.8% and accounting for 17.0% of the total sales volume; the sales volume of vehicles of independent new energy brands reached 18,376 units, representing a year-on-year increase of 91.6%; of which the sales volume under the distribution model was 8,981 units and the sales volume under the direct sales model was 9,395 units.

In 2023, our inventory balance amounted to RMB4,363 million, representing a decrease of 4.2% over the end of 2022, and our inventory turnover days remained at a relatively healthy level of 23.0 days. In 2023, our net cash from operating activities was RMB1,832 million, and our net gearing ratio as of December 31, 2023 was 12.2%.



## Chairman's Statement

In 2023, the China's automobile market experienced unprecedented changes and challenges, we have closely followed the market trends, responded proactively, constantly made optimization and adjustments to the development strategies of the Company. In the face of pressure, the Company has maintained overall stable operation, safe cash flow and a healthy balance sheet structure in the face of adversity, and has withstood the tremendous test of the automobile market in 2023.

### **FUTURE DEVELOPMENT STRATEGIES**

Looking forward to 2024, the pressures and challenges still co-exist, however there arise new opportunities and hopes, we always have firm confidence in the industry and its development. We will continue to focus on the development of the principal vehicle business, continue to optimize the brand structure, constantly enhance the efficiency of single store, ensure the stability of the after-sales business and realize quality development. We will continue to expand and strengthen pre-owned vehicle business, accurately develop the new energy vehicle industry, accelerate the layout of the battery recycling industry, and focus on various cost reduction and expense control work. We will endeavor to safeguard the Group's profitability and achieve stable operations in the face of adversity by focusing on "activating new energy, reducing costs and increasing efficiency".

#### **I. FOCUS ON THE "CASH COW" BUSINESS OF LUXURY VEHICLES**

In terms of new vehicles sales, while maintaining scale sales, we will seek for maximizing sales revenue through continuous efficiency improvement. In terms of after-sales maintenance business, we will focus on customer retention, ensure steady scale growth and continuously improve the absorption rate of retail services. We will continue to focus on the continuous improvement of the operation quality of core luxury brand outlets, accelerate the shutdown and transfer of some brand outlets, and continuously consolidate our leading position in the two luxury vehicle brands BMW and Porsche.

#### **II. CONTINUE TO DEEPLY CULTIVATE AND STRENGTHEN THE "YONGDA PRE-OWNED VEHICLES"**

We will also continue to leverage inherent advantages in terms of brand, vehicle sources, outlets, after-sales, funding, management and other aspects of pre-owned vehicle business, continue to promote the construction of the retail capacity of officially certified pre-owned vehicles and Yongda certified pre-owned vehicles, improve sales scale and retail quality, and ensure stable profitability, so as to build Yongda pre-owned vehicle business into an important driving engine for the vehicle service industry.

#### **III. PRECISELY DEVELOP THE "YONGDA NEW ENERGY"**

We will continue to carry out deep cooperation with domestic leading new energy brand automobile enterprises, and gradually make after-sales service business into an important component of new energy revenue. Moreover, we will also continue to play the role of dealers as loyal partners of traditional luxury vehicle brands, fully support the iteration and updating of new energy products of traditional luxury brands, and assist in expanding the market share of luxury new energy vehicles, with an aim to build the Company into the "automobile service expert with most electrification capacity".





#### **IV. FOCUS ON PROMOTING VARIOUS COST REDUCTION AND EXPENSE CONTROL MEASURES**

During the current period of pressure on business operations and profits, senior executives of the Company have taken the lead in reducing annual salary income, and optimization measures of strong correlation between performance-linked salary and our results have been implemented for all staff. We will continue to further achieve effective reduction in the sales and management expenses of the Company through organizational integration, personnel effectiveness optimization, further stringent implementation of measures to control costs and expenses in respect of venue leasing, marketing and administration, and enhance receivables management to ensure stable and healthy operating cash flow. Moreover, we will build a “sharing platform” for users, finance and human resources to give full play the traffic sharing and value creation capabilities among our main businesses, thereby ultimately achieving the Company’s comprehensive efficiency improvement and effective cost reduction.

#### **V. IMPROVE QUALITY AND EFFICIENCY THROUGH DIGITAL INTELLIGENCE**

Against the backdrop of the increasingly upsurge of big data and metaverse technology, we will also keep up with the trend by accelerating the pace of digital and intelligent transformation, implementing comprehensive digital retail processes, establishing an accurate marketing system for universal users, and exploring the full lifecycle value of customers. Furthermore, we will further explore the application and pilot of new technologies such as AI, ChatGPT and digital humans in the business operation and management scenarios, so as to enhance efficiency while empowering businesses.

#### **VI. TALENT RESERVE AND CULTIVATION CONTRIBUTE TO STABILITY AND PROGRESS**

With the development of the automobile industry entering the era of “new four modernizations” and in line with the overall industrial transformation and development needs of the Company, we will also simultaneously strengthen talent cultivation and reserves in the fields of new energy, pre-owned vehicles, digitization and intelligence, and further optimize assessment and incentive mechanism. Moreover, we will promote the position evaluation and survival-of-the-fittest, and create a comprehensive transboundary management talent and professional technical talent echelon that is more in line with future trends and more enterprising, so as to ensure the long-term sustainable development of the Company.

Despite the rapid changes in the current automobile market, the brand communication of dealer channel network and the value of aftermarket services still play an irreplaceable and important role in the automobile dealer industry chain. We will calmly respond to market challenges, ensure stable and orderly operation of the Company amidst continuous changes, and seek new opportunities and growth points. In the future, we will actively participate in and continue to respond to the national “low-carbon” strategy and commit ourselves to fulfilling ESG-related corporate social responsibilities, build the ability for long-term sustainable growth, realize efficiency improvement against market downturn and stable and upward development, and respond to industry market fluctuations with more robust performance combined with more proactive dividend distribution and share repurchase strategies, so as to better reward our shareholders and investors.

**CHEUNG Tak On**  
*Chairman*

March 26, 2024



# Management Discussion & Analysis

## MARKET REVIEW

According to the data from CPCA, in 2023, the overall retail sales of passenger vehicles reached 21.699 million units, representing a year-on-year increase of 5.6%. According to the compulsory traffic insurance statistics, the sales volume of luxury vehicles reached 4.294 million units, representing a year-on-year increase of 14.7%. In 2023, the retail sales of new energy vehicles reached 7.736 million units, representing a year-on-year increase of 36.2%. Sales volume of new energy vehicles accounted for 35.7% of the total sales volume of passenger vehicles. In 2023, the overall sales volume has maintained a positive growth trend despite of complex factors such as the domestic and international macro situation, economic and demand recovery, however, the new vehicle prices obviously reduced due to intensifying brand structural differentiation.

In 2023, China's new energy vehicle market ushered in a further breakthrough, and the market scale and influence continued to expand, showing a trend of flourishing production and sales and steady increase in penetration ratio. Also, the competition pattern of China's new energy vehicle market was also intensifying. In 2023, traditional automobile joint venture manufacturers accelerated transformation and actively deployed in the new energy vehicle market, among which the sales volume of BMW brand new energy vehicles reached approximately 100,000 units; among the independent brands, BYD recorded a significant growth in sales volume and completed the milestone data of annual sales volume of 3,000,000 units, and Li Auto also completed the total sales volume of 376,000 units in the field of luxury brands. Other new energy brands such as Xpeng, AITO and IM have also completed many sales milestones successively in 2023. According to the Ministry of Industry and Information Technology of the PRC, it was expected that in 2024, the sales volume of new energy vehicles in China would exceed 10 million units, reaching approximately 11.5 million units, with a year-on-year growth of approximately 20%.

According to the statistics of the China Automobile Dealers Association (中國汽車流通協會), the transaction volume of pre-owned vehicles in China reached 18.413 million units in 2023, representing a year-on-year increase of 14.9%. The Chinese government has issued a series of policies to encourage pre-owned vehicles trading, such as the abolition of the restrictions on the relocation of pre-owned vehicles, the implementation of the "All Pass ID" for pre-owned vehicles trading registration, and the extension of the tax reduction policies for pre-owned vehicles dealership. 2023 marks the beginning year of full implementation of the new pre-owned vehicles policies. With the removal of restrictive factors and the blockage, the policy effect emerged, which was conducive to the large-scale, standardized and branding development of pre-owned vehicle dealers. Even though there existed market fluctuations such as price war in the new vehicle market and the surging proportion of new energy vehicles this year, the expanding transaction scale year-by-year, the transformation of new consumption characteristics, the active cross-regional circulation, and the export of pre-owned vehicles becoming a hot spot in the industry all demonstrated the strong development resilience of China's pre-owned vehicles market.

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the PRC (中國公安部交通管理局), as at the end of 2023, the passenger vehicle ownership in China reached 435 million units, 20.41 million of which were new energy vehicles, accounting for 4.7% of the total number of vehicles. According to the research report by Goldman Sachs, the scale of revenue from the automobile after-sales market of China is expected to be RMB1.6 trillion in 2026, with a compound annual growth rate of 8.0% from 2018 to 2026. It is expected that the ownership of fuel vehicles (mainly luxury vehicles) and the pure-electric new energy vehicles will continue to grow at a faster rate in the future, and the luxury fuel vehicles and pure-electric new energy vehicles will become the most promising consumer groups in the after-sales market in the future.



## BUSINESS REVIEW

In 2023, our comprehensive revenue taking into account the revenue from agency services amounted to RMB74,295 million, representing an increase of 1.1% compared with the same period of 2022. In 2023, our comprehensive gross profit amounted to RMB6,694 million, representing a decrease of RMB1,192 million or 15.1% compared with the same period of 2022. Among them, the gross profit from distribution of new vehicles decreased by RMB1,263 million or 87.8%. Affected by the decrease in gross profit of new vehicles, our net profit and net profit attributable to owners of the Company amounted to RMB586 million and RMB573 million respectively in 2023, representing a decrease of RMB886 million and RMB839 million or 60.2% and 59.4% respectively compared with the same period of 2022.

In 2023, we continued to implement strict control over the rhythm of our inventory purchases and sales and the amount of capital expended. As of December 31, 2023, our inventory balance amounted to RMB4,363 million, representing a decrease of 4.2% compared with the end of 2022. We maintained a relatively healthy inventory turnover of 23.0 days. In 2023, our net cash from operating activities was RMB1,832 million, and our net gearing ratio as of December 31, 2023 was 12.2%.

Set forth below is a summary of our business development in 2023:

### Remained Steady in New Vehicle Sales Business

In 2023, the new vehicle sales volume was 193,945 units, representing a year-on-year increase of 1.5%. As the quota reduction of new vehicle supply and demand and the slow recovery of consumer demand and other factors affected the sales growth of certain brands, we focused more on the balance of sales scale and quality, and the new vehicle sales volume in the second half of 2023 increased by 14.5% compared with the first half of the year. According to our sales strategies, we, through initiative contraction and control of new vehicle price discount, continued to enlarge low profit brand sales scale, thereby reducing the new vehicles operation risk, but for luxury brands such as BMW and Porsche which proactively reduced sales, supply and demand plans, we maintained our sales strategies of resources seizing and scale expansion, and achieved further optimization and upgrading of our product structure.

In 2023, the gross profit margin from distribution of our new vehicles was 0.31%, representing a year-on-year decrease of 2.16 percentage points. We proactively applied products provided by financial institutions, to formulate financial marketing plans by model, maintained relatively high proportion of super long-term products and average financing proportion per vehicle. In 2023, the revenue of our finance agency business reached RMB1,239 million, representing a year-on-year increase of 9.0%; the penetration rate of financial services was 69.0%, representing a year-on-year increase of 3.6 percentage points. Additionally, we made use of the advantage of the brand scale to strengthen the business negotiation with manufacturers on optimizing the model structure and reducing the task indicators of new vehicles, so as to maximize the benefits of new vehicles sales and secure the most favorable brand business policies.

In 2023, our new vehicle turnover days were 22.8 days, basically maintained stable year-on-year. We integrated the purchase, sales, stocking of new vehicles with inventory and capital management through the use of digital management tools, realized the front-end management of new vehicles inventories and capital control, and ensured that the new vehicles inventories and the funding structure have always been maintained at a healthy level. On the premise of prioritizing the satisfaction of customers' order requirements, we actively conducted the coordination and exchange of resources for new vehicles under the same brand, which further promoted the improvement of the efficiency of the turnover of new vehicles. In the second half of 2023, our new vehicle turnover days decreased by 3.0 days compared with the first half of the year.



## Management Discussion & Analysis

### **Maintained Stable Growth in After-sales Business**

In 2023, our after-sales service business, including repair and maintenance services and extended automotive products and services, recorded a revenue of RMB10,543 million, representing an increase of 4.4% compared with 2022. Among them, the revenue from repair and maintenance services was RMB9,051 million, representing an increase of 11.5% compared with 2022. In 2023, the gross profit margin of our after-sales service was 41.53%.

In terms of user operation ability and efficiency improvement, we adhered to the combination of online and offline user maintenance operation system. By the end of 2023, Yongda Automobile APP had 1.65 million registered users, representing an increase of 65.0% compared with the end of 2022. Online channels have brought more convenient experience to users. We continuously improved the full lifecycle sticky product system of users offline, improved the penetration rate of the user end, and constantly perfected the digital management tools; and we optimized the electromechanical and accident information soliciting, retention and maintenance procedures, so as to improve the in-store conversion rate. The online and offline linkage ensured the continuous improvement of customer scale under management.

In terms of electromechanical warranty business, while improving information conversion efficiency, our maintenance consultants and maintenance technicians cooperated with each other to communicate with customers of defective vehicles after inspection and maintenance, which effectively improved the professionalism of communication and conversion rate of additional items. In addition, our requirement of “one-time repair” rate has led to a continuous increase in customer satisfaction, which has contributed to the continued increase in the scale of the electromechanical warranty business.

In terms of accident vehicle insurance business, on the one hand, we improved the quantity and timeliness of accident information acquisition through increasing premium scale, all-staff marketing of accident information, and accident business sticky products; on the other hand, we strengthened communication with insurance companies and maintained good cooperative relations to ensure that we maintained the policy advantages such as accident claims. By virtue of the above measures, we have overcome the impact of adverse factors such as the intensified control by insurance companies and the intensified external competition, and realized the rapid improvement of accident vehicle business.

In terms of inventory efficiency improvement, we analyzed changes in the ex-warehouse frequency of various spare parts and supplies, adjusted inventory structure in a timely manner, strictly controlled the procurement of spare parts and supplies not commonly used, enabling our turnover efficiency to continue to improve while ensuring timely supply. In 2023, our inventory turnover days decreased by 4.5 days compared with 2022.

In terms of after-sales training, we always attached importance to the skills training of after-sales professionals, service awareness cultivation and promotion, and constantly improved the training effectiveness by adopting the combination of online and offline, internal and external training and transfer of training. In addition, we committed to cooperate with colleges and universities to cultivate and provide after-sales business talents on a targeted basis, ensuring the healthy structure of after-sales talent echelon.



### **Continuous Rapid and High-Quality Development of Pre-owned Vehicle Business**

In 2023, we adopted the business strategy of “deepening inventory and expanding increment”, achieved continuous rapid growth in our pre-owned vehicle business, realized efficient and stable inventory turnover, and further consolidated our business pattern of dealership, retailing and digitalization. In 2023, the transaction volume of pre-owned vehicles was 93,012 units, representing a year-on-year increase of 15.1%, of which, the sales volume from dealership was 44,590 units, representing a year-on-year increase of 167.3%, and the revenue from dealership amounted to RMB5,277 million, representing a year-on-year increase of 56.6%; the gross profit from dealership amounted to RMB344 million, representing a year-on-year increase of 16.9%. The average dealership revenue per unit was RMB118,000, and gross profit margin was 6.51%. The turnover days of dealership were controlled at 14.9 days, representing a year-on-year decrease of 4.4 days. The Group’s overall new-to-pre-owned ratio was 48.0%, representing an increase of 5.7 percentage points from 2022.

On the basis of the full-scale development of our dealership business, we actively explored the upgrading of our traditional operation model to a digital and omni-channel operation model. Through the integration of online and offline channels, we realized a comprehensive upgrade of our retail operations and quality improvement. By rapidly enhancing our pre-owned vehicles retail business and increasing its proportion to more than 20%, we drove the growth of our finance, insurance and other extended businesses, and further enhanced the profitability of our pre-owned vehicles business and the scale of our customer retention. Meanwhile, we actively explored the retail export of pre-owned vehicles, realizing a diversified sales strategy.

We actively explored and captured incremental opportunities in the existing market and expanded our vehicle sources channel. We conducted in-depth cooperation with a number of new energy vehicle brands on bulk vehicle sources, helped manufacturers in vehicle disposal and stabilizing residual values, and also bringing a steady supply of high-quality retail vehicles to our own channels. In addition, we accelerated the deployment of new channel of new energy pre-owned vehicles sector, and started cooperation with a number of new energy manufacturers on the replacement and retailing of new-channel pre-owned vehicles. In response to the new channels of replacement of new energy pre-owned vehicles, we newly launched an independent vehicle collection sub-brand and implemented a centralized pricing and disposal model to expand our vehicle supplement.

We continued to strengthen the construction of our core competence in pre-owned vehicles business, improved our appraisal, inspection, pricing and disposal capabilities, and implemented standardized business controls to ensure compliance of business and maximization of benefits; we strictly controlled our inventory turnover, and formulated refined inventory management and strong leveling mechanisms for retail and wholesale vehicles to ensure healthy inventory and sound operations; we continued to strengthen our digital operation capability, actively built a marketing matrix combining the official website, new media and vertical media, enhanced the construction of private domains and promoted online transactions.

### **Rapid Growth of New Energy Vehicle Business**

In terms of the outlet deployment of independent new energy brands, in 2023, we carried out proactive deployments and rapid adjustments, obtained outlets authorization for seven independent new energy brands and voluntarily closed five inefficient outlets of independent new energy brands. After a full year of development, the number of our independent new energy outlets grew from 33 at the beginning of 2023 to 34 at the end of the year, with another 6 authorized outlets to be opened. In terms of cooperative brands, we identified the leading new energy brands, including the related brands under HIMA, Xpeng, smart and IM, as the main outlets for deployment, and obtained the authorization of the first batch of sales and service center outlets of Xiaomi Automobile in China.



## Management Discussion & Analysis

In terms of sales volume, the sales volume of our new energy vehicles of all brands reached 32,919 units in 2023, representing a year-on-year increase of 33.8% and accounting for 17.0% of the total sales volume. Meanwhile, our sales volume of independent new energy brands reached 18,376 units in 2023, representing a year-on-year increase of 91.6%. Among them, the proportion of AITO, Xpeng, smart and IM reached approximately 66.1%. In 2023, the total sales volume of independent new energy brands consisted of 8,981 units sold through dealerships and 9,395 units sold through direct sales. In line with the outlet adjustment, the sales efficiency of our independent new energy outlets also improved significantly as a whole, the monthly sales volume per outlet increased from 16 units in January 2023 to over 50 units in December 2023. Meanwhile, the gross profit margin of new vehicles under the independent new energy brand remained stable.

In 2023, our after-sales business of independent new energy brands achieved rapid improvement, with the revenue of maintenance of the year amounting to RMB159 million, representing a year-on-year increase of 255.3%, and the gross profit rate of maintenance of 41.7%, which was the same as that of fuel vehicles. The after-sales business segment of our 17 fully-operated 4S stores for the year achieved an average growth of 220.9% in after-sales service business in December 2023 compared to January 2023, demonstrating strong development potential for after-sales business. In 2023, the number of customers under management of independent new energy brands increased from 7,339 to 24,497, representing an overall growth rate of 234%. As the level of intelligent hardware integration and maintenance technology thresholds for new energy vehicles are significantly higher than that of traditional fuel vehicles, the number of customers under after-sales management increased much more than the number of new vehicle sales and the retention rate of customers is higher than that of fuel vehicles.

### **Accelerated Optimization of Network**

In 2023, we proactively accelerated the adjustment of our network structure and closed 36 outlets in the year, including 24 4S stores, 9 showrooms and 3 others. The proportion of luxury brand outlets in the total number of authorized outlets increased to 70% from 66% as at the end of 2022, and the proportion of mid-to-high-end brands in the total number of authorized outlets decreased to 15% from 20% as at the end of 2022. As of the end of 2023, the proportion of outlets of independent new energy brands increased to 15%. The optimization of our network structure will improve our efficiency and output per outlet, which will have a quality and efficiency-enhancing effect on the overall network.

While optimizing our network structure, we maintained our market share of key luxury brands. In 2023, we newly opened three outlets of traditional brands, including one BMW, one Lincoln and one Jaguar Land Rover. In addition, we newly opened two pre-owned vehicle malls.

In terms of the expansion of the independent new energy brands, we continued to cooperate with some premium brands. While exploring and experimenting with new brands, we focused more on the growth in terms of the size and profitability of our individual stores. In 2023, we newly opened a total of six outlets of new energy brands and newly obtained seven authorizations, including brands such as Xiaomi, Zeekr, smart and Xpeng, and we upgraded three AITO stores to HIMA brand stores.

As at the end of 2023, we operated a total of 231 outlets, and we have 9 outlets authorized to open.

Set out below are the details and changes of our opened outlets as of December 31, 2023:

	Outlets opened as of December 31, 2022	Outlets opened as of December 31, 2023	Changes of outlet
4S dealerships of luxury and ultra-luxury brands	136	133	-3
City showrooms of luxury brands	24	19	-5
Authorized maintenance centers of luxury brands	2	0	-2
<b>Sub-total of luxury and ultra-luxury brands outlets</b>	<b>162</b>	<b>152</b>	<b>-10</b>
4S dealerships of mid-to-high-end brands	43	30	-13
City showrooms of mid-to-high-end brands	6	2	-4
<b>Sub-total of mid-to-high-end brands outlets</b>	<b>49</b>	<b>32</b>	<b>-17</b>
4S dealerships of independent new energy brands	30	31	+1
Authorized maintenance centers of independent new energy brands	3	3	0
<b>Sub-total of independent new energy brands outlets</b>	<b>33</b>	<b>34</b>	<b>+1</b>
<b>Outlets of Yongda Pre-owned Vehicle Malls</b>	<b>12</b>	<b>13</b>	<b>+1</b>
<b>Total outlets</b>	<b>256</b>	<b>231</b>	<b>-25</b>



## Management Discussion & Analysis

### **Continuous Improvement in Management**

In 2023, the recovery of the domestic economy and consumer demand was much lower than expected, and the oversupply in the overall market has brought about more serious competitions. We expect that it will take some more time for the industry and the sector to adjust and recover. In order to better cope with the future transformation and upgrading of the automobile industry, we will adjust our operating strategies in a timely manner in the short term and focus on preparing for the transformation and upgrading in the medium and long term. We had the following major management enhancement highlights in our operations in 2023.

### **Accelerated the closure and transformation of unprofitable enterprises to improve asset operating efficiency**

In 2023, we accelerated the structural optimization and adjustment of our existing brand network in accordance with the latest market trends, and closed and transformed 36 outlets (including showrooms) during the year. The passenger vehicles market in China is expected to maintain an inventory market period with low growth rate in the coming future, and it is expected that the differentiation and elimination in both brand OEMs and dealership enterprises will accelerate. We will continue to focus on the management improvement of the leading traditional luxury brands and potential independent new energy brands. We will accelerate the closure and transformation of smaller and less profitable outlets; in terms of regions, we will continue to focus on the optimization of the first-tier and second-tier cities as well as provincial capitals as the core regions for future development.

### **Focused on operating cash flow and core financial indicators to ensure sound operation**

In 2023, in terms of operations, we continued to improve the management of new vehicle procurement, inventory, sales and working capital, and strengthened the integration and coordination of resources under the same brand, ensured that the inventory turnover efficiency was maintained at a higher level, and the turnover days of new vehicles continued to be optimized year-on-year during the whole year. Meanwhile, in recent years, we have been focusing on the core financial indicators of the asset side to ensure the Group's safety operations, current assets to cover liabilities, net assets to cover long-term assets; besides, we have continued to pay attention to the gearing ratio to keep it at a lower level. The above efforts have achieved good results.

### **Further deepened the work of cost reduction and expense control to ensure the improvement of quality and efficiency of operations**

In 2023, we made management adjustments based on major marketing and administrative expenses such as labor costs, and further strengthened the dynamic linkage and control of production-related expenses, which are closely related to our business, to our performance; non-production expenses such as rent and other relatively rigid expenses also reduced through external communication and negotiation. The above efforts have achieved some preliminary results, and we will further deepen management and control and consolidate the results in 2024.

### **Further accelerated digitalization construction and empower enterprises to operations and management transformation**

We continued to promote user-centric digitalization construction with the goal of realizing the transformation from traditional dealers to new digital retail service providers in the future. In 2023, we accelerated the integration of internal digital operation and management systems to further improve management efficiency. Furthermore, we accelerated the construction of digital operation system of one platform and two centers, i.e. we completed the construction of digital marketing and user operation system through the business center and data center, combined with the Yongda user service platform. In the future, we will continue to enhance the empowerment of enterprise operations and the overall digital operation level of the Group to achieve cost reduction.



## FINANCIAL REVIEW

### Revenue

Revenue was RMB72,595.5 million for the twelve months ended December 31, 2023, representing a 0.8% increase from RMB72,023.9 million for the twelve months ended December 31, 2022. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	2023			2022		
	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)	Amount (RMB'000)	Sales Volume (Units)	Average Selling Price (RMB'000)
New vehicle distribution sales						
Luxury and ultra-luxury brands	48,273,892	130,512	370	50,448,541	133,338	378
Mid-to-high-end brands	6,528,540	45,057	145	6,872,118	48,208	143
Independent new energy brands (distribution model)	1,636,247	8,981	182	870,992	5,730	152
Subtotal	56,438,679	184,550	306	58,191,651	187,276	311
Pre-owned vehicles distribution	5,277,149	44,590	118	3,369,991	16,684	202
After-sales services	10,542,872			10,099,081		
Automobile rental services	474,827			498,154		
Less: inter-segment eliminations	(138,036)			(134,989)		
Total	72,595,491			72,023,888		

The distribution sales volume of new vehicles of the passenger vehicle sales and services segment was 184,550 units for the twelve months ended December 31, 2023, a 1.5% decrease from 187,276 units for the twelve months ended December 31, 2022.

Among them, the distribution sales volume of luxury and ultra-luxury brand new vehicles was 130,512 units for the twelve months ended December 31, 2023, a 2.1% decrease from 133,338 units for the twelve months ended December 31, 2022.

Revenue from the distribution sales of new vehicles of the passenger vehicle sales and services segment was RMB56,438.7 million for the twelve months ended December 31, 2023, a 3.0% decrease from RMB58,191.7 million for the twelve months ended December 31, 2022.

Among them, revenue from the distribution sales of luxury and ultra-luxury brand new vehicles was RMB48,273.9 million for the twelve months ended December 31, 2023, a 4.3% decrease from RMB50,448.5 million for the twelve months ended December 31, 2022.

The distribution volume of pre-owned vehicles was 44,590 units for the twelve months ended December 31, 2023, a 167.3% increase from 16,684 units for the twelve months ended December 31, 2022.

Revenue from distribution of pre-owned vehicles was RMB5,277.1 million for the twelve months ended December 31, 2023, a 56.6% increase from RMB3,370.0 million for the twelve months ended December 31, 2022.



## Management Discussion & Analysis

Revenue from after-sales services for the passenger vehicle sales and services segment was RMB10,542.9 million for the twelve months ended December 31, 2023, a 4.4% increase from RMB10,099.1 million for the twelve months ended December 31, 2022.

Revenue from the automobile rental services segment was RMB474.8 million for the twelve months ended December 31, 2023, a 4.7% decrease from RMB498.2 million for the twelve months ended December 31, 2022.

### Cost of Sales and Services

Cost of sales and services was RMB67,601.1 million for the twelve months ended December 31, 2023, a 3.0% increase from RMB65,634.5 million for the twelve months ended December 31, 2022.

Cost of sales of distribution of new vehicles of the passenger vehicle sales and services segment was RMB56,262.5 million for the twelve months ended December 31, 2023, a 0.9% decrease from RMB56,752.2 million for the twelve months ended December 31, 2022.

The distribution costs of pre-owned vehicles were RMB4,933.6 million for the twelve months ended December 31, 2023, a 60.4% increase from RMB3,076.1 million for the twelve months ended December 31, 2022.

Cost of after-sales services for the passenger vehicle sales and services segment was RMB6,164.0 million for the twelve months ended December 31, 2023, a 10.6% increase from RMB5,573.2 million for the twelve months ended December 31, 2022.

Cost of services for the automobile rental services segment was RMB366.4 million for the twelve months ended December 31, 2023, a 1.4% increase from RMB361.4 million for the twelve months ended December 31, 2022.

### Gross Profit and Gross Profit Margin


As a result of the foregoing, gross profit was RMB4,994.4 million for the twelve months ended December 31, 2023, a 21.8% decrease from RMB6,389.3 million for the twelve months ended December 31, 2022.

Gross profit margin was 6.88% for the twelve months ended December 31, 2023, a decrease of 1.99 percentage points from the gross profit margin of 8.87% for the twelve months ended December 31, 2022. The decrease in gross margin was mainly due to the decline in gross profit margin of new vehicles as a result of the decline in new vehicle prices.

Gross profit from the distribution sales of new vehicles of the passenger vehicle sales and services segment was RMB176.2 million for the twelve months ended December 31, 2023, an 87.8% decrease from RMB1,439.5 million for the twelve months ended December 31, 2022.

Gross profit margin for the distribution sales of new vehicles decreased to 0.31% for the twelve months ended December 31, 2023 from 2.47% for the twelve months ended December 31, 2022.

The gross profit from distribution of pre-owned vehicles was RMB343.6 million for the twelve months ended December 31, 2023, a 16.9% increase from RMB293.9 million for the twelve months ended December 31, 2022.



The gross profit margin for distribution of pre-owned vehicles was 6.51% for the twelve months ended December 31, 2023, a decrease of 2.21 percentage points from the gross profit margin of 8.72% for the twelve months ended December 31, 2022.

Gross profit from after-sales services for the passenger vehicle sales and services segment was RMB4,378.9 million for the twelve months ended December 31, 2023, a 3.2% decrease from RMB4,525.9 million for the twelve months ended December 31, 2022.

Gross profit margin for after-sales services was 41.53% for the twelve months ended December 31, 2023, a decrease of 3.28 percentage points from 44.81% for the twelve months ended December 31, 2022.

Gross profit from the automobile rental services segment was RMB108.4 million for the twelve months ended December 31, 2023, a 20.7% decrease from RMB136.8 million for the twelve months ended December 31, 2022.

Gross profit margin for the automobile rental services segment was 22.83% for the twelve months ended December 31, 2023, a decrease of 4.63 percentage points from 27.46% for the twelve months ended December 31, 2022.

#### **Other Income and Other Gains and Losses**

Other income and other gains and losses were net gains of RMB1,858.5 million for the twelve months ended December 31, 2023, a 19.9% increase from RMB1,549.7 million for the twelve months ended December 31, 2022.

Among them, the revenue from the finance and insurance related agency services of the passenger vehicle sales and services segment was RMB1,539.8 million for the twelve months ended December 31, 2023, a 6.9% increase from RMB1,439.9 million for the twelve months ended December 31, 2022.

The sales volume of direct agency sales of independent new energy brand vehicles was 9,395 units for the twelve months ended December 31, 2023, a 143.3% increase from 3,861 units for the twelve months ended December 31, 2022.

Revenue from direct agency sales service of independent new energy brand vehicles was RMB160.2 million for the twelve months ended December 31, 2023, a 182.2% increase from RMB56.8 million for the twelve months ended December 31, 2022.

#### **Distribution and Selling Expenses and Administrative Expenses**

Distribution and selling expenses and administrative expenses were RMB5,891.4 million for the twelve months ended December 31, 2023, a 4.5% increase from RMB5,635.2 million for the twelve months ended December 31, 2022.

The ratio of distribution, selling and administrative expenses over revenue was 8.12% for the twelve months ended December 31, 2023, an increase of 0.30 percentage point from 7.82% for the twelve months ended December 31, 2022.

#### **Operating Profit**

As a result of the foregoing, operating profit was RMB961.5 million for the twelve months ended December 31, 2023, a 58.3% decrease from RMB2,303.9 million for the twelve months ended December 31, 2022.



## Management Discussion & Analysis

### Finance Costs

Finance costs were RMB327.4 million for the twelve months ended December 31, 2023, a 2.1% increase from RMB320.7 million for the twelve months ended December 31, 2022.

The percentage of the finance costs for the twelve months ended December 31, 2023 was 0.45%, which remained the same with the percentage of the finance costs for the twelve months ended December 31, 2022.

### Profit before Tax

As a result of the foregoing, profit before tax was RMB740.3 million for the twelve months ended December 31, 2023, a 64.3% decrease from RMB2,072.7 million for the twelve months ended December 31, 2022.

### Income Tax Expense

Income tax expense was RMB154.6 million for the twelve months ended December 31, 2023, a 74.3% decrease from RMB601.4 million (restated) for the twelve months ended December 31, 2022.

### Profit

As a result of the foregoing, the profit was RMB585.8 million for the twelve months ended December 31, 2023, a 60.2% decrease from RMB1,471.3 million (restated) for the twelve months ended December 31, 2022.

### Profit Attributable to the Owners of the Company

As a result of the foregoing, the profit attributable to the owners of the Company was RMB572.6 million for the twelve months ended December 31, 2023, a 59.4% decrease from RMB1,411.8 million (restated) for the twelve months ended December 31, 2022.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

Our primary uses of cash are payment for purchases of passenger vehicles, spare parts and accessories, funding of our working capital and ordinary recurring expenses, funding of the capital expenditures in connection with the establishment and acquisition of new outlets, and repayment of our indebtedness. We maintain our liquidity through a combination of cash flows generated from operating activities, capital injections, issuance of bonds, bank loans and other borrowings. In the future, we believe that our capital expenditures and liquidity requirements are expected to be satisfied by using a combination of cash flows generated from our operating activities, bank loans and other borrowings, as well as funds raised from the capital markets from time to time.

For the twelve months ended December 31, 2023, our net cash from operating activities was RMB1,832.2 million, which mainly included cash generated before working capital changes of RMB2,166.8 million, cash generated from working capital changes of RMB164.3 million and the payment of income tax of RMB498.9 million. For the twelve months ended December 31, 2022, our net cash from operating activities was RMB4,232.5 million, which mainly included cash generated before working capital changes of RMB3,579.5 million, cash generated from working capital changes of RMB1,348.4 million and the payment of income tax of RMB695.5 million.



For the twelve months ended December 31, 2023, our net cash used in investing activities was RMB538.4 million, which mainly included the amounts for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,418.3 million, which was partially offset by the proceeds of RMB474.7 million from the disposal of property, plant and equipment, intangible assets and right-to-use assets, the proceeds of RMB227.6 million from the disposal of financial assets at fair value through profit or loss, the proceeds of RMB114.3 million from the disposal of subsidiaries and dividends of RMB66.9 million received from joint ventures and associates. For the twelve months ended December 31, 2022, net cash used in investing activities was RMB1,455.2 million, which mainly included the amounts for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,776.4 million, which was partially offset by the proceeds of RMB505.8 million from the disposal of property, plant and equipment, intangible assets and right-to-use assets.

For the twelve months ended December 31, 2023, our net cash used in financing activities was RMB1,278.5 million, which mainly included the payment of dividends to shareholders of the Company of RMB782.4 million, the payment of dividends to minority shareholders of subsidiaries of RMB64.9 million, the payment of interest of RMB349.1 million, the repayments of leases liabilities of RMB237.0 million and the payment for repurchase of shares of RMB99.0 million. For the twelve months ended December 31, 2022, net cash used in financing activities was RMB2,841.8 million, which mainly included the net repayment of borrowings of RMB1,255.5 million, the payment of interest of RMB317.9 million, the payment of dividends to shareholders of the Company of RMB948.8 million, the payment of dividends to minority shareholders of subsidiaries of RMB128.5 million, and the repayments of leases liabilities of RMB237.4 million.

### Inventories

Our inventories mainly include passenger vehicles, spare parts and accessories.

Our inventories balance was RMB4,363.2 million as of December 31, 2023, a 4.2% decrease from RMB4,555.4 million as of December 31, 2022. The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended December 31,	
	2023	2022
Average inventory turnover days	23.0	22.1



## Management Discussion & Analysis

### Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of property, plant and equipment, right-of-use assets and intangible assets, which were partially offset by the proceeds from the disposal of property, plant and equipment, intangible assets and right-of-use assets. For the twelve months ended December 31, 2023, our total capital expenditures were RMB949.6 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:


	<b>As of December 31, 2023</b> <i>(RMB million)</i>
Expenditures on purchase of property, plant and equipment – test-drive automobiles and vehicles for operating lease purposes	<b>797.5</b>
Expenditures on purchase of property, plant and equipment and right-of-use assets – primarily used for establishing and upgrading automobile sales and service outlets	<b>550.0</b>
Expenditures on purchase of intangible assets (vehicle licences and softwares)	<b>70.8</b>
Others	<b>6.0</b>
Proceeds from the disposal of property, plant and equipment, intangible assets and right-of-use assets (mainly test-drive automobiles and vehicles for operating lease purposes)	<b>(474.7)</b>
<b>Total</b>	<b>949.6</b>

### Borrowings and Bonds

We obtained borrowings (consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers) and issued bonds to fund our working capital and network expansion. As of December 31, 2023, the outstanding amount of our borrowings and bonds amounted to RMB3,960.6 million, a 6.0% increase from RMB3,737.2 million as of December 31, 2022. The following table sets forth the maturity profile of our borrowings as of December 31, 2023:

	<b>As of December 31, 2023</b> <i>(RMB million)</i>
Within one year	<b>2,434.0</b>
One to two years	<b>508.6</b>
Two to five years	<b>1,018.0</b>
<b>Total</b>	<b>3,960.6</b>

As of December 31, 2023, our net gearing ratio (being net liabilities divided by total equity) was 12.2% (as of December 31, 2022: 10.5%). Net liabilities represent borrowings and medium-term notes minus cash and cash equivalents and time deposits.



As of December 31, 2023, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2023 consisted of (i) inventories of RMB748.3 million; (ii) property, plant and equipment of RMB21.7 million; (iii) land use rights of RMB30.8 million; and (iv) equity interests of the subsidiaries of RMB561.9 million.

### **Contingent Liabilities**

As of December 31, 2023, the Group provided guarantees of RMB259 million to Shanghai Yongda Finance Leasing Co., Ltd. in respect of its borrowing principal balance on normal commercial terms and on several basis in proportion to the Group's shareholding in Shanghai Yongda Finance Leasing Co., Ltd., save for which we did not have any material contingent liabilities.

### **Interest Rate Risk and Foreign Exchange Risk**

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Certain of our borrowings were floating rate borrowings that are linked to the loan prime rate (LPR). Increases in interest rates could result in an increase in our cost of borrowing, which in turn could adversely affect our finance costs, profit and our financial condition.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of December 31, 2023, we had no financial borrowings that were denominated in foreign currencies.

## **DEVELOPMENT OUTLOOK AND STRATEGIES**

In 2023, the China's automobile market experienced unprecedented changes and challenges, while also nurturing new opportunities and hope. During the year, the market landscape underwent tremendous changes, with both automobile production and sales exceeding 30 million units. Automobile exports have reached a new high, new energy vehicles continue to maintain high-speed growth under policy promotion, and the new technological revolution has driven the continuous development of cloud computing, autonomous driving and intelligent networking. However, meanwhile, the increasingly severe internal competition of new energy has intensified market competition, terminal prices have continued to decline, and the imbalance between supply and demand has also led to a downward trend in prices throughout the year. China's automotive market as whole still shows strong resilience in the face of pressure and challenges, reflecting a steady recovery growth trend in the post-pandemic era.

In the face of increasingly fierce competition in the automobile market, we closely follow the market trends, respond proactively, constantly make optimization and adjustments to the development and business strategies of the Company, and explore opportunities and new growth points in crisis. In 2023, the reshuffling of the dealer industry also accelerated. In the face of pressure, we have maintained overall stable operation, safe cash flow and a healthy balance sheet structure in the face of adversity, and has withstood the tremendous test of the automobile market in 2023.

Looking forward to 2024, we will focus on the vehicle service industry, strive to achieve a stable price recovery in the new vehicle sales business on the basis of scale growth, continue to optimize the brand structure, enhance the efficiency of single store, ensure the stability of the after-sales business, and realize quality development. We will also expand and strengthen pre-owned vehicles, accurately develop the new energy vehicle industry, accelerate the layout of the battery recycling industry, and focus on various cost reduction and cost control work. We will endeavor to safeguard the Group's profitability and achieve stable operations in the face of adversity by focusing on "activating new energy, reducing costs and increasing efficiency".



## Management Discussion & Analysis

### **Focus on the “cash cow” business of luxury vehicles**

In terms of new vehicles, we will improve turnover efficiency on the basis of maintaining scale, pursue the maximization of the benefits of commercial policy on the premise of operational quality, and ensure stable gross profit margins for luxury vehicles in the face of market fluctuations. In terms of after-sales maintenance business, we will continuously optimize the business structure, strengthen business solicitation, enhance cost control, improve customer retention rate and retail service absorption rate, and achieve quality and efficiency improvement of after-sales business, so as to safeguard the stable development of the Group and strengthen risk-resistant capability through long-term steady growth. We will accelerate the shutdown and transfer of some brand outlets, continuously optimize the network structure and layout, focus on the continuous improvement of operational quality of core luxury brand outlets, and continue to consolidate our established leading position in the two luxury vehicle brands BMW and Porsche.

### **Continue to deeply cultivate and strengthen the “Yongda Pre-owned Vehicles”**

With the implementation of favorable policies in the pre-owned vehicle industry, we will also continue to leverage inherent advantages in terms of brand, vehicle sources, outlets, after-sales, funding, management and other aspects of our pre-owned vehicle business. The Company will continue to promote the construction of the retail capacity of officially certified pre-owned vehicles by the manufacturers and Yongda certified pre-owned vehicles, improve sales scale and retail quality, and ensure stable profitability, so as to build Yongda pre-owned vehicle business into an important driving engine for the vehicle service industry.

### **Precisely develop the “Yongda New Energy”**

We will continue to maintain the first mover advantages, and continuously focus on optimizing the layout of new energy outlets, new retail models for regional brand, innovative user operations and researching future business opportunities related to the new energy service industry chain, in order to achieve precise development of the new energy vehicle service industry. We will fully leverage our leading advantages in service network, high-quality operation and management, digitization and new media operations, etc., and continue to develop in-deep cooperation with leading new energy brand vehicle companies in China. We will also respond to the rapidly growing demand of new energy users for after-sales services, and gradually make after-sales business into an important component of the revenue of new energy. Moreover, we will also continue to play the role of dealers as loyal partners of traditional luxury vehicle brands, fully support the iteration and updating of new energy products of traditional luxury brands, and help to expand the market share of luxury new energy vehicles.

We will also continue to expand business in the “battery recycling industry” by focusing on four major business segments of battery leasing, battery maintenance, battery protection and battery recycling, and gradually build the battery business into a new growth highlight for the Company in the value chain of new energy vehicle industry.

Through the above measures, we are committed to building the Company into the “automobile service expert with most electrification capacity”.





### **Focus on promoting various cost reduction and expense control measures**

We will actively respond to the pressure on the gross profit of new vehicles caused by the continuous price wars in the industry, and implement various cost and expense controls. We will achieve effective reduction in our sales and management expenses through organizational optimization, personnel effectiveness optimization, further stringent implementation of measures to control costs and expenses in respect of venue leasing, marketing and administration, the adoption of input-output evaluation and dynamic control mechanism, and further optimization of performance and performance-related measures.

We are also building a “sharing platform” for users, finance and human resources. Through organizational changes, we will streamline functions and processes, break down inter-department barriers, significantly improve the efficiency of frontline employees, and give full play to the ability to share traffic and create value among main businesses, thereby ultimately achieving efficiency improvement and effective cost reduction.

### **Improve quality and efficiency through digital intelligence**

Against the backdrop of the increasingly upsurge of big data and metaverse technology, we will also keep up with the trend by accelerating the pace of digital and intelligent transformation, implementing comprehensive digital retail processes, establishing an accurate marketing system for all users, and exploring the full lifecycle value of customers. Furthermore, we will further explore the application and pilot of new technologies such as AI, ChatGPT and digital humans in the business operation and management scenarios, so as to enhance efficiency while empowering businesses.

### **Talent reserve and cultivation contribute to stability and progress**

With the development of the automobile industry entering the era of “new four modernizations” and in line with our overall industrial transformation and development needs, we will also simultaneously strengthen talent cultivation and reserves in the fields of new energy, pre-owned vehicles, digitization and intelligence, and further optimize assessment and incentive mechanism. Moreover, we will promote the position evaluation and survival-of-the-fittest, and create a comprehensive cross-border management talent and professional technical talent team that is more in line with future trends and more enterprising, so as to ensure our long-term sustainable development.

Despite the rapid changes in the current automobile market, the brand communication of dealer channel network and the value of aftermarket services still play an irreplaceable role in the automobile dealer industry chain. We will calmly respond to market challenges, ensure our stable and orderly operation in the midst of continuous changes, and seek new opportunities and growth points. In the future, we will actively participate in and continue to respond to the national “low-carbon” strategy and commit ourselves to fulfilling ESG-related corporate social responsibilities, and build the ability for long-term sustainable growth, so as to realize efficiency improvement against market downturn as well as stable and upward development, and return our shareholders and investors with more stable performance.



# Directors and Senior Management

## DIRECTORS

### Executive Directors

**CHEUNG Tak On (張德安)**, aged 57, is our Chairman and was appointed as our executive Director on January 18, 2012 and he is currently the vice chairman of the Shanghai Enterprise Confederation/Entrepreneur Association and the rotating chairman of the Shanghai Entrepreneur Association. Mr. Cheung has extensive experience in the passenger vehicle dealership sector and is responsible for setting the strategic vision, direction and goals of our Group and he participates in our Group's strategic and key operational decision-making processes. Mr. Cheung was brought up in the PRC. From November 1999 to February 2005 and from November 2005 to September 2018, Mr. Cheung has been the chairman of Shanghai Yongda Holding (Group) Limited (上海永達控股(集團)有限公司) ("Yongda Holding"), where he has been mainly responsible for overseeing its overall development and formulating corporate and business strategies. Mr. Cheung obtained an adult higher education training certificate in economic law jointly granted by The Open University of China (中央廣播電視大學) and China University of Political Science and Law (中國政法大學) in 1996 and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2001. Mr. Cheung also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from September 1999 to December 2001, and the China CEO Program jointly offered by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, IMD and London Business School in 2011. Mr. Cheung completed the course of China CEO Global Research Proposal (《中國CEO全球研修計劃》) organized by Overseas Education Collage of Shanghai Jiao Tong University (上海交通大學) in 2014. Mr. Cheung started to course of the Entrepreneur Scholar Program and PhD in Global Management of Tsinghua University-University of Minnesota sponsored by the School of Economics and Management of Tsinghua University in 2018.

**CAI Yingjie (蔡英傑)**, aged 56, is our Vice-chairman and was appointed as our executive Director on January 18, 2012. Mr. Cai was re-designated from our President to Chief Executive Officer on March 23, 2015 and has ceased to act as the Chief Executive Officer due to work re-allocation and adjustment of the management team of the Company on December 21, 2021. Mr. Cai is responsible for overseeing our operations and investment, managing our relationships with automobile manufacturers and exploring new business opportunities for our Group. Mr. Cai is also the chairman or a director of several of our subsidiaries. From November 1998 to December 2011, and since September 2018, he was the director of Shanghai Yongda Group Company Limited ("Yongda CLS") and its general manager from November 1999 to December 2011. Before joining the Group, Mr. Cai worked in Shanghai Shenbao Automobiles Factory (上海申寶汽車廠) (later known as Shanghai Shenbao Automobiles Co., Ltd. (上海申寶汽車有限公司)), where he was responsible for automobiles inspection and management of the fleet of automobiles. Mr. Cai received the Executive Management Education Certificate from the Chinese Enterprise CEO Program at Cheung Kong Graduate School of Business in 2016 and graduated from Nanjing Army Command College (南京陸軍指揮學院) with an adult higher education bachelor diploma in law in 2002.



**WANG Zhigao (王志高)**, aged 55, is our Vice-chairman, he served as our non-executive Director from January 2012 to March 2015, and was re-designated to executive Director on March 23, 2015. Mr. Wang is responsible for managing our strategies, remuneration and work in relation to professional capital market institutions and guiding the financial management and legal affairs of our Group. Mr. Wang served as a director of Yongda Holding since January 2005 and was re-designated to the chairman of Yongda Holding in September 2018. Mr. Wang served as a director of Yongda CLS since December 2003 and was re-designated to the chairman of it in September 2018. Mr. Wang is also currently the chairman or a director of several of our subsidiaries. Before joining the Group, Mr. Wang was a lawyer at Shanghai Xin Cheng Law Firm (上海信誠律師事務所) and Shanghai Jin Shi Law Firm (上海金石律師事務所). And from August 1992 to December 1996, he was a lecturer at East China University of Political Science and Law (華東政法大學). Mr. Wang graduated from East China University of Politics and Law with a bachelor's degree in economic law in 1992 and a master's degree in law in 1999. Mr. Wang also received a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2007.

**XU Yue (徐悦)**, aged 48, was appointed as our executive Director on March 23, 2015, as our Vice-chairman on March 25, 2020 and as our Chief Executive Officer on December 21, 2021. Mr. Xu has served as our President from March 2015 to February 2016, and was re-appointed as our President on September 12, 2016. He is responsible for the overall business strategies of the Group and overseeing the operation and business strategies of the Group. Mr. Xu is also currently the chairman of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) ("Yongda Automobile Group"), which is an indirect wholly-owned subsidiary of the Company, and the chairman or a director of several of our subsidiaries. Mr. Xu joined our Group in 1999 and has more than 20 years of experience in the passenger vehicle dealership sector. He was the executive vice-president of the Company from January 2012 to March 2015 and the assistant to the chief executive officer of Yongda Holding from January 2009 to December 2011. From June 2004 to January 2009, Mr. Xu was the deputy general manager of Yongda CLS and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司) ("Shanghai Baozen"). Between February 2002 and March 2004, Mr. Xu was the secretary to the chief executive officer of Yongda Holding, where he was mainly responsible for assisting the chief executive officer with daily administration. From November 2000 to February 2002, Mr. Xu was the general manager of Shanghai Yongda International Trading, Ltd. (上海永達國際貿易有限公司), where he was mainly responsible for the import of passenger vehicles. Between October 1999 and November 2000, Mr. Xu was the assistant to the general manager of Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司). Mr. Xu received a bachelor diploma in practical English and a secondary college diploma in international business and finance management from Shanghai Normal University (上海師範大學) in June 1997, and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2005. Mr. Xu also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from October 2003 to July 2005. In 2015, Mr. Xu obtained a master's degree in Business Administration at China Europe International Business School (中歐國際工商學院).



## Directors and Senior Management

**CHEN Yi (陳映)**, aged 51, was appointed as our executive Director on March 23, 2015 and was responsible for the operation and management of the automobile finance business and related management of our Group. Ms. Chen was re-appointed as our Vice-president on September 12, 2016 and since February 2016, Ms. Chen has been a director of Yongda Automobile Group. From March 2014 to February 2016, Ms. Chen was the vice-president of our Company and the general manager of the finance innovation department. She has over 20 years of experience in the banking and financial industry. Prior to joining us, Ms. Chen was the senior assistant to the president of the Transportation Finance Division and the director of Eastern China Automobile Business Division of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) (Shanghai Stock Exchange (“SSE”) stock code: 600016 and Hong Kong Stock Exchange stock code: 01988) (“CMBC”) from April 2013 to January 2014. From February 2004 to April 2013, Ms. Chen held several managerial positions in CMBC, including the senior customer manager of the Shanghai Anting branch of CMBC, the general manager of the Industrial and Commercial Enterprises Finance Division Two of CMBC, the general manager of the automobile finance department and the branch manager of the Shanghai Jiading branch of CMBC and the branch manager of the Shanghai Gubei branch of CMBC. From July 1995 to February 2004, she worked at the Credit Card Division, Personal Banking Division and Customer Service Division of Bank of Communications Co., Ltd. (交通銀行股份有限公司) (SSE stock code: 601328 and SEHK stock code: 03328). Ms. Chen obtained a professional diploma in International Finance from the Shanghai Institute of Finance (上海金融學院), formerly known as the Shanghai Higher Institute of Finance (上海金融高等學院) in 1995 and a bachelor’s degree in currency and banking from Shanghai Jiao Tong University (上海交通大學) in 2000. She also obtained a master’s degree in Executive Master of Business Administration from Shanghai Advanced Institute of Finance (上海高級金融學院) of Shanghai Jiao Tong University in 2014 and completed her DBA study in Global Financial Business Administration of Shanghai Advanced Institute of Finance in 2020.

**TANG Liang (唐亮)**, aged 46, was appointed as our Vice-president since September 12, 2016 and was appointed as our executive Director since December 21, 2021. He is responsible for assisting the President of the Group in work execution related to the operation and management of the automobile sales service business. Mr. Tang is currently also a director of Yongda Automobile Group. Mr. Tang was the assistant to our President of the Group from March 2015 to February 2016. Mr. Tang joined us on May 4, 2010 and served as the deputy general manager and the general manager of Shanghai Baozen and the vice director of Baozen Business Division. Mr. Tang has over 20 years of working experience in the automobile industry. Prior to joining us, Mr. Tang worked at SGM Automobile Manufacturing Department (上海通用汽車製造部) from April 2004 to the end of 2008, during which period he held a number of managerial positions in respect of engineering and production, and later served as the assistant to the vice-president of SGM Automobile Marketing (上海通用汽車營銷) from the end of 2008 until he joined our Group. Mr. Tang graduated from the Material Science and Engineering Institute of Shanghai Jiao Tong University (上海交通大學) in 2001 with a bachelor’s degree in material science and engineering, and obtained a master’s degree in the same major in 2004. Mr. Tang received a master’s degree in Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in September 2016.

### Independent Non-executive Directors

**ZHU Anna Dezhen (朱德貞)**, aged 66, was appointed as our independent non-executive Director on May 8, 2015, and is currently the chairman of the board of Xiamen De Yi Equity Investment Management Co., Ltd. (廈門德屹股權投資管理有限公司), where she is mainly responsible for operation and management of investment. Ms. Zhu has also served as a non-executive director of Fuyao Glass Industry Group Co., Ltd. (SSE stock code: 600660 and SEHK stock code: 03606) since November 2011. Ms. Zhu has over 30 years of extensive experience in financial analysis, market analysis, investment management and general corporate management. Before joining Xiamen De Yi Equity Investment Management Co., Ltd., Ms. Zhu was a senior manager of China National Offshore Oil Corporation, where she was mainly responsible for analysis of crude oil market, from October 1982 to September 1988. From March 1992 to June 1993, Ms. Zhu was an analyst at The Bank of New York Company, Inc., where she was mainly responsible for systems analysis. From June 1993 to September 1999, Ms. Zhu was the vice chairman of business of JP Morgan Investment Bank of the United States, where she was mainly responsible for establishing the financial model. Ms. Zhu was a manager of Strategic Planning of Micron Technology, Inc. (New York Stock Exchange stock code: MU), where she was mainly responsible for strategic planning, from May 2000 to October 2001; the chief operating officer of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), from October 2001 to June 2003; and the president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), where she was mainly responsible for operations management, from June 2003 to May 2008. From May 2008 to December 2010, Ms. Zhu was the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, where she was mainly responsible for the operation and management of investment. From December 2010 to June 2016, Ms. Zhu was the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. Ms. Zhu has served as an independent director of Hunan TV & Broadcast Intermediary Co. Ltd. (SZSE stock code: 000917) from August 2016 to December 2019, and as an independent director of Bright Dairy & Food Co., Ltd. (SSE stock code: 600597) from April 2015 to June 2022. In the area of professional qualification, Ms. Zhu is a director of the Chinese Economists 50 Forum, a director of Heren Charitable Foundation and a director of the Western Returned Scholars Association. With respect to the academy, Ms. Zhu is a part-time professor in the School of Management of Xiamen University (廈門大學). Ms. Zhu received a bachelor's degree in literature from Xiamen University in 1982, a bachelor's degree in economics from College of Saint Elizabeth in 1990 and a master's degree in business administration from Pace University in 1992. Ms. Zhu obtained a doctor's degree in economics from Xiamen University in 2013.

**LYU Wei (呂巍)**, aged 59, was appointed as our independent non-executive Director on January 18, 2012. Mr. Lyu is currently a professor of Management Department of Antai College of Economics and Management (安泰經濟與管理學院) at Shanghai Jiao Tong University (上海交通大學). From November 2014 to May 2015, Mr. Lyu was the head of preparatory group of the Faculty of the Cultural and Creative Industry of University of Southern California and Shanghai Jiao Tong University (上海交通大學美國南加州大學文化創意產業學院). From 2003 to November 2014, Mr. Lyu was the Associate Dean of the Antai College of Economics and Management at Shanghai Jiao Tong University. Between February 1997 and March 2003, Mr. Lyu was an assistant to the Dean of the School of Management of Fudan University (復旦大學) and a professor in its Department of Marketing from November 2001 to March 2003. From 1996 to 1997, Mr. Lyu was a visiting scholar at the Sloan School of Management of Massachusetts Institute of Technology. From 1994 to 1996, Mr. Lyu was a visiting scholar at the University of Southern California.



## Directors and Senior Management

Mr. Lyu's academic qualifications and extensive experiences have led to his appointments in a number of listed companies:

Companies	Positions	Duration
Zhejiang Yiming Food Co., Ltd. (浙江一鳴食品股份有限公司) (SSE stock code: 605179)	Independent Director	June 2023 – present
Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司) (SSE stock code: 600895)	Independent Director	June 2021 – present
Shanghai Waigaoqiao Free Trade Zone Group Co., Ltd. (上海外高橋集團股份有限公司) (SSE stock code: 600648)	Independent Director	May 2021 – present
Shanghai Guangdian Electric Group Co., Ltd. (上海廣電電氣(集團)股份有限公司) (SSE stock code: 601616)	Director	May 2020 – present
Whirlpool (China) Co., Ltd. (惠而浦(中國)股份有限公司) (SSE stock code: 600983)	Director	June 2017 – May 2021
Shandong Wohua Pharmaceutical Co., Ltd. (山東沃華醫藥科技股份有限公司) (SZSE stock code: 002107)	Independent Director	January 2016 – January 2022
Foshan Electrical and Lighting Co Ltd (佛山電器照明股份有限公司) (SZSE stock code: 000541)	Independent Director	December 2015 – August 2020
Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (上海陸家嘴金融貿易開發區股份有限公司) (SSE stock code: 600663)	Independent Director	May 2015 – April 2021
LUOLAI LIFESTYLE TECHNOLOGY CO.,LTD. (羅萊生活科技股份有限公司) (formerly known as Luolai Home Textile Co., Ltd. (羅萊家紡股份有限公司)) (SZSE stock code: 002293)	Independent Director	November 2007 – October 2013 and January 2017 – June 2023
China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司) (formerly known as China Seven Star Holdings Limited (中國七星控股有限公司) and China Seven Star Shopping Limited (中國七星購物有限公司)) (SEHK stock code: 245)	Independent Non- executive Director	June 2005 – July 2019

Mr. Lyu graduated with a bachelor's degree in management science from Fudan University (復旦大學) in 1986 before obtaining his master's degree in economics in 1989 and doctorate in economics in 1996 at the same university.



**MU Binrui (牟斌瑞)**, aged 67, has been appointed as an independent non-executive Director of the Company with effect from 1 January 2019. Mr. Mu has over 35 years of extensive experience in the banking industry. Before joining the Company, Mr. Mu joined Bank of China in 1980, and was transferred to the headquarters of Bank of Communications in 1992, where he held the positions of deputy director, director and deputy general manager of the international business department as well as the deputy general manager of the corporate affairs department, respectively, during 1992 to 2004. Mr. Mu was appointed as general manager of the credit management department of the headquarters of Bank of Communications in 2004, and subsequently the deputy chief credit officer and general manager of the credit management department of Bank of Communications in 2013. Mr. Mu was awarded State Council Special Allowance by the People's Republic of China in February 2013, and retired in October 2016. From January 2017 to March 2018, Mr. Mu held the position of an independent non-executive director of Huabang Technology Holdings Limited (previously known as Huabang Financial Holdings Limited and Goldenmars Technology Holdings Limited) (stock code: 3638), a company listed on the main board of the Stock Exchange. Since September 2018, Mr. Mu has been an independent non-executive director of China Bohai Bank Co., Ltd. (stock code: 9668), a company listed on the main board of the Stock Exchange since July 2020. Mr. Mu graduated from Renmin University of China with a bachelor's degree in finance in 1987, and obtained the title of Senior Economist in 1997.

## SENIOR MANAGEMENT

Our senior management team, in addition to our Directors listed above, is as follows:

**YE Ming (葉明)**, aged 46, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for our Group's enterprise management, network management, administration and other areas. Mr. Ye is also currently a director of several of our subsidiaries. From January 2009 to December 2011, Mr. Ye simultaneously held the offices of the assistant to chief executive officer of Yongda Holding and the deputy general manager of Yongda CLS. Mr. Ye held a number of managerial positions at Yongda CLS between 2003 and 2008, including the director of the business development department and assistant to the general manager. In 2002, Mr. Ye held the office of assistant to the general manager of Shanghai Yongda Automobile Rental Company (永達汽車租賃有限公司). Mr. Ye received a bachelor's degree in law from Shanghai University (上海大學) in 2001 and a master's degree of EMBA from Fudan University in June 2018.

**DONG Ying (董穎)**, aged 54, was our Vice-president from January 2012 to February 2016 and has been reappointed as our Vice-president since September 12, 2016. Mr. Dong joined our Group in November 2011 and has been responsible for our financial management. Mr. Dong has 29 years of experience in corporate finance, accounting, auditing, risk management and internal control. Mr. Dong was the deputy head of financial control center of Yongda Holding between November 2011 and December 2011. Prior to joining us, Mr. Dong was the financial controller of a company whose shares are listed in Hong Kong from 2006 to 2011. Mr. Dong worked at PricewaterhouseCoopers Zhong Tian Limited Company CPAs (普華永道中天會計師事務所有限公司) from 2003 to 2006 as a senior manager in its risk management and internal control service department and from 1994 to 2003 as a junior auditor and later as a senior manager in its audit department. He is a member of the Chinese Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia, and a Certified Public Accountant in California, America. Mr. Dong obtained a bachelor's degree in fine chemical engineering and a secondary diploma in international corporate management from East China University of Science and Technology (華東理工大學) in July 1993.



## *Directors and Senior Management*

**TANG Hua (唐華)**, aged 51, was our Vice-president from March 2015 to February 2016 and has been reappointed as our Vice-president since September 12, 2016. He is responsible for the operation and management of public affairs center and convergence media business department of our Group. Mr. Tang is also the director of our certain subsidiaries. After joining us in 2002, Mr. Tang held various positions in our Group, such as the press spokesman, the director of the public affairs center, the secretary of the Youth League Committee of our Group. Mr. Tang is also the president of Shanghai Automobile Sales Trade Association (上海汽車銷售行業協會). Prior to joining our Group, Mr. Tang worked in Saic Motor Group (上汽集團) and has more than 30 years of experience in the automobile industry. Mr. Tang obtained double bachelor's degree in economic management from Air Force Political Academy (空軍政治學院) and in administrative management from Fudan University (復旦大學) in 2001, and later obtained a master's degree in public administration (MPA) from Fudan University (復旦大學) in 2005.

**WEI Dong (衛東)**, aged 54, was our Vice-president from January 2012 to February 2016 and has been reappointed as our Vice-president since September 12, 2016. He is responsible for the operation and management of pre-owned vehicle business. Mr. Wei is also currently a director of several of our subsidiaries. Mr. Wei has 20 years of experience in sales management. From January 2008 to December 2011, Mr. Wei was the deputy general manager of Yongda CLS. From November 2004 to December 2008, Mr. Wei was the general manager of Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司). From April 2002 to October 2004, he was the deputy general manager of Shanghai Number One Yongda Automobile Trading Co., Ltd. (上海一百永達汽車貿易有限公司). Between April 2000 and March 2002, he was the deputy general manager of the Songjiang store of the Shanghai Number One Department Store Co., Ltd. (上海第一百貨松江店有限公司). From October 1989 to July 1998, Mr. Wei was a salesman, deputy secretary and secretary of the Youth League Committee at the Shanghai Number One Department Store Co., Ltd. (上海市第一百貨商店股份有限公司). Mr. Wei obtained an adult higher education bachelor's diploma in business administration from Shanghai Second Polytechnic University (上海市第二工業大學) in 2002.

**ZHANG Hong (張虹)**, aged 40, was re-designated as our Vice-president on March 25, 2020 and re-appointed as our joint company secretary on March 20, 2018. She is responsible for comprehensive affairs management, legal risk management and control, staff education and training and other areas of our Group, and participating in human resources management and the preparation of the interim reports and annual reports of the Company, and the organization of and preparation for the board meetings, board committee meetings and shareholders' meetings. Ms. Zhang joined us in July 2006 and has nearly 18 years of experience in automobile sales and service industry. She has held a number of positions in the Group, such as the assistant to the president, the assistant director, the deputy director and the executive director of the legal department of the Group, and served as our joint company secretary from June 30, 2015 to February 29, 2016. Ms. Zhang graduated from the department of economic laws of East China University of Political Science and Law (華東政法大學) with a bachelor's degree in Laws in June 2006.





**TAO Wei (陶衛)**, aged 44, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting the management of Baozen Business Division. Mr. Tao was promoted from front-line sales consultant to sales manager, and was the manager of the BMW, Audi, Jaguar Land Rover and other 4S brand stores since joining the Group in 2001, and accumulated rich work experience. Mr. Tao worked as the general manager of Shanghai Baozen Store of Yongda Automobile Group and Shanghai Baozen Shenjiang Automobile Sales and Service Co., Ltd. (上海寶誠申江汽車銷售服務有限公司) from October 2017, the assistant to president of Yongda Automobile Group from March 2014 to October 2017 and the general manager of Shanghai Yongda Aocheng Automobile Sales and Service Co., Ltd. (上海永達奧誠汽車銷售服務有限公司) of Yongda Automobile Group from May 2012 to March 2014. Mr. Tao joined us in November 2001 and he has held a number of managerial positions in the Group, such as sales manager and general manager of the Taiyuan Baozen Store, sales manager and deputy sales manager of the Chinese brand and Audi brand and sales consultant of the Shanghai Volkswagen Brand. Mr. Tao graduated from Shanghai Jiao Tong University (上海交通大學) with a major in automotive construction in 2001 and obtained a degree of Master of Business Administration at Fudan University (復旦大學) in 2020.

**SONG Jiamin (宋佳敏)**, aged 44, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting in management in the work relating to Baozen Business Division. Mr. Song currently serves as the general manager of Shanghai Baozen Yuexin Automobile Sales and Service Co., Ltd. (上海寶誠悅鑫汽車銷售服務有限公司) and the director of the northern area of Baozen Business Division since 2018. Mr. Song joined us in 2003 and has over 20 years of working experience in the automotive industry. He successively served as the general manager of Nantong Baozen Automobile Sales and Service Co., Ltd. (南通寶誠汽車銷售服務有限公司), Wuxi Baozen Automobile Sales and Service Co., Ltd. (無錫寶誠汽車銷售服務有限公司) and Beijing Baozen Baiwang Automotive Sales & Service Co., Ltd. (北京寶誠百旺汽車銷售服務有限公司). Mr. Song served as the marketing chief officer and assistant general manager of Shanghai Baozen Zhonghuan Automobile Sales and Service Co., Ltd. (上海寶誠中環汽車銷售服務有限公司) from October 2007 to June 2013, and the assistant director of the marketing center of Yongda Automobile Group from June 2003 to October 2007. Mr. Song graduated from Shanghai Tongji University (上海同濟大學) with a major in mechanical manufacturing and automation in 2003 and obtained a degree of Master of Business Administration at China Europe International Business School (中歐國際工商學院) in 2021.

**SUN Tianya (孫天涯)**, aged 35, was appointed as the intern assistant to our President on February 27, 2023, responsible for the operation and management of the new energy vehicle sales and service business of our Group, and participates in digital transformation and user operation works of the Group. Mr. Sun joined us in June 2015 and has over 10 years of working experience in the automotive industry. Since April 2021, he has been serving as the general manager of Shanghai Yongda New Energy Automobile Group Co., Ltd. (上海永達新能源汽車集團有限公司), where he is responsible for daily operation and management. From June 2016 to April 2021, he successively served as the general manager of Wuxi Yongda Zhipeng Automobile Sales Service Co., Ltd. (無錫永達之鵬汽車銷售服務有限公司) and Nanjing Yongda Zhipeng Automobile Sales Service Co., Ltd. (南京永達之鵬汽車銷售服務有限公司). From June 2015 to June 2016, he served as the assistant to general manager of Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. (無錫永達東方汽車銷售服務有限公司). From February 2012 to June 2015, he worked in Porsche (China) Motors Ltd. (保時捷(中國)汽車銷售有限公司) as a sales planning specialist. Mr. Sun graduated from Purdue University in December 2011 with a bachelor's degree in marketing management.



# Report of Directors

## PRINCIPAL ACTIVITIES

We are a leading passenger vehicle retailer and comprehensive service provider in China focusing on luxury and ultra-luxury brands and owns strong luxury and ultra-luxury products portfolio. We operate 4S dealerships by way of distribution and agent agreement for many automobile brands, mainly including luxury and ultra-luxury brands such as BMW/MINI, Mercedes-Benz, Audi, Porsche, Jaguar/Land Rover, Bentley, Aston Martin, Volvo, Cadillac, Lincoln and Lexus, mid-to-high-end brands such as Buick, Volkswagen and Chevrolet, and independent new energy automobile brands such as BYD, AITO, Great Wall Auto, Zhiji, Neta, Xiaopeng and smart.

The principal activities of the Group are as follows:

- (i) sale of automobiles;
- (ii) provision of after-sales services;
- (iii) provision of automobile operating lease services; and
- (vii) distribution of automobile insurance products, automobile financial products and suppliers' vehicles.

There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the Consolidated Financial Statements on pages 121 to 267 of this annual report.

## FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting to be held on June 5, 2024 (the "AGM") for the distribution of a final dividend of RMB0.052 per share for the year ended December 31, 2023. The final dividend is expected to be paid on or around June 28, 2024 (Friday) to the Shareholders whose names are listed on the register of members of the Company on June 18, 2024 (Tuesday). On the basis of the total issued share capital of 1,927,573,013 shares of the Company as of February 29, 2024, it is estimated that the aggregate amount of final dividend would be approximately RMB100 million. The actual total amount of final dividends to be paid will be subject to the total number of issued share capital of the Company as at the record date for determining the entitlement of Shareholders to the final dividend. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM. There is no arrangement that a shareholder has waived or agreed to waive any dividend.

## SHARE CAPITAL

Details of the issued shares of the Company during the year are set out in note 29 to the Consolidated Financial Statements.



## DEBENTURES ISSUED

No debentures were issued by the Company during the year ended December 31, 2023.

## RESERVES

Details of the movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 125 to 126 of this annual report.

## DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company has distributable reserves of RMB3,350 million in total available for distribution, of which RMB100 million has been proposed as final dividend payment for the year.

## FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 268 of this annual report.

## BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year are set out in note 31 to the Consolidated Financial Statements.

## PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2023, the Company does not have any property held for development and/or sale or investment with any percentage ratio (as defined in Article 14.04(9)) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) exceeding 5%. Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the Consolidated Financial Statements.

## CONTINGENT LIABILITIES

Save as disclosed on page 21 of this annual report, the Company did not have any material contingent liabilities as at December 31, 2023.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of our Directors, the Company has maintained the amount of public float as required under the Listing Rules as at the date of this annual report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the “Articles of Association”) and Laws of the Cayman Islands (the jurisdiction where the Company was incorporated), and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.



## Report of Directors

### TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares of the Company. If Shareholders are unsure about the taxation implications of the purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the shares of the Company, they should consult an expert.

### BUSINESS REVIEW

#### Overview and performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 9 to 23 of this annual report.


#### Environmental Policies and Performance

The Group is committed to the rational use of resources and energy, energy conservation and emissions reduction, and actively addressing climate changes. Regarding the rational use of resources, the Group has always attached importance to improving energy use efficiency and strictly abides by the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Conserving Energy*, and other laws and regulations, has always advocated low-carbon operations and incorporates minimizing resource utilization into daily operations and management, and has set long-term targets for the use of power and water. Regarding emissions reduction, the Group strictly complies with the *Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution*, the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, the *Integrated Wastewater Discharge Standard*, and other relevant environmental laws and regulations, and has designed a scientific discharge system to mitigate the impact of the pollutants generated during our operations on the environment. Regarding addressing climate changes, the Group attaches great importance to effectively addressing climate changes throughout its operations. The Group strictly follows the government's guidelines on dealing with extreme weather and develops emergency plans and countermeasures based on the actual situations of the Group to minimise the impact of climate changes on daily operations and personal safety.

The Group is mainly engaged in automobile sales and services, which is not an energy-intensive industry and has a limited impact on the environment. However, the Group appreciates the importance of understanding the Group's environmental impact and thrives to take action to reduce its footprint and raise environmental awareness. The Group has been encouraging the recycling of used parts of repair and maintenance tools and oil and liquid products, and strengthening the utilization of waste materials to raise the environmental awareness of our employees. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water and taking certain resource-saving measures during its operations. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in.

#### Compliance with Relevant Laws and Regulations

On intellectual property protection — the Group's passenger vehicle sales business is subject to the *Administrative Measures on Automobile Sales* (the "Measures"). The Group, an "automobile dealer" as classified under the Measures, has taken particular care to comply with the supplier's requirements relating to the intellectual property rights associated with its brand, such as trademarks, labels and store, and has also adhered to the relevant regulations of local municipal and commercial development authorities.



On product quality and customer protection — the Group’s passenger vehicle sales business and automobile rental business is subject to the *Product Quality Law of People’s Republic of China* and the *Customer Protection Law of People’s Republic of China*. The Group adopted measures to keep products for sale and rental in good quality, and monitored the labeling of products, making sure not to forge or falsely use another manufacturer’s authentication marks. In relation to customer protection, the Group has been observing the provisions of the *Customer Protection Law* and other relevant laws and regulations regarding personal safety and protection of property, providing consumers with true information in relation to goods and services, ensuring that the actual quality of goods and services is consistent with the relevant advertisements, product descriptions or samples.

Our privacy protection — with China introducing the *Personal Information Protection Law* in 2022, the Group acted strictly in accordance with the relevant regulations. It established the *Management Measures for Strengthening Prevention of Customer Information Risks* to regulate the relevant processes. The Group also conducted group-wide training, requiring employees to clearly explain the usage and purpose of information when collecting from customers and obtain the customers authorization, follow the corresponding application and approval procedures when using customers’ information, and sign a customer information confidentiality agreement when cooperating with third parties, to ensure secured customers’ information management and protection of customers’ privacy.

Our action against bribery and corruption — the Group holds a “zero tolerance” attitude towards bribery and corruption and strictly abides by the *Anti-Unfair Competition Law of the People’s Republic of China*, the *Anti-monopoly Law of the People’s Republic of China*, the *Interim Provisions on the Prohibition of Commercial Bribery*, and other relevant laws and regulations. The Group established the internal *Management Regulations on Integrity of Management Personnel* as a criterion for regulating employee behavior, adopted the *Anti-Corruption Policy* to promote and support anti-corruption laws and regulations, and established a *Whistleblowing Policy* for employees and those who deal with the Group to raise concerns, in confidence and anonymity, with the audit and compliance committee of the Company (“Audit and Compliance Committee”) about possible improprieties in any matter related to the Group. In addition, the Group established the integrity contracting system – all employees, commissioned managers and senior executives of the Group must sign the “Commitment on Integrity and Self-discipline”, and commit to jointly stopping commercial bribery to safeguard the brand image and long-term interests of the Group.

On labor protection — the Group has been committed in complying with the requirements of the *Labor Law of People’s Republic of China*, the *Law of People’s Republic of China on Employment Contracts* and the *Social Insurance Law of People’s Republic of China* in order to safeguard all employee rights and interests. All employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC, and are entitled to annual pension. No forfeited contribution under this scheme is available to reduce the contribution payable in future years. The Group has also made contributions to a defined contribution mandatory provident fund for all employees in Hong Kong. No forfeited contribution under this fund is available to reduce the contribution payable in future years. Further, the Group has been committed to complying with relevant laws and regulations on work and occupational safety of employees of the Group. The Company believes that all of our facilities and operations are in material compliance with the relevant labor and safety laws and regulations.

On taxation — the Group is subject to various taxation. Details of such taxes and compliance of the Group with such applicable tax laws are set out in notes 8 and 30 to Consolidated Financial Statements in this annual report.

On corporate compliance — the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the “SFO”) and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “CG Code”) for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”).



## Report of Directors

### Key Relationships with Stakeholders

With the goal of developing into a preeminent international enterprise, a trustworthy public company and a green enterprise, the Company actively fulfills its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, building a harmonious enterprise and serving the harmonious society to undertake its responsibilities for employees, customers, suppliers and the Shareholders.

With respect to human resources management, the Group has been devoting continuous efforts in three aspects, namely, talent introduction, talent training and performance appraisal. A description of the Group's policies on human resources management is set out in the Management Discussion and Analysis section on page 23 of this annual report.

With respect to customer retention management, the Group has been committed in providing personalized, comprehensive, innovative and convenient services with high quality to our customers. Adhering to the concept of enhancing customer experience, the Group has provided services and e-commerce platforms to improve customers' satisfaction and attract new customers to visit the Group's outlets. Details of which are set out in the Management Discussion and Analysis section on page 14 of this annual report.

The Group has been successful in establishing a strong cooperation relationship with automobile manufacturers and has been entering into stable agreements including dealership and authorization agreements with them. In order to maintain a strong cooperation relationship, the Group will continue to focus on promoting win-win philosophy and encouraging experience, resources and knowledge sharing with the manufacturers. The Group also aims to further strengthen their communications with the manufacturers by engaging them through business negotiations, business meetings, visits, gatherings, relationship-building events and project cooperation.

The Group recognizes the importance to protect the interests of Shareholders and the importance of having an effective communication with them. The Group believes communication with the Shareholders is a two-way process and has thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback it receives from the Shareholders. This has been done through annual general meetings, extraordinary general meetings, corporate communications, interim and annual reports and results announcements.

### Key Risks and Uncertainties

#### ***Risk of fluctuations in financial conditions and operating results of automobile manufacturers***

The Group, being a passenger vehicle retail services provider operating 4S dealerships and providing after-sale and other comprehensive services, relies on and is subject to significant influence from automobile manufacturers. If there are fluctuations in the financial conditions and operating results of the automobile manufacturers, the manufacturers may not, among other things, enter into or renew dealership and authorization agreements on terms that are reasonable or acceptable to the Group. Or if there are labor disputes involving automobile manufacturers, it could result in an interruption in the delivery of new passenger vehicles to the outlets, shortage of new passenger vehicles and may significantly increase the labor costs as a result of negotiations to resolve the labor disputes. Or if, the Group open up more outlets to the extent possible in response to the demand from the automobile manufacturers to increase sales outlets, this could result in a certain degree of risk in terms of investment returns. All of these factors could in turn impose a downward pressure on the Group's margins which could reduce and affect the Group's revenue and profitability as well as its financial conditions and operating results. In order to manage the Group's exposure to the aforementioned risk, the Group will continue to maintain and further develop the diversity of its brand portfolio by strengthening the communication between the Group and automobile manufacturers.



### ***Risk of damage to brand recognition***

Although the Group has successfully established the Group's "永達 (Yongda)" brand and registered it with the Trademark Office of State Administration for Industry and Commerce in 2005, the Group may have difficulties in maintaining brand recognition if there are, among other things, a deterioration in service quality and dealership management, a decline in premium in value attributed to the Group's business compared to that of the competitors, and unauthorized use and infringement of the Group's brand, trademarks and other related intellectual property rights. In such event, the Group may not be able to effectively compete for customers and new authorizations from automobile manufacturers to open outlets and the Group's business, financial condition, results of operations and growth aspects may be materially and adversely affected. In order to maintain and ensure there is adequate protection for the Group's brand, trademarks and other related intellectual property rights, the Group will continue to develop goodwill for the Group's name (including its brand name, logos etc.), monitor for infringers, develop and establish policies and strategies for all the Group's intellectual property including all trademarks and brand names.

### ***Risk of amendments to government policies, vehicle consumption policies, fiscal policies and other legal risks***

The PRC Government's policies on passenger vehicle purchases and ownership and the PRC Government's measures on automobile sales implemented from time to time may materially affect the Group's business because of their influence on the automobile industry and consumer behaviors. Changes in the fiscal regimes in the PRC, such as the introduction of new taxes and increases in tax rates, may affect the profitability of the Company. The PRC Government's speeding up the promotion and application of new energy vehicles may also bring an impact on the automobile industry. In addition, as consumers are increasingly aware of product safety relating to product quality and the quality of vehicle repair and maintenance, it is possible that the Group may face product quality related legal disputes.

On the other hand, passenger vehicle sales may be affected by quotas or other measures imposed by local governments to control the number of passenger vehicles in the cities where the Group's network are located. These policies may lead to changes in local economic conditions, the competitive environment and ability of potential customers to purchase passenger vehicles and may have an impact on the Group's business, financial condition, results of operations and growth prospect.

In order to minimize the impact of the aforementioned risks, the Group has started launching the sale of new energy vehicles and aims to strengthen its communication with the local municipals and regulators in relation to possible amendments to relevant policies.

### ***Market Risks***

The Group is exposed to various types of market risks, including currency risk, interest rate risk, credit risk and liquidity risk. Details of such risks are set out in note 42 to the Consolidated Financial Statements in this annual report.

### ***Significant Investments, Material Acquisitions and Disposals***

Save as disclosed in this annual report, for the year ended December 31, 2023, the Company did not hold any significant investments or conduct any major acquisitions or disposals of subsidiaries, associates and joint ventures. Save as disclosed in this annual report, during the year ended December 31, 2023 and up to the date of this annual report, the Company has no plans to make significant investments or purchase capital assets in the future.



## Report of Directors

### PROSPECTS

A description of the future development in the Company's business is provided in the Chairman's Statement and the Management Discussion and Analysis on pages 6 to 7 and pages 21 to 23 respectively of this annual report.

### OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Directors are not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.20 to 13.22 of the Listing Rules.

### EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period need to be brought to the attention of the Shareholders.

### DIRECTORS

The Directors during the year and up to the date of this annual report are:

#### Executive Directors

Mr. CHEUNG Tak On (*Chairman*)  
Mr. CAI Yingjie (*Vice-chairman*)  
Mr. WANG Zhigao (*Vice-chairman*)  
Mr. XU Yue (*Vice-chairman, President and Chief Executive Officer*)  
Ms. CHEN Yi (*Vice-president*)  
Mr. TANG Liang (*Vice-president*)

#### Independent Non-executive Directors

Ms. ZHU Anna Dezhen  
Mr. LYU Wei  
Mr. MU Binrui

In accordance with article 104(1) of the Articles of Association, one-third of the Directors will retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with article 99(3) of the Articles of Association, any Director appointed by the board of Directors to fill a casual vacancy or as an addition to the existing board of Directors will hold office until the first annual general meeting of the Company after his appointment and be eligible for re-election.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 24 to 31 of this annual report. Save as disclosed in this annual report, there are no other changes in the information of Directors and chief executive which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.





## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for a term of three years commencing from their respective effective date of appointment, which may be terminated by not less than one month's notice in writing served by either the executive Director or the Company. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment. The appointments of Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## **CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

During the year ended December 31, 2023, the Company did not receive any notification from any of the independent non-executive Directors about any subsequent change of circumstances which may affect his/her independence. We have received from each of the independent non-executive Directors, namely Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. MU Binrui, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the independent non-executive Directors have been independent from the date of their appointments to December 31, 2023 and remain so as of the date of this annual report.

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

As at December 31, 2023, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

## Report of Directors

### (A) Long positions in the Company's shares ("Shares")

Name of Director	Capacity/Nature of Interest	Total number of Shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On <sup>(1)</sup>	Founder of a discretionary trust	405,509,500	20.950
	Interest of controlled corporation	167,080,000	8.632
	Beneficial owner	9,303,000	0.481
Mr. CAI Yingjie <sup>(2)</sup>	Interest of controlled corporation	35,788,000	1.849
	Beneficial owner	674,500	0.035
Mr. WANG Zhigao <sup>(3)</sup>	Interest of controlled corporation	8,660,000	0.447
	Beneficial owner	910,500	0.047
Mr. XU Yue <sup>(4)</sup>	Beneficial owner	3,158,000	0.163
	Interest of spouse	2,350,000	0.121
Ms. CHEN Yi	Beneficial owner	537,000	0.028
Mr. TANG Liang	Beneficial owner	1,005,000	0.052

#### Notes:

- (1) (i) Mr. CHEUNG Tak On is the settlor and protector of a discretionary trust of which HSBC International Trustee Limited acts as its trustee and the beneficiaries of which are Mr. CHEUNG Tak On and certain of his family members (the "Family Trust"). Palace Wonder Company Limited (柏麗萬得有限公司) ("Palace Wonder") is wholly-owned by Regency Valley Company Limited (麗晶萬利有限公司) ("Regency Valley"), which is in turn wholly-owned by HSBC International Trustee Limited, as the trustee of the Family Trust. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 405,509,500 Shares held by Palace Wonder.
- (ii) Asset Link Investment Limited ("Asset Link") is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 167,080,000 Shares held by Asset Link.
- (iii) Mr. CHEUNG Tak On also holds 9,303,000 Shares as beneficial owner.

- (2) Mr. CAI Yingjie holds 100% of the issued share capital of Ample Glory International Investment Company Limited (“Ample Glory”) and he is deemed to be interested in the 35,788,000 Shares held by Ample Glory. He also holds 674,500 Shares as beneficial owner.
- (3) Mr. WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited (“Golden Rock”) and he is deemed to be interested in the 8,660,000 Shares held by Golden Rock. He also holds 910,500 Shares as beneficial owner.
- (4) Mr. XU Yue holds 3,158,000 Shares as beneficial owner. In addition, he is deemed to be interested in the 2,350,000 Shares held by his spouse, Ms. ZHANG Yanyu.

**(B) Long positions in underlying Shares of the Company**

Name of Director	Capacity	Number of underlying shares in respect of the share options granted	Percent of underlying Shares over the Company’s issued share capital (%)
Mr. XU Yue	Beneficial owner	1,000,000	0.052
Ms. CHEN Yi	Beneficial owner	264,000	0.014
Mr. TANG Liang	Beneficial owner	825,000	0.043

Save as disclosed above, as at December 31, 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at December 31, 2023, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

## Report of Directors

### Long positions in the Shares and underlying Shares of the Company

Name of Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares	Appropriate Percentage of Shareholdings (%)
Palace Wonder <sup>(1)</sup>	Beneficial owner	405,509,500	20.950
Regency Valley <sup>(1)</sup>	Interest of controlled corporation	405,509,500	20.950
HSBC International Trustee Limited <sup>(1)</sup>	Trustee	405,509,500	20.950
Asset Link <sup>(2)</sup>	Beneficial owner	167,080,000	8.632
FIL Limited <sup>(3)</sup>	Interest of controlled corporation	194,502,188	10.049
Pandanus Partners L.P. <sup>(3)</sup>	Interest of controlled corporation	194,502,188	10.049
Pandanus Associates Inc. <sup>(3)</sup>	Interest of controlled corporation	194,502,188	10.049
Brown Brothers Harriman & Co. <sup>(4)</sup>	Approved lending agent	178,318,098	9.213
FIDELITY FUNDS	Beneficial owner	165,729,470	8.562

#### Notes:

- (1) Palace Wonder is wholly-owned by Regency Valley, which is in turn wholly-owned by HSBC International Trustee Limited as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. CHEUNG Tak On as settlor and protector with HSBC International Trustee Limited appointed as trustee on April 5, 2012. The beneficiaries of the Family Trust are Mr. CHEUNG Tak On and certain of his family members. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 405,509,500 Shares held by Palace Wonder.
- (2) Asset Link is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 167,080,000 Shares held by Asset Link.
- (3) Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which in turn holds as to 39.40% shareholding interest in FIL Limited. FIL Limited was deemed to be interested in these 194,502,188 Shares through a series of its subsidiaries.
- (4) Brown Brothers Harriman & Co. held 178,318,098 Shares (long position) in the capacity of approved lending agent, all of which were lending pool.

Save as disclosed above, as at December 31, 2023, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or 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.



## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, at no time during the year and up to the date of this annual report was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## **DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESS**

Save as disclosed in the section headed “Our History and Reorganization — Onshore Reorganization” in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the Directors and controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2023.

We have received an annual written confirmation from our controlling Shareholders, including Mr. CHEUNG Tak On and Asset Link, in respect of the compliance with the provisions of the deed of non-competition entered into between the Company and the controlling Shareholders (the “Deed of Non-competition”).

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition in respect of the financial year ended December 31, 2023 based on the information and confirmation provided by or obtained from the controlling Shareholders, and were satisfied that the controlling Shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

## **CONNECTED AND CONTINUING CONNECTED TRANSACTIONS**

Among the related party transactions disclosed in note 45 to the Consolidated Financial Statements, the following transactions constitute connected transactions or continuing connected transactions for the Company and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. Except as disclosed below, other related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the connected transactions and continuing connected transactions below. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

### **2021 New Properties Leasing Agreement and 2023 New Properties Leasing Agreement**

On November 25, 2020, the Company entered into a new properties leasing agreement, as the lessee, with Yongda Holding, as the lessor (the “2021 New Properties Leasing Agreement”) whereby Yongda Holding and its relevant subsidiaries (“Yongda Holding Group”) agreed to lease certain properties to the Group for a term of three years commencing from January 1, 2021 and ending on December 31, 2023.




## Report of Directors

After taking into consideration of the estimated maximum annual rent not exceeding RMB38.5 million, the annual caps of the right-of-use asset recognized under the 2021 New Properties Leasing Agreement for each of the three years ended/ending December 31, 2021, 2022 and 2023 are RMB103 million, RMB103 million and RMB103 million, respectively. For the year ended December 31, 2023, the total rental paid or payable by the Group to Yongda Holding Group was RMB37.918 million, and the right-of-use asset balance was nil. The rental payable under the 2021 New Properties Leasing Agreement shall be calculated based on the gross floor area of the subject properties multiplied by the rent per unit area which shall be determined with reference to the rent of similar properties in the vicinity and the local market rental level, subject to adjustment by the parties in accordance with the actual condition of the subject properties and shall be no less favorable than that can be offered by an independent third party. As one or more of the applicable percentage ratios for the annual caps under the 2021 New Properties Leasing Agreement for the three years ending December 31, 2023 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2021 New Properties Leasing Agreement are exempt from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties under the 2021 New Properties Leasing Agreement are mainly used for the Group's 4S dealerships, city showrooms, repair and maintenance service centers and offices. For details of the 2021 New Properties Leasing Agreement and the transactions contemplated thereunder, please refer to the announcement of the Company dated November 25, 2020 and note 45 to the Consolidated Financial Statements.

On December 29, 2023, the Company entered into a new properties leasing agreement, as the lessee, with Yongda Holding, as the lessor (the "2023 New Properties Leasing Agreement") whereby Yongda Holding Group agreed to lease certain properties to the Group for a term of three years commencing on January 1, 2024 and ending on December 31, 2026. The Directors were of the view that it was beneficial for the Group to enter into the 2023 New Properties Leasing Agreement, through which the Group is able to continue to use the land and properties to avoid any disruption to operations due to relocation and also save the relocation costs. For details of the 2023 New Properties Leasing Agreement, please refer to the announcement of the Company dated December 29, 2023.

After taking into consideration of, among others, the estimated maximum annual rent not exceeding RMB45 million, the annual caps of the right-of-use asset recognized under the 2023 New Properties Leasing Agreement for each of the three years ending December 31, 2024, 2025 and 2026 are RMB125,684,000, RMB125,684,000 and RMB125,684,000, respectively. The rental payable under the 2023 New Properties Leasing Agreement shall be calculated based on the gross floor area of the subject properties multiplied by the rent per unit area which shall be determined with reference to the rent of similar properties in the vicinity and the local market rental level, subject to adjustment by the parties in accordance with the actual condition of the subject properties and shall be no less favorable than that can be offered by an independent third party. As one or more of the applicable percentage ratios for the annual caps under the 2023 New Properties Leasing Agreement for the three years ending December 31, 2026 are more than 0.1% but less than 5%, the continuing connected transactions contemplated under the 2023 New Properties Leasing Agreement are exempt from the circular (including independent financial advice) and shareholders' approval requirements but subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. The leased properties under the 2023 New Properties Leasing Agreement are mainly used for the Group's 4S dealerships, city showrooms, repair and maintenance service centers and offices.

As Yongda Holding is a majority-controlled company held by an immediate relative and a family member of Mr. CHUNG Tak On, being the Controlling Shareholder and a Director of the Company, Yongda Holding is a connected person of the Company and the transactions contemplated under the 2023 New Properties Leasing Agreement would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.



Deloitte Touche Tohmatsu has confirmed in its letter to the Board that, with respect to the Group's continuing connected transactions: (i) nothing has come to its attention that causes it to believe that the continuing connected transactions have not been approved by the Board; (ii) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) with respect to the aggregate amount of the continuing connected transactions under the 2021 New Properties Leasing Agreement, nothing has come to its attention that causes it to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

The Directors of the Company, including independent non-executive Directors, have reviewed and confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; (iii) according to the relevant agreement (including the pricing principle and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests the Shareholders as a whole; and (iv) the Company has complied with the pricing guidelines and has adopted internal control measures when determining the prices and terms of the transactions conducted during the year mentioned above.

For the work carried out by the management of the Company to confirm: (a) whether the relevant transaction has been carried out in accordance with the pricing policy or mechanism under the framework agreement; and (b) whether the internal control procedures of the Company are sufficiently effective to ensure that the relevant transaction is carried out properly, please refer to "Risk Management and Internal Controls" on pages 67 to 69 of this annual report.

Save for disclosed above, during the year, the Group have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE**

Saved as disclosed in "Connected and Continuing Connected Transactions" section above, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2023 or at the end of the year ended December 31, 2023.

## **CONTRACT OF SIGNIFICANCE**

Save as disclosed in the "Connected and Continuing Connected Transactions" section above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2023.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year and up to the date of this annual report between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.



## Report of Directors

### **DIRECTORS' PERMITTED INDEMNITY PROVISION**

Pursuant to the Articles of Association, the Company shall indemnify and hold harmless out of the assets of the Company, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any Director (including alternate Directors or person serves at the request of the Company as a Director) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Director. The Company has arranged appropriate directors' liability insurance coverage for the Directors during the year ended December 31, 2023. Except for aforementioned directors' liability insurance, at no time during the year and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or associated companies.

### **STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION**

As at December 31, 2023, the Group had 14,778 employees (including employees in all regions of the Group). The remuneration of the employees includes salaries and allowances. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group offers competitive remuneration packages to the Directors, and the Board is delegated by the Shareholders at general meeting to fixed the Directors' remuneration. The emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.


Details of the Directors' remuneration during the year are set out in note 10 to the Consolidated Financial Statements. No loans, quasi-loans or other dealings in favor of Directors, their controlled bodies corporate and their connected entities at any time during the year ended December 31, 2023. No consideration was provided to or received by third parties for making available the services of a person as a Director or in any other capacity while as a Director during the year ended December 31, 2023.

### **SHARE OPTION SCHEME**

The Company adopted a share option scheme (the "2013 Share Option Scheme") pursuant to Chapter 17 of the Listing Rules on October 10, 2013, which was terminated on June 1, 2023. No further share option has been or will be granted under the 2013 Share Option Scheme since its termination, while the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the 2013 Share Option Scheme. For further details of the termination of the 2013 Share Option Scheme, please refer to the announcement of the Company dated March 24, 2023 and the circular of the Company dated April 26, 2023.

The Company has adopted a new share option scheme pursuant to Chapter 17 of the Listing Rules on June 1, 2023 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons ("Eligible Persons") for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Eligible Persons include (a) any Director of the Company or employee of the Group (including persons who are granted share options under the Share Option Scheme as an inducement to enter into employment contracts with the Group); and (b) any director or employee of the holding companies, fellow subsidiaries or associated companies of the Company. The basis of eligibility of any of the above classes of Eligible Persons to the grant of any share options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group. The Share Option Scheme shall be valid and effective for a period of ten years commencing from June 1, 2023, after which period no further share option shall be granted. Therefore, as at December 31, 2023, the remaining life of the Share Option Scheme was approximately nine years and five months.





Under the Share Option Scheme, the Board shall be entitled to determine the grant of share options and the number of share options to be granted to the relevant grantees taking into account such factors as the Board may consider appropriate. The Company shall not make any further grant of share options which will result in the aggregate number of Shares underlying all grants made pursuant to the Share Option Scheme and all other share schemes existing at such time of the Company to exceed 194,502,551 Shares, being 10% of the total number of Shares in issue as at June 1, 2023, excluding the share awards and/or share options lapsed under the share schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time (the “Share Incentive Schemes”). The Company may seek the approval of its Shareholders in general meeting to refresh the aforesaid scheme mandate limit pursuant to the Share Option Scheme and the Listing Rules. As at the date of this annual report, the number of Shares available for issue under the Share Incentive Schemes, including the Share Option Scheme, amounted to 196,112,551 Shares, representing approximately 10.17% of the total number of issued Shares.

No share option shall be granted to any Eligible Person if, at the relevant time of grant, the number of Shares issued and to be issued in respect of all grants made under any share scheme(s) of the Company (granted and proposed to be granted, whether exercised, cancelled or outstanding, excluding any share options or awards lapsed in accordance with any share schemes of the Company) to the relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1% of the total number of Shares in issue at such time. Any grant or further grant of share options in excess of this limit is subject to Shareholders’ approval in a general meeting of the Company.

The exercise price of share options is determined by the Board and shall be at least the highest of (i) the closing price of the Company’s Shares as stated in the daily quotations sheet of the Stock Exchange on the date of offer of the share options, which must be a business day; (ii) the average of the closing prices of the Company’s Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of the share options; and (iii) the nominal value of a Share.

The vesting period is determined at the Company’s discretion and is set out in the offer letters to the grantees. A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of a grant. An share option must be held by the grantee for at least 12 months before the share option can be exercised, unless a shorter vesting period is granted at the discretion of the Board and/or the remuneration committee of the Company (the “Remuneration Committee”) as deemed appropriate under circumstances prescribed by the Share Option Scheme. The Board shall specify in an offer letter a date by which a grantee must accept an offer, being a date no later than 28 days after the date on which the share option is offered or the date on which the conditions for the offer are satisfied, if any. No payment shall be made upon acceptance of the offer.

The maximum number of share options available for grant under the mandate of the 2013 Share Option Scheme as at January 1, 2023 was 50,686,200, and the maximum number of share options and awards available for grant under the Share Incentive Schemes, including the Share Option Scheme, as at December 31, 2023 was 194,502,551. No share option shall be granted to any service provider under the Share Option Scheme, and thus there is no service provider sublimit under the Share Option Scheme. As at the date of this annual report, the number of Shares available for issue under the Share Option Scheme amounts to 196,112,551 Shares, representing approximately 10.17% of the total number of issued Shares.

58%

## Report of Directors

Details of movements in the share options granted under the 2013 Share Option Scheme during the year ended December 31, 2023 are as follows:

Category and Name of grantee	Number of Share Options						As at December 31, 2023	Date of grant of share options	Vesting period of share options <sup>(1)</sup>	Exercise period of share options	Exercise price of share options HK\$ per share	Closing price of the Company's Shares immediately before the grant date	Weighted average closing price of the Company's Shares	
	As at January 1, 2023	Granted during the year <sup>(1)</sup>	Cancelled during the year	Exercised during the year	Lapsed during the year	As at December 31, 2023						Exercise price of share options HK\$ per share	Immediately before the exercise dates	At dates of share options exercise
<i>Executive Director</i>														
XU Yue	3,000,000	-	(2,000,000)	-	-	1,000,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	-	-	
CHEN Yi	800,000	-	(536,000)	-	-	264,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	-	-	
TANG Liang	2,500,000	-	(1,675,000)	-	-	825,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	-	-	
Other employees in aggregate	5,700,000	-	(3,814,000)	-	-	1,886,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	-	-	

*Note:*

- (1) The vesting of share options granted under the 2013 Share Option Scheme would be subject to the performance criteria to be satisfied by the grantees as determined by the Board and/or the Remuneration Committee and specified in the respective offer letters, which may comprise a mixture of attaining a satisfactory key performance indicators components (including, without limitation, the business performance and financial performance of the Group and/or department by reference to annual corporate targets and/or goals attained, market capitalization milestones and individual performance based on the periodic performance assessment and annual review results).

No share options have been granted, cancelled, exercised or lapsed under the Share Option Scheme from June 1, 2023, being the date of adoption of the Share Option Scheme, to December 31, 2023.



## AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

The Company's employee pre-IPO incentive scheme (the "Employee Pre-IPO Incentive Scheme"), the details of which are set out in the paragraph headed "Employee Pre-IPO Incentive Scheme" in Appendix IV to the Company's prospectus dated June 29, 2012, was conditionally approved and adopted by a resolution of the Directors on April 3, 2012. The purpose of the Employee Pre-IPO Incentive Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Any employees, Directors (other than independent non-executive Directors) and members of the senior management of the Company, but excluding (a) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (b) any other person that the Board may determine from time to time, may participate in this scheme. The Company adopted the Employee Pre-IPO Incentive Scheme mainly to provide incentive or reward with its existing Shares to the employees, directors and members of senior management of the Group for their contribution to, and continuing efforts to promote the interest of, the Group.

The Remuneration Committee has full power and authority to (a) propose, select or determine which beneficiary is entitled to an award; (b) determine the amount of the award for each selected beneficiary; and (c) make the relevant award to the beneficiaries under the Employee Pre-IPO Incentive Scheme. Only the dividend payments on the Shares held by BOCI Trustee (Hong Kong) Limited ("BOCI HK Trustee") via special purpose vehicle under the Employee Pre-IPO Incentive Scheme (the "Scheme Shares") will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme. The BOCI HK Trustee, as the trustee holding unvested Shares of the Employee Pre-IPO Incentive Scheme, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. Under the Pre-IPO Employee Incentive Scheme, the total number of Shares underlying the restricted Shares to be granted from time to time must not, in any event, exceed 5% of the number of the Shares in issue on such date without the Board's prior approval. There is no maximum entitlement of each participant under the Employee Pre-IPO Incentive Scheme.

Subject to the terms of the Employee Pre-IPO Incentive Scheme and the specific terms and conditions applicable to each grant of the award, the restricted Shares awarded shall be subject to a vesting period as determined by the Board or the Remuneration Committee, and to the satisfaction of performance and/or other conditions to be determined by the Board or the Remuneration Committee, as specified in the notice of grant of award under the Employee Pre-IPO Incentive Scheme. There is no consideration for application or acceptance of the award granted nor purchase price of restricted Shares awarded.

Unless terminated earlier by a resolution of the Board made in accordance with the terms of the trust deed, the Employee Pre-IPO Incentive Scheme has a term of 80 years from the listing date of the Company. Therefore, as at December 31, 2023, the remaining life of the Employee Pre-IPO Incentive Scheme was approximately 68 years and six months. On termination of the Employee Pre-IPO Incentive Scheme, BOCI HK Trustee will transfer the Scheme Shares to Yongda Holding, unless the board of directors of Yongda Holding requests the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of BOCI HK Trustee, the Articles of Association and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

58%



## Report of Directors

On August 30, 2013, the Board resolved to amend the Employee Pre-IPO Incentive Scheme (the “Amended Scheme”) to the effect that, in addition to the previously allowed cash awards, awards of restricted share awards could be granted to eligible persons pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) and members of the senior management of the Group, but excluding (i) any person who has given or been given notice terminating his or her office or directorship, as the case may be; and (ii) any other person that the Board may determine from time to time. For further details of the amendments to the Employee Pre-IPO Incentive Scheme, please refer to the announcement of the Company dated August 30, 2013.

On June 18, 2020, the Board resolved to amend the Amended Scheme (the “2020 Amended Scheme”) to the effect that, and any reference in Amended Scheme to the previous trustee namely HSBC Trustee (Hong Kong) Limited shall be changed to the new trustee namely BOCI Trustee (Hong Kong) Limited. The 2020 Amended Scheme is funded purely by existing Shares of the Company. As at the date of this annual report, the number of Shares available for grant under the 2020 Amended Scheme amounted to 28,342,205 Shares, representing approximately 1.47% of the total number of issued Shares.

Details of movements in the restricted Shares granted under the 2020 Amended Scheme during the year ended December 31, 2023 are as follows:

Category and Name of grantee	Number of awards of the restricted Shares						Weighted average closing price of the Company's shares					
	As at	Granted	Vested	Cancelled	Lapsed	As at	Date of grant of the awards	Vesting period of the awards <sup>(3)</sup>	Purchase price of restrict Shares	Closing price of the Company's shares		
	January 1, 2023	during the year <sup>(1)</sup>	during the year	during the year	during the year	December 31, 2023				immediately before the grant date of the awards	Immediately before the vesting dates	At dates of awards vested
							HK\$ per share	HK\$ per share	HK\$ per share	HK\$ per share		
Grantees in aggregate <sup>(2)</sup>	-	100,000	(100,000)	-	-	-	August 3, 2023	Vested at the date of grant	0	3.47	3.47	3.48
	-	100,000	(100,000)	-	-	-	October 4, 2023	Vested at the date of grant	0	2.78	2.78	2.71

### Notes:

- (1) The average fair value of awards of the restricted Shares granted on August 3, 2023 and October 4, 2023 was RMB3.19 and RMB2.49 per Share at the date of grant, respectively. For the fair value of awards granted at the date of grant and the accounting standard and policy adopted, please refer to note 35 to the Consolidated Financial Statements.
- (2) The restricted Shares awarded were subject to the satisfaction of performance and/or other conditions, such as attainment or performance of milestones by any member of the Group, the grantee or any group of grantees, to be determined by the Board or the Remuneration Committee as specified in the notice of grant of awards.
- (3) These grantees are neither Directors nor the five highest paid individuals during the year ended December 31, 2023.



## SHARE AWARD SCHEME

The Company has adopted a share award scheme (the “Share Award Scheme”) on June 1, 2022, which was amended pursuant to Chapter 17 of the Listing Rules on June 1, 2023 (the “Amendment Date”). The specific objectives of the Share Award Scheme are (i) to recognize the contributions by certain participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The eligible participants (the “Eligible Participants”) of the Share Award Scheme include (a) any Director of the Company or employee of the Group (including persons who are granted awards (the “Award(s)”) under the Share Award Scheme as an inducement to enter into employment contracts with the Group); and (b) any director or employee of the holding companies, fellow subsidiaries or associated companies of the Company. The basis of eligibility of any of the above classes of Eligible Participants to the grant of any awards shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

Unless terminated earlier by the Board pursuant to the provisions of the Share Award Scheme, the Share Award Scheme shall be valid and effective for ten years commencing from June 1, 2022 (the “Trust Period”), being the date on which the Share Award Scheme was adopted, after which period no further Awards will be granted under the Share Award Scheme. Therefore, as at December 31, 2023, the remaining life of the Share Award Scheme was approximately eight years and five months.

Subject to the provisions of the Share Award Scheme, the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than those being excluded pursuant to the provisions of the Share Award Scheme) for participation in the Share Award Scheme as a selected participant (the “Selected Participant”). Where any grant of Award is proposed to be made to any Selected Participant who is a Director (including an independent non-executive Director) or senior management of the Group, such grant must first be approved by all the members of the Remuneration Committee, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee.

Subject to the provisions of the Share Award Scheme, the Board may grant such number of Awards to any Selected Participant at such consideration and on and subject to such terms and conditions as it may in its absolute discretion determine. The consideration shall be determined by the Company with reference to other cases of listed companies, taking into account factors such as the implementation effect of the Company’s historical share-based incentive scheme, the trend of the Company’s Share price in recent years and the actual situation of the Company. Except for such consideration which shall be paid in such manner and on or before such deadline(s) as prescribed in the grant notice by the Selected Participant who accepts the Award (the “Awardee”) to the Company where applicable, no other purchase price shall be paid for the Awards.

The Awards granted shall be subject to a vesting period as determined by the Board, which shall be at least 12 months commencing from the date of the grant notice, unless a shorter vesting period is granted at the discretion of the Board and/or the Remuneration Committee as deemed appropriated under circumstances prescribed by the Share Award Scheme. Subject to the terms and condition of the Share Award Scheme and the fulfillment of all vesting conditions and vesting period applicable to the vesting of the Awards on such Awardee and all requirements applicable to such Awardee as specified in the Share Award Scheme and the relevant grant notice (unless waived by the Board), the respective Awards granted to the Awardee pursuant to the provision of the Share Award Scheme shall vest in such Awardee in accordance with the vesting schedule as set out in the grant notice. In the event that the Board does not receive the required transfer documents from the Selected Participant at least 10 business days prior to the vesting date, the Awards which would have otherwise vested in such Selected Participant shall automatically lapse.



## Report of Directors

The Company shall not make any further grant of Awards which will result in the aggregate number of Shares underlying all grants made pursuant to the Share Award Scheme after the Amendment Date and all other share schemes existing at such time of the Company to exceed 194,502,551 Shares, being 10% of the total number of Shares in issue as at the Amendment Date, excluding the share awards and/or share options lapsed under the Share Incentive Schemes. The Company may seek the approval of its Shareholders in general meeting to refresh the aforesaid scheme mandate limit pursuant to the Share Award Scheme and the Listing Rules.

The maximum number of Shares underlying the Awards available for grant under the Share Award Scheme as at January 1, 2023 was 196,635,551, and the maximum number of share options and awards available for grant under the Share Incentive Schemes, including the Share Award Scheme, as at December 31, 2023 was 194,502,551. No Award shall be granted to any service provider under the Share Award Scheme, and thus there is no service provider sublimit under the Share Award Scheme. As at the date of this annual report, the number of Shares available for issue under the Share Incentive Schemes, including the Share Award Scheme, amounted to 196,112,551 Shares, representing approximately 10.17% of the total number of issued Shares.

The maximum number of Shares issued and to be issued in respect of all grants made under any share schemes of the Company (granted and proposed to be granted, whether exercised, cancelled or outstanding, excluding share options or awards lapsed in accordance with any share schemes of the Company) to a Selected Participant in the 12-month period up to and including the date of grant of the relevant Awards shall not exceed 1% of the total number of Shares in issue, unless separately approved by the Shareholders in a general meeting of the Company. The approval of independent non-executive Directors (excluding any independent non-executive Directors who is a proposed Selected Participant) is required for each grant of Awards to a Director, chief executive, or a substantial Shareholder or any of their respective associates. Where any grant of Awards (excluding grant of options) to a Director (other than an independent non-executive Director) or chief executive of the Company or any of their associates would result in the total number of Shares issued and to be issued in respect of all awards granted under any share award scheme(s) of the Company (granted and proposed to be granted, whether exercised, cancelled or outstanding, excluding any awards lapsed in accordance with respective award share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of Awards must be approved by Shareholders in general meeting in compliance with the requirements of Rule 17.04 of the Listing Rules. Where any grant of Awards to a substantial Shareholder or an independent non-executive Director, or their respective associates would result in the total number of Shares issued and to be issued in respect of all grants made under any share schemes of the Company (granted and proposed to be granted, whether exercised, cancelled or outstanding, excluding options or awards lapsed in accordance with any share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of Awards must be approved by the Shareholders in general meeting in compliance with the requirements of Rule 17.04 of the Listing Rules.

Details of movements in the Shares awarded under the Share Award Scheme during the year ended December 31, 2023 are as follows:

Category and Name of grantee	Number of Awards						Date of grant of the awards	Vesting period of the awards <sup>(2)</sup>	Purchase price of restrict Shares HK\$ per share	Weighted average closing price of the Company's Shares		
	As at January 1, 2023	Granted during the year <sup>(1)</sup>	Vested during the year	Cancelled during the year	Lapsed during the year	As at December 31, 2023				Closing price of the Company's Shares		
										Immediately before the grant date of the awards	Immediately before the vesting dates	At dates of awards vested
Employee participants in aggregate	-	5,660,000	-	-	-	5,660,000	March 28, 2023	To be vested on March 29, 2024	2.765	5.00	-	-

Notes:

- (1) The fair value of the Awards granted on March 28, 2023 was RMB2.422 per Share at the date of grant. For the fair value of the Awards granted at the date of grant and the accounting standard and policy adopted, please refer to note 35 to the Consolidated Financial Statements in this annual report
- (2) The vesting of the Awards shall be subject to the performance criteria to be satisfied by the Selected Participant as determined by the Board and/or the Remuneration Committee from time to time. The performance criteria may comprise a mixture of attaining a satisfactory key performance indicators components (including, without limitation, the business performance and financial performance of the Group and/or department by reference to annual corporate targets and/or goals attained, market capitalization milestones and individual performance based on the periodic performance assessment and annual review results) which may vary among the Selected Participants.

Save as disclosed above, during the year ended December 31, 2023, there was (i) no Director, chief executive or substantial shareholder of the Company or their respective associates, or other employees with options and awards granted or to be granted, (ii) no participant with options and awards granted and to be granted in any 12-month period exceeding 1% of the Shares of the Company in issue, and (iii) no related entity participant and service provider with options and awards granted, and no related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the Shares of the Company in issue, under the share schemes of the Company and shall be disclosed in this annual report.

The number of Shares that may be issued in respect of options and awards granted under the 2013 Share Option Scheme, the Share Option Scheme and the Share Award Scheme during the year ended December 31, 2023 divided by the weighted average number of Shares in issue for the year ended December 31, 2023 was 0.29%.



## Report of Directors

### EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2023.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2023, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 36.2% and 67.5%. The percentage of the total sales attributable to the Group's five largest customers was below 30% of the total sales in the Group.

To the best knowledge of our Directors, none of our Directors or any of their close associates or any Shareholders (which to the best knowledge of our Directors owned more than 5% of number of the Company's issued shares) had a material interest in our five largest suppliers or customers.

### CHARITABLE DONATIONS

The donations by the Group for the year ended December 31, 2023 amounted to RMB11,300,000.

### BREACH OF LOAN AGREEMENT

During the year ended December 31, 2023, the Company had not breached any terms of its loan agreements that are significant to the Group's operations.


### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended December 31, 2023, the Company repurchased a total of 24,581,500 ordinary shares (the "Shares Repurchased") of the Company on the Stock Exchange at an aggregate consideration of approximately HK\$110,453,724.05. Particulars of the repurchases are as follows:

Month/Year	Number of Shares Repurchased	Price Paid per Share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2023	3,500,000	6.97	5.51	22,534,150.00
March 2023	1,204,500	5.60	5.21	6,443,766.55
April 2023	5,265,500	5.43	4.83	27,131,217.65
May 2023	3,374,500	5.16	4.06	15,662,601.25
June 2023	2,621,000	4.31	3.87	10,596,826.95
July 2023	4,166,000	4.01	3.28	14,927,783.75
September 2023	3,081,500	3.13	2.96	9,389,925.10
October 2023	1,368,500	2.87	2.68	3,767,452.80
<b>Total</b>	<b>24,581,500</b>			<b>110,453,724.05</b>

A total of 10,679,000 Shares Repurchased from January 3, 2023 to May 5, 2023, a total of 9,452,500 Shares Repurchased from May 11, 2023 to July 25, 2023, and a total of 4,450,000 Shares Repurchased from September 15, 2023 to October 4, 2023 were cancelled on May 17, 2023, August 11, 2023, and February 22, 2024, respectively. The repurchase of the Company's Shares during the year ended December 31, 2023 was effected by the Directors pursuant to the general mandates granted to the Directors at the annual general meetings dated June 1, 2022 and June 1, 2023, with a view to benefiting the Company and the Shareholders by enhancing the net asset value per share and/or earnings per share.





Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2023.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix C1 of the Listing Rules and has complied with the code provisions in the CG Code during the reporting period.

## **AUDITOR**

The Consolidated Financial Statements of the Group for the year ended December 31, 2023 have been audited by Deloitte Touche Tohmatsu, certified public accountants.

Deloitte Touche Tohmatsu shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

## **RECORD DATE OF AGM**

Shareholders whose names appear on the register of members of the Company at the close of business on May 30, 2024 (Thursday) (the "Record Date") will be entitled to attend the AGM to be held on June 5, 2024 (Wednesday). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

## **CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND**

The register of members of the Company will be closed from June 13, 2024 (Thursday) to June 18, 2024 (Tuesday), both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on June 12, 2024 (Wednesday).

By order of the Board  
**Cheung Tak On**  
*Chairman of the Board*

The PRC, March 26, 2024



# Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended December 31, 2023.

## CORPORATE CULTURE

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. All Directors are committed to acting with integrity, led by example, and promoting the desired culture. Such culture should instil and continually reinforce across the organisation values of acting lawfully, ethically and responsibly.

The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

## CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the CG Code in Appendix C1 to the Listing Rules.


The CG Code sets out (a) the mandatory requirements for disclosure in an issuer's Corporate Governance Report; and (b) the principles of good corporate governance, the code provisions on a "comply or explain" basis and certain recommended best practices. Issuers are encouraged to adopt the recommended best practices on a voluntary basis.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices and the Company was in compliance with the code provisions of the CG Code during the year ended December 31, 2023.

## A. THE BOARD

### 1. Responsibilities

The Board is responsible for the leadership and control of the Company and is responsible for promoting the success of the Company by directing and supervising its affairs. The Board has established several Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the websites of the Stock Exchange and the Company.



All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its Shareholders at all times.

## 2. Delegation of Management Function

The Board is responsible for making all major decisions of the Company including: the approval and monitoring of all major policies of the Group and overall strategies, risk management and internal control systems, notifiable and connected transactions, nomination of directors and company secretary, and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions are periodically reviewed. Approval has to be obtained from the Board prior to any significant transaction is entered into.

## 3. Board Composition

During the reporting year, the Board of the Company comprises the following Directors:

### Executive Directors

Mr. CHEUNG Tak On (*Chairman*)  
Mr. CAI Yingjie (*Vice-chairman*)  
Mr. WANG Zhigao (*Vice-chairman*)  
Mr. XU Yue (*Vice-chairman, President and Chief Executive Officer*)  
Ms. CHEN Yi (*Vice-president*)  
Mr. TANG Liang (*Vice-president*)

### Independent non-executive Directors

Ms. ZHU Anna Dezhen  
Mr. LYU Wei  
Mr. MU Binrui

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

Save as disclosed in our prospectus dated June 29, 2012 and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board and senior management.

During the year ended December 31, 2023, the Board at all times 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 and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.



## Corporate Governance Report

The Company has implementable and effective mechanisms to ensure independent views and input are available to the Board for the year ended December 31, 2023. The Directors are entitled to seek independent professional advice in performing their duties at the Company's expense. During the year ended December 31, 2023, the Company did not receive any notification from any of the independent non-executive Directors about any subsequent change of circumstances which may affect his/her independence. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules during the reporting year. The Board has duly reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

#### 4. Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The nomination committee of the Company (the "Nomination Committee") is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective effective date of appointment unless terminated by not less than one month's notice in writing served by either the executive Directors or the Company. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective effective date of appointment. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself or herself for re-election by Shareholders at the first annual general meeting after appointment.

#### 5. Induction and Continuing Development for Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she understands the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and other relevant regulatory requirements.

The Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development materials for the Directors were arranged by the Company and its professional advisers.

The training records of the Directors for year ended December 31, 2023 are summarized as follows:

Names of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
<b>Executive Directors</b>		
Mr. CHEUNG Tak On	√	√
Mr. CAI Yingjie	√	√
Mr. WANG Zhigao	√	√
Mr. XU Yue	√	√
Ms. CHEN Yi	√	√
Mr. TANG Liang	√	√
<b>Independent non-executive Directors</b>		
Ms. ZHU Anna Dezhen	√	√
Mr. LYU We	√	√
Mr. MU Binrui	√	√

## 6. Board Meetings and General Meetings

### **Number of Meetings and Directors' Attendance**

Code provision C.5.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board met four times during the year ended December 31, 2023 for discussing and approving, among others, the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended December 31, 2022, unaudited interim results for the six months ended June 30, 2023, declaration of final dividend and connected transactions and continuing connected transactions.

The attendance records of each Director at the Board meetings and general meeting are set out below:

Name of Director	Attendance/Number of Board Meetings*	Attendance/Number of General Meeting(s)**
Mr. CHEUNG Tak On	4/4	1/1
Mr. CAI Yingjie	4/4	1/1
Mr. WANG Zhigao	4/4	1/1
Mr. XU Yue	4/4	1/1
Ms. CHEN Yi	4/4	1/1
Mr. TANG Liang	4/4	1/1
Ms. ZHU Anna Dezhen	3/4	1/1
Mr. LYU Wei	4/4	1/1
Mr. MU Binrui	4/4	1/1

\* Four Board meetings were held during the year ended December 31, 2023 on March 24, 2023, July 20, 2023, August 25, 2023, and December 29, 2023 respectively.

\*\* One annual general meeting was held during the year ended December 31, 2023 on June 1, 2023.



## Corporate Governance Report

### **Practices and Conduct of Meetings**

Annual meeting schedules and draft agenda of each meeting are made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice will generally be given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

## **B. CHAIRMAN AND CHIEF EXECUTIVE**

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

Mr. CHEUNG Tak On 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 our Group and he participated in our Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole. He holds a meeting with the independent non-executive Directors without other directors present at least annually.

Mr. XU Yue is our Vice-chairman, President and Chief Executive Officer, who is responsible for the overall business strategies of the Group and overseeing the operation and business strategies of the Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, Mr. CHEUNG Tak On as the Chairman coordinates with the management to provide adequate, complete and reliable information to all Directors for consideration and review.



## C. BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Audit and Compliance Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All of these three committees are established with defined written terms of reference which are available at the websites of the Stock Exchange and the Company.

The majority of the members of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

### 1. Remuneration Committee

The Board has established the Remuneration Committee with written terms of reference in compliance with code provisions under E.1.2 of the CG Code. The Remuneration Committee currently consists of two independent non-executive Directors, being Ms. ZHU Anna Dezhen and Mr. LYU Wei, and one executive Director, being Mr. WANG Zhigao. The chairperson of the Remuneration Committee is Ms. ZHU Anna Dezhen.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; (iii) determining or making recommendation to the Board on the terms of the remuneration package of the Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters. The Remuneration Committee held one meeting during the year ended December 31, 2023 to review, among others, the remuneration policy and structure of the Company, consider and make recommendation to the Board on the remuneration for independent non-executive Directors as well as the proposal on special incentive of senior management, and assess performance of executive Directors. No grant was made during the year ended December 31, 2023 which requires review by the Remuneration Committee pursuant to Rules 17.03F, 17.06B(7) and (8) of the Listing Rules.



# Corporate Governance Report

The attendance records of the Remuneration Committee meetings are set out below:

Name of Director	Attendance/Number of Meeting(s)
Ms. ZHU Anna Dezhen	1/1
Mr. WANG Zhigao	1/1
Mr. LYU Wei	1/1

Details of the Directors' remuneration are set out in note 10 to the Consolidated Financial Statements.

The remuneration payable to the senior management of the Company (who are not the Directors) for the year ended December 31, 2023 is shown in the following table by band:

Remuneration band (RMB)	Number of individuals
500,001 – 1,000,000	2
1,000,001 – 1,500,000	4
1,500,001 – 2,000,000	1
2,000,001 – 2,500,000	0

## 2. Audit and Compliance Committee

The Board has established the Audit and Compliance Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules as well as code provisions under D.3 and A.2 of the CG Code. The Audit and Compliance Committee currently consists of three independent non-executive Directors, being Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. MU Binrui. The chairperson of the Audit and Compliance Committee is Ms. ZHU Anna Dezhen, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit and Compliance Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring the policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Company and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; (vi) developing, reviewing and monitoring the code of conduct applicable to the employees and Directors; (vii) overseeing and monitoring the risk management and internal control systems of the Company on an ongoing basis and review with the Company's external auditor and senior management at least annually; (viii) reviewing the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems; and (ix) reviewing the Company's internal audit function to ensure coordination within the Group and between the Company's internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness.



The Audit and Compliance Committee has (i) considered and reviewed the accounting principles and practices adopted by the Group, (ii) discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held two meetings during the year ended December 31, 2023 to, among others, review the unaudited interim results and report for the six months ended June 30, 2023, review the financial reporting and the compliance matters, review compliance with the corporate governance policy and practice, develop and review Group's policies and practices on corporate governance and make recommendations to the Board, review and monitor the training and continuous professional development of Directors and senior management, review and monitor the Group's policies and practices on compliance with legal and regulatory requirements, develop, review and monitor the code of conduct applicable to employees and Directors, review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report, review the audited annual results and financial report for the year ended December 31, 2022, review the financial, operational and compliance monitoring, review the risk management and internal control, review the work of the internal and external auditors, review the service fees due to the external auditor as well as review the re-appointment of external auditors.

The attendance records of the Audit and Compliance Committee meetings are set out below:

Name of Director	Attendance/Number of Meeting(s)
Ms. ZHU Anna Dezhen	2/2
Mr. LYU Wei	2/2
Mr. MU Binrui	2/2

The Company's annual results for the year ended December 31, 2023 have been reviewed by the Audit and Compliance Committee on March 26, 2024.

### 3. Nomination Committee

The Board has established the Nomination Committee with written terms of reference in compliance with code provisions under B.3 of the CG Code. The Nomination Committee currently consists of one executive Director, being Mr. CHEUNG Tak On (who is the Chairman of the Board), and two independent non-executive Directors, being Mr. LYU Wei and Mr. MU Binrui. The chairperson of the Nomination Committee is Mr. CHEUNG Tak On. The Nomination Committee reviews the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes (if any) to it.

The primary duties of the Nomination Committee include, but are not limited to (i) with reference to the Nomination Policy, identifying, selecting and recommending to the Board suitable candidates to serve as Directors and presidents of the Company, and formulating plans for succession for both executive Directors and non-executive Directors; (ii) reviewing the structure, size, composition and diversity of the Board as well as the Board Diversity Policy; (iii) overseeing the process for evaluating the performance of the Board; (iv) developing, recommending to the Board and monitoring nomination guidelines for our Company; and (v) assessing the independence of independent non-executive Directors.



## Corporate Governance Report


The Nomination Committee held one meeting during the year ended December 31, 2023 to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company, to assess the independence of the independent non-executive Directors, to consider the credentials of the executive Director candidate, and to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2023 annual general meeting of the Company.

The attendance records of the Nomination Committee meetings are set out below:

Name of Director	Attendance/Number of Meeting(s)
Mr. CHEUNG Tak On	1/1
Mr. LYU Wei	1/1
Mr. MU Binrui	1/1

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process. When nominating a particular candidate for Director, the Nomination Committee will consider amongst others (1) integrity and character; (2) factors including gender, age, cultural, educational background, ethnicity, skills, knowledge, experience, etc.; (3) board diversity that a candidate can bring to the Board; (4) commitment in respect of available time (factors to be taken into account include public directorships already held by the candidates); (5) independence criteria as required under the Listing Rules for candidates for independent non-executive Directors; and (6) the experience or knowledge of the candidate that are relevant to the Company's business and corporate strategy and in international operations.

In short, proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director. The Nomination Committee will review such information of the potential candidates and may either conduct interviews with the candidates; or request candidates to provide additional information and documents if it considers necessary; or conduct any background check (if necessary). Meeting of a Nomination Committee will be called for the members to discuss the credentials of the proposed candidates and assess their qualifications based on the factors set out above. The Nomination Committee may also invite nominations of suitable candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.



In reviewing the structure, size, composition and diversity of the Board, the Nomination Committee has taken into account the measurable objectives as set out in the Board Diversity Policy, details of which are set out in subsection headed “Diversity” below. The Nomination Committee is of the view that the diversity level of the Board is appropriate in terms of gender, knowledge, experience and skills of the Directors. However, the Nomination Committee will continue to observe the Board Diversity Policy and consider potential candidates against the objective criteria set out in the Board Diversity Policy in order to achieve increasing diversity at the Board level.

## D. DIVERSITY

The Board has adopted the Board Diversity Policy, a summary which is set out below:

**Purpose:** The Board Diversity Policy aims to set out the approach to achieve diversity of the Board.

**Board Diversity Policy Statement:** With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

**Measurable Objectives:** Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board Diversity Policy is well implemented as evidenced by the fact that our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of passenger vehicle dealership, automobile sales service business, automobile finance business, business administration, investment management and general corporate management. Moreover, there are both male and female Directors ranging from 46 years old to 67 years old with different and experience from different industries and sectors. In particular, given that two out of nine of our Directors are female, our Board will, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group’s business plans, use its best endeavors to actively identify female individuals suitably qualified to become our Board members.

Two of eleven of our senior management are female, and we have witnessed a balanced gender ratio in the workforce with a male to female ratio of approximately 8:5 as at December 31, 2023. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.



## Corporate Governance Report

### **E. MODEL CODE FOR SECURITIES TRANSACTIONS**

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

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

### **F. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING**

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 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 management has provided sufficient 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.

### **G. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION**

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 117 to 120 of this annual report.

The external auditor of the Company will be invited to attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

During the year, the remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2023 amounted to RMB6,920,000 and RMB290,000 respectively. The non-audit services were in relation to the provision of advisory services on the preparation of the Group's 2023 Environmental, Social and Governance Report and tax.

The auditors of the Company have not changed in the past three years.



## H. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not to eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Board has delegated the Audit and Compliance Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit and Compliance Committee;
- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and
- Internal auditors provide independent assurance to the Board, the Audit and Compliance Committee and the management concerning the effectiveness of risk management and internal control systems.

During the reporting period, major works performed by the management in relation to risk management and internal control included the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;




## Corporate Governance Report

- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit and Compliance Committee regarding the status of the systems;
- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;
- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and
- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. were in place.

The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executives in charge of the internal audit function reported directly to the Audit and Compliance Committee. The internal audit reports on control effectiveness were submitted to the Audit and Compliance Committee in line with agreed audit plan approved by the Board. During the reporting period, the internal audit function carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, amongst others, examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The senior executives in charge of the internal audit function attended meetings of the Audit and Compliance Committee to explain the internal audit findings and responded to queries from members of the Audit and Compliance Committee.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor relations, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and on a "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as signing of confidentiality agreement with potential parties, pre-clearance on dealing in the Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit and Compliance Committee reviewed such arrangement regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.



During the reporting period, the Audit and Compliance Committee reviewed the effectiveness of the risk management and internal control systems of the Company. The annual review included works such as (i) review of reports submitted by heads of operation units or departments and the management regarding the implementation of the risk management and internal control systems; (ii) periodic discussions with the management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; (iii) evaluation on the scope and quality of management's ongoing monitoring of the risk management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) made recommendations to the Board and the management on the scope and quality of the management's ongoing monitoring of the risk management and internal control systems.

On the basis of the aforesaid, during the year ended December 31, 2023, the Audit and Compliance Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal controls of the Company.

## **I. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS**

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. 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 Company has an implementable and effective shareholders' communication policy in place in the year ended December 31, 2023. The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website at [www.ydauto.com.cn](http://www.ydauto.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. To solicit and understand the views of shareholders and stakeholders, the Company has also set up channels and procedures for shareholder's enquiries, details of which are set out in subsection headed "Shareholders' Rights" below. The management of the Company reviewed the implementation and effectiveness of the shareholders' communication policy during the year ended December 31, 2023 and the results were satisfactory, having considered that the Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders to allow the Company to receive feedback effectively.



## Corporate Governance Report

### **J. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

On June 1, 2023, the Shareholders approved to (i) make certain amendments (the “Proposed Amendments”) to its memorandum of association and Articles of Association then in force (together, the “Memorandum and Articles of Association”); and (ii) adopt the amended and restated memorandum of association and the amended and restated articles of association of the Company (together, the “Amended and Restated Memorandum and Articles of Association”) incorporating and consolidating all the Proposed Amendments in substitution for, and to the exclusion of, the Memorandum and Articles of Association, for the purpose of, among others, (a) enabling the Company to convene and hold electronic or hybrid general meetings of members and providing flexibility to the Company in relation to the conduct of general meetings; and (b) complying with the core shareholder protection standards set out in the then Appendix 3 to the Listing Rules and reflecting the relevant requirements of the applicable laws of the Cayman Islands. For details, please refer to the announcement of the Company dated March 24, 2023 and the circular of the Company dated April 26, 2023. The Company has adopted the Amended and Restated Memorandum and Articles of Association effective since June 1, 2023.

Save for the above, during the year ended December 31, 2023, the Company did not make any changes to its memorandum and Articles of Association. An up-to-date version of the Company’s memorandum and Articles of Association is also available on the websites of the Company and the Stock Exchange.

### **K. DIVIDEND DISTRIBUTION POLICY**


Under the dividend distribution policy of the Company, the declaration of dividends is at the discretion of the Board subject to the applicable laws and the Articles of Association. The amount of dividends to be declared and paid are based upon, among other things, the Group’s general business conditions, financial results, cash flows, capital requirements, interests of the Shareholders and any other factors which the Board may deem relevant.

Subject to the Cayman Companies Act and the Articles of Association, no dividend may be declared in excess of the amount recommended by the Board and the dividends are declared from statutory distributable reserves.

### **L. SHAREHOLDERS’ RIGHTS**

To safeguard Shareholders’ interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors. Meanwhile, the procedures for Shareholders to (i) convene an extraordinary general meeting; (ii) direct their enquiries to the Board; and (iii) put forward proposals at Shareholders’ meetings are available.





General meetings shall be convened on the written requisition of any two or more Shareholders deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting shall be reimbursed to them by the Company.

Shareholders holding not less than one-tenth of the total number of the Company's voting shares shall be entitled to propose new proposals in writing to the Company. The Company shall include in the agenda for the meeting the matters in the proposals that fall within the scope of duties of the Shareholders' meeting. The written request/statements must be signed by the Shareholders concerned and deposited at the Company's principal place of business in Hong Kong or, in the event the Company ceases to have such a principal place of business, headquarters or the registered office for the attention of the Company, not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company at Unit 5708, 57/F, The Center, 99 Queen's Road Central, Central, Hong Kong.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules except where the chairperson, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In addition, the poll results will be posted on the websites of the Company and the Stock Exchange after the relevant shareholders' meeting.



## Corporate Governance Report

### M. JOINT COMPANY SECRETARIES

Ms. SO Ka Man (“Ms. SO”) of Tricor Services Limited, an external service provider, has served as a joint company secretary of the Company since November 25, 2020. Ms. SO is currently a director of Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. She has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. SO is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (“HKCGI”) and The Chartered Governance Institute. Ms. SO is a holder of the Practitioner’s Endorsement from HKCGI. Ms. SO obtained a bachelor’s degree in arts (accountancy) from the Hong Kong Polytechnic University. Mr. WANG Zhigao, our executive Director and Vice-chairman, is Ms. SO’s primary contact person at our Company.

Ms. ZHANG Hong (“Ms. ZHANG”) has served as another joint company secretary of the Company since March 20, 2018. Ms. ZHANG is currently a Vice-president of the Group. In March 2021, the Stock Exchange has agreed that Ms. ZHANG has the qualifications required to act as the company secretary of the Company under Rule 3.28 of the Listing Rules. Ms. ZHANG worked and communicated closely with Ms. SO to discharge the functions of joint company secretaries during the year.

During the year ended December 31, 2023, each of Ms. ZHANG and Ms. SO has undertaken over 15 hours of professional training to update their skills and knowledge.

Mr. WANG Zhigao and Ms. SO have been engaged by the Company as authorized representatives under the Listing Rules.

### N. GOING CONCERN

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to Shareholders through the optimization of the debt and equity balance. There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company’s liability to continue as a going concern.



# Environmental, Social and Governance Report

## 1. ABOUT THE REPORT

### Introduction

This Environmental, Social and Governance Report (“ESG Report”, or the “Report”), issued by China Yongda Automobiles Services Holdings Limited (hereinafter referred to as “the Company”) and its subsidiaries (hereinafter referred to as “Our Group”, “Group”, “Yongda”, or “Yongda Group”), which sets out our specific work and achievements in practicing sustainability and fulfilling corporate social responsibilities in FY2023. Openly disclosed are our management measures for sustainable development to improve the Group’s environmental, social, and governance work.

### Reporting scope

This Report presents the overall business performance of the Group from January 1, 2023, to December 31, 2023 (hereinafter referred to as the “Reporting Period”), including our businesses in new passenger vehicle sales, repair and maintenance services, automobile extension products and services, automobile financial and insurance agency services, pre-owned vehicles and automobile rental services, and new energy vehicle services. This year, the scope of entities covered by the Report is the same as last year including 231 stores.

### Reference

The ESG Report is compiled and presented in accordance with the Appendix 27, the *Environmental, Social and Governance Reporting Guide* (hereinafter referred to as the “Guide”), to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (hereinafter referred to as the “Listing Rules”) published by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “HKEX” or the “Stock Exchange”), and other related documents. The Group has complied with the “Comply or Explain” provisions set out in the Guide. The Report follows relevant systems and procedures, including identifying key stakeholders, prioritizing important ESG-related issues, determining the scope of the ESG Report, collecting relevant information and data, compiling the Report based on that data, and examining the materials used in the Report.

### Source of data

The data of this Report are from the Group’s internal documents and relevant statistics.

### Download and feedback

Both the Chinese and English versions of this Report are available on the HKEX’s website <http://www.hkexnews.hk> and Yongda’s official website <http://www.ydauto.com.cn/cns/index.html>. This Report is prepared in Chinese and English, and the Chinese version shall prevail in case of any discrepancy between the two versions. For any questions or suggestions send to: [ir@ydauto.com.cn](mailto:ir@ydauto.com.cn).

### Reporting principles

The ESG Report is the eighth issued by the Company to meet the disclosure requirement of HKEX concerning environmental, social and governance practices and the expectations of shareholders of the Group. Therefore, the Report follows the Guide of the HKEX, and the existing policies and procedures relating to sustainable development (or corporate social responsibilities).

The Report was prepared with the following principles:



## Environmental, Social and Governance Report

- (1) **Materiality** – The Group believes that the EGS Report has a significant impact on investors and stakeholders. The Group disclosed the process of identifying material ESG factors, including identifying stakeholders and conducting substantive issue assessment using the importance matrix. Based on stakeholder communication mechanisms and the materiality principle, the Group identified key ESG-related factors and disclosed the corresponding measures in this Report.
- (2) **Quantitative** – The Group quantified key performance indicators and disclosed the quantitative indicators per the HKEX Guide, and the calculation methods and assumptions.
- (3) **Balance** – The Group undertakes that it has impartially and objectively presented the Group’s environmental, social and governance performance.
- (4) **Consistency** – The Group used consistent methods for statistic disclosure and made meaningful comparisons of data. Any changes in methodologies or key performance indicators are indicated.

## 2. SPOTLIGHTS: DEEPENING NEW ENERGY BUSINESS DEVELOPMENT

As consumers’ environmental protection awareness grows and the number of new energy vehicles (NEVs) surges in China, the Group is strategically centred on the three pivotal areas of “electrification, digitalization and sharing”. Built upon its core business, the Group proactively forges ahead in its new energy business expansion. In 2023, the Group intensified its efforts in the NEV business, entering into comprehensive strategic partnerships with the leading NEV companies in China. The Group has proactively explored and innovated the battery recycling business, initiating pilot business cooperation with professional industry partners in battery leasing, warranty, maintenance, and recycling. These efforts are designed to span the entire lifecycle of new energy power batteries and bring new opportunities for the Group’s growth.

### NEV business

In 2023, the Group’s new energy business grew rapidly in both network license and operational management. By further expanding the store license of head NEV brands, the Group obtained 7 new independent store licenses and the number of independent head stores of new energy brands reached 34, covering hot independent new energy brands such as Xiaomi, ZEEKR and smart, with numbers in the forefront among Lotus, smart and IM. Store types cover comprehensive 4S stores and after-sales repair centres.




Opening of smart Shanghai Lujiazui Flagship Store



Yongda Lotus Guangzhou Store

In terms of sales, the Group’s sales volume of new energy vehicles reached 32,919 in 2023, with a YoY growth of 33.8%, accounting for 17% of total sales volume. The Group continued its improvement in the operation and management of its independent business of new energy vehicle brands, achieving sales of 18,376 units, with a YoY growth of 91.6%, of which 8,981 units were sold under the distribution mode and 9,395 under the direct sales mode.



In 2023, our after-sales business of independent new energy brands achieved rapid improvement, with the revenue of maintenance of the year amounting to CNY 159 million, representing a year-on-year increase of 255.3%, and the gross profit rate of maintenance of 41.7%, which was the same as that of fuel vehicles.

Meanwhile, the Group established a points system and community operation among the new energy vehicle owners. For example, the Group held pet care workshops, springtime gatherings, stray animal rescues, and other exchange activities for vehicle owners who love pets for positive enterprise-customer interaction. With 102,403 registrations in 2023, the operation side of Yongda new energy vehicles WeChat mini program has been able to display the full brand of the agent, customer fission, customer upgrade, card voucher issuance and points use, etc. closely surrounding the users and further enhancing their stickiness.

### **Battery recycling**

The Group is proactively laying out its new energy battery recycling business by focusing on four business sectors: battery leasing, warranty, maintenance, and recycling, according to the evolving trend of battery technology and cooperating with professional partners in the industry.

In the battery leasing sector, the Group has innovated the business model. By holding battery assets and fostering closer relationships with C-end customers, the Group not only enables customers to use the battery through leasing, thereby lowering the threshold for car purchase, but also secures the lifecycle of future new energy vehicle customers, and assists dealers in attracting more customers and expanding their business, ultimately leading to increased sales. In addition, the Group also partners with OEMs such as FAW-Volkswagen, FAW-Audi, and Nezha to expand regional cooperation in Shanghai, Haikou, Chengdu and Shenzhen. In 2023, sales orders exceeded 100 and battery assets reached CNY 6 million.

In the battery maintenance sector, the Group collaborates with leading battery manufacturers, including CATL, Gotion, and BYD, and tries to obtain dual authorization for battery maintenance from OEMs and battery manufacturers to enhance the technical expertise in maintaining the “three electric” components (battery, motor, and electronic control) of new energy vehicles, realize the practice of “maintenance instead of replacement” at the dealership level, reduce logistics costs and carbon emissions from transportation, and increase the after-sales output and profitability of new energy vehicles.

In the battery warranty sector, the Group has launched two products: a lifetime battery warranty for the first vehicle owner and Mileage Plus and achieved sales of more than 1,000 units and revenue of nearly CNY 2 million in 2023. The Group also introduced battery testing products to create a business entry point for the battery aftermarket and the used new energy vehicle market.

In the battery recycling sector, the Group achieved the first battery asset transfer in 2023, successfully navigating the battery asset disposal process. The Group has also established cooperative relationships with several domestic battery recycling companies on the whitelist, laying the groundwork for centralized battery assets disposal and asset realization in the future.



## Environmental, Social and Governance Report

In addition, the Group has established cooperation alliances with scientific research institutions, industry associations, and leading insurance companies. Focusing on new energy power battery testing and the research and development of innovative insurance products, the Group strives to improve battery energy efficiency, prolong their service life, reduce the impact of waste batteries on the environment, and realize adequate resources recycling, thus playing its part in mitigating climate change and promoting green development.



Collaborating with Beijing Jiaotong University in building the Power Battery Risk Research Joint Laboratory

### 3. INTEGRITY AND RESPONSIBILITY

As one of China's leading automobile dealer groups, Yongda adheres to the business philosophy of "customer-oriented, efficiency-prioritized, open and mutually beneficial, and sustainable." The Group regards responsibility as the foundation of corporate development and pays continuous attention to the harmonious relationship between society, business performance and the environment. The Group has developed a sound social responsibility governance structure and environmental and social policies and measures to continuously improve the sustainability governance level and create more value for stakeholders. Meanwhile, the Group operates in compliance with the laws, always values business ethics, and assumes corporate citizenship responsibilities during the business development process.

#### 3.1 ESG management structure

The Group established a three-tier ESG management structure led by the ESG Committee in 2021, which consists of the executive directors of the Company's board and all management members, and also ensures that the Group's practices comply with all applicable laws and regulations. The ESG Working Group, which comprises members of the management and heads of functional centres, reports to the Board in due course regarding the review of ESG performance of the Group. The ESG Executive Group covers all functional centres and the Group's distribution stores, and is responsible for implementing the objectives and plans set out by the ESG Working Group.

The Group has prioritized risk management by establishing a risk prevention and control team in 2021. This team, which includes the Group President, management team members, and the head of functional centres, focuses on identifying and evaluating ESG, business, and financial risks. They work to strengthen risk prevention, control and management, ensuring the consideration of ESG-related opportunities during risk assessment. Additionally, the team constantly refines the risk management system and adjusts the requirements for risk prevention and control through monthly meetings, quarterly reports to the board, and special ad-hoc meetings. These efforts aim to improve the Group's overall ability to mitigate risks.

The Group insists on the importance of ESG within the Group to safeguard the Group's long-term and sustainable development. The Group will pay close attention to the latest version of the *Environmental, Social and Governance Reporting Guide* issued by HKEX to adjust its focus and orientation of ESG governance in a timely manner, and will review the process to comply with all relevant requirements.

### 3.2 Communication with stakeholders

The Group regards the expectations and requirements of the stakeholders as important factors for developing sustainable strategies and figures out specific areas of action concerning the stakeholders through multiple methods. Currently, the Group's main stakeholders include but are not limited to investors, government and regulators, employees, customers, suppliers, NGOs and the community. Continuous communication with stakeholders and active listening to their opinions and demands are important links of the Group's daily operations. The main communication channels with the stakeholders and their expectations for the Group are illustrated as follows:

Stakeholders	Expectations	Main Communication Channel
<b>Investors</b>	<ul style="list-style-type: none"> <li>Safeguarding shareholders' rights and interests</li> <li>Disclosing information accurately and timely</li> <li>Improving corporate governance</li> <li>Compliance in operation</li> <li>Business and financial strategies</li> </ul>	<ul style="list-style-type: none"> <li>General meeting of shareholders</li> <li>Press release and public announcement</li> <li>External report</li> <li>News published on company website</li> <li>Online and offline investor briefing</li> <li>Hotline or e-mail</li> </ul>
<b>Government/regulators</b>	<ul style="list-style-type: none"> <li>Compliance in operation</li> <li>Workplace safety and health</li> <li>Creating economic benefits, promoting employment</li> <li>Creating welfare for the community</li> <li>Assuming environmental responsibilities</li> <li>Responding to national policies</li> <li>Fulfilling tax obligations in accordance with the laws</li> </ul>	<ul style="list-style-type: none"> <li>Compliance report</li> <li>Supervision and inspection</li> <li>License application</li> <li>Compliance-related meeting</li> <li>Communication with local government</li> </ul>



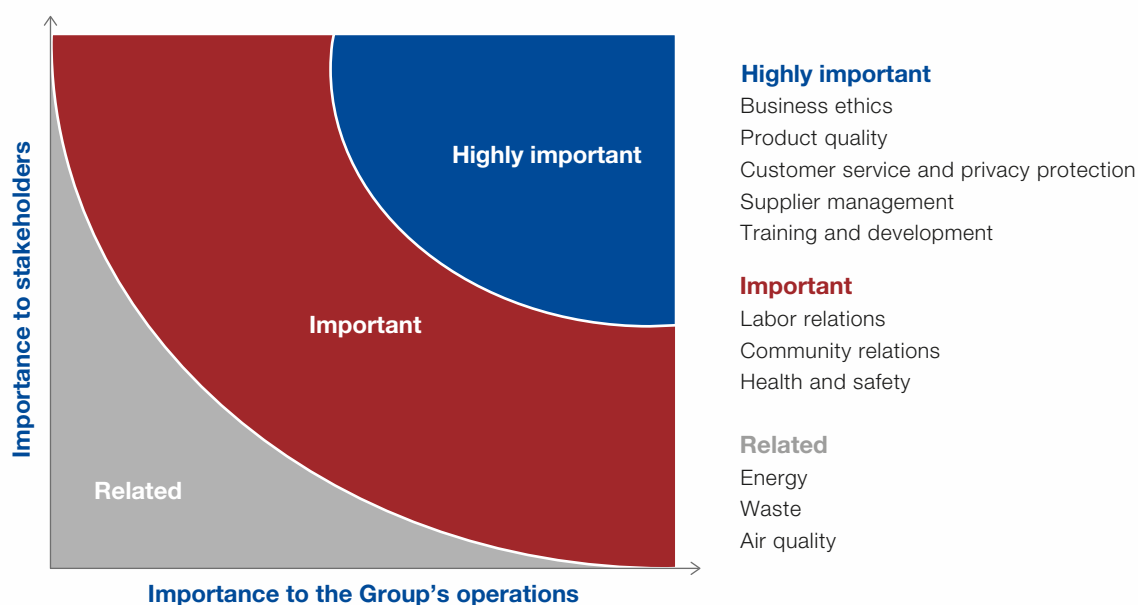
## Environmental, Social and Governance Report

Stakeholders	Expectations	Main Communication Channel
<b>Employees</b>	<ul style="list-style-type: none"> <li>Safeguarding employees' rights and interests</li> <li>Competitive salary and welfare</li> <li>Labor protection at the workplace</li> <li>Training and career development</li> <li>Employee involvement and policy democracy</li> <li>Corporate culture</li> <li>Personal physical and mental health</li> </ul>	<ul style="list-style-type: none"> <li>Labor union/workers' congress</li> <li>Safety and compliance meeting</li> <li>Training and career development</li> <li>Hotline or e-mail</li> <li>Notice or publication of the Group</li> <li>Team-building activities</li> <li>Office platform and enterprise WeChat account</li> </ul>
<b>Customer</b>	<ul style="list-style-type: none"> <li>Customer service</li> <li>Product quality</li> <li>Privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>Key customers symposium</li> <li>Systematic communication</li> <li>Workplace visit</li> <li>The Group's WeChat account (Yongda Qiche Darenhui)</li> <li>24-hour customer service hotline and e-mail</li> <li>Online review platform</li> <li>Customer satisfaction survey</li> <li>Yongda Automobile APP</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Supplier access management</li> <li>Supplier assessment</li> <li>Safeguarding suppliers' rights and interests</li> <li>Supplier cooperation</li> <li>Complying with business ethics and national laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Open bidding, seminar</li> <li>Supplier access and assessment</li> <li>Field visit</li> <li>Leaders' meeting</li> <li>Communication during daily operations</li> </ul>
<b>NGO</b>	<ul style="list-style-type: none"> <li>Local development investment</li> <li>Participating in local community projects</li> <li>Assuming environmental responsibilities</li> <li>Respecting human rights</li> <li>Fair share of benefits</li> </ul>	<ul style="list-style-type: none"> <li>Direct communication</li> <li>Workplace visit</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>Local development</li> <li>Assuming environmental responsibilities</li> <li>Promoting employment</li> <li>Creating opportunities for local products and services suppliers</li> <li>Engaging in public benefit activities</li> <li>Organizing community activities</li> </ul>	<ul style="list-style-type: none"> <li>Community visit</li> <li>Meeting for key groups</li> <li>Notice on procurement requirements</li> <li>Recruitment advertising</li> <li>Communication with local government and organizations</li> <li>Official website of the Group</li> </ul>



### 3.3 Substantive issue assessment

In 2023, the Group collected many suggestions from our internal and external stakeholders. We identified 11 ESG issues after analysing the importance of the issues to the Group’s operations and stakeholders, considering the industry background, development status, and strategic planning. The Group ranked these issues to reflect our impact on the environment and society to better respond to stakeholders’ expectations and requirements. These issues will also be key areas of concern during the Group’s sustainable development. The importance matrix is as follows:



### 3.4 Business ethics

The Group always operates in accordance with the laws and adheres to business ethics, which is our long-held core management concept. The Group is committed to building a compliance management system in line with the best practices in the industry. We continue to promote our anti-corruption cultural progress to strengthen employees’ awareness of integrity and honesty.

The Group strictly abides by the *Anti-Unfair Competition Law of the People’s Republic of China*, the *Anti-monopoly Law of the People’s Republic of China*, the *Interim Provisions on the Prohibition of Commercial Bribery*, and other relevant laws and regulations. We formulated the *Management Regulations on Integrity of Management Personnel* for regulating employee behaviour and adopted the anti-corruption policy to promote and support anti-corruption laws and regulations for avoiding bribery, blackmail, fraud and money laundering. In addition, we have developed a whistle-blower policy by maintaining the established various whistle-blowing channels, including e-mail, telephone, the WeChat official account “Sunshine Yongda”, OA platform, customer service platform, and posted public signs for anti-corruption whistle-blowing in member companies to encourage all employees to report any suspicious incidents and ensure the reporting process confidential to protect the whistle blowers from retaliation.



## Environmental, Social and Governance Report

The Group continues to build a professional compliance management team, and the operation compliance of all affiliates is under the management and supervision of the discipline inspection commission. In 2023, the Discipline Inspection Commission of the Group improved the working mechanism of the inspection system, increased the inspection of leading, large-scale and problematic enterprises, and further improved the inspection content, advance notifications, interview methods and feedback processes to strengthen the inspection effect. A total of 210 subsidiaries were inspected and nine small and medium-sized enterprises were organized to conduct self-inspection throughout the year. In addition, the Discipline Inspection Commission revised the Integrity Responsibility Letter for Core Management Personnel and the “Commitment Letter on Integrity and Self-discipline”. All management personnel and employees in key positions have signed the “Commitment Letter on Integrity and Self-discipline”.

In 2023, the Group also amended the *Anti-Bribery Agreement for Suppliers*, requiring suppliers to handwrite corresponding commitment clauses and achieving a 100% offline signing rate. Meanwhile, the Group added the *Supplier Confidentiality Agreement* to complement the “Commitment Letter on Integrity and Self-discipline” and the *Cooperation Agreement*, achieving a 100% online signing rate through the procurement management system.

Meanwhile, the Group followed the incorruptible conceptions—“To build up correct conceptions constantly and deal with business publicly”, and carried out diversified integrity training activities to raise staff’s awareness of integrity in 2023:

- Quarterly Group training to strengthen the integrity awareness of the Board, all management personnel and backbone members.
- New staff orientation to interpret the concept of integrity and guide new employees to form proper occupational concept.
- Supplier training, including Supplier Integrity Conference, online interviews prior to the issuance of quarterly integrity settlement, and relevant education in the supplier WeChat group during holidays.
- Six sessions of specified integrity training to enhance staff’s understanding of compliance through case analysis and discussion.

During the Reporting Period, the Group and its employees were not involved in any corruption lawsuit.



## 4. ENJOY QUALITY

The Group strives to create a first-choice service brand providing customers with a carefree, happy life with cars. The Group understands that top-quality products and customer services are the driving force for company development. Therefore, we adhere to the customer-centred business philosophy and have developed specific quality inspection and service procedures, practicing our philosophy with a strong sense of responsibility and effective measures.

In 2023, the Group received several honours, including “No.4 of Top 100 Automotive Dealers Group of China” awarded by China Automobile Dealers Association, “Five Star Dealer Group”, “Excellent Case of New Media Marketing Innovation Project”, and “Top 100 Automobile Consumption Promotion Enterprises of China” awarded by China Auto Dealers Chamber of Commerce. At the same time, the Group’s various brands also won awards in competitions held by manufacturers and gained high recognition.

### 4.1 Quality assurance

The Group has developed a series of inspection standards for the delivery of new, pre-owned, and repaired vehicles to customers, and was devoted to ensuring the quality of the products we sell.

#### ***Inspection and acceptance of new vehicles***

For new vehicles, we require the storage and transportation department of the enterprise to conduct preliminary acceptance of vehicles immediately after they arrive at the store. The inspection is mainly about the appearance of vehicles, as well as lights, tools and accessories, the number of keys, mileage, and other necessary materials, to ensure everything is as flawless and intact as described on the delivery note of the manufacturer.

Then, the new vehicles will go through the warehousing processes. After that, our technicians will conduct more than 50 Pre-Delivery Inspections (PDI) on the new vehicles, including appearance check, engine inspection, and electric system inspection, to ensure the performance of the new vehicles is up to delivery standards.

#### ***Qualification of pre-owned vehicles***

When purchasing a pre-owned vehicle, the Group will check its maintenance, insurance claim records, and quality by collaborating with third-party maintenance and repair companies and leading vehicle condition inspection firms to eliminate burned, flood-damaged and structurally damaged vehicles and ensure vehicle quality. Before selling a pre-owned vehicle, the Group will apply strict specialized renovation procedures through its auto body repair & paint centre according to the *Vehicle Delivery Standards of the Renovation Centre* to ensure that the vehicle passes the official certification of each brand or Yongda’s pre-owned vehicle certification (including 178 items of 15 categories of strict tests). In addition, the Group proactively explores battery testing and extended warranty services for pre-owned electric vehicles to mitigate the risk associated with used car trading and improve consumer satisfaction.

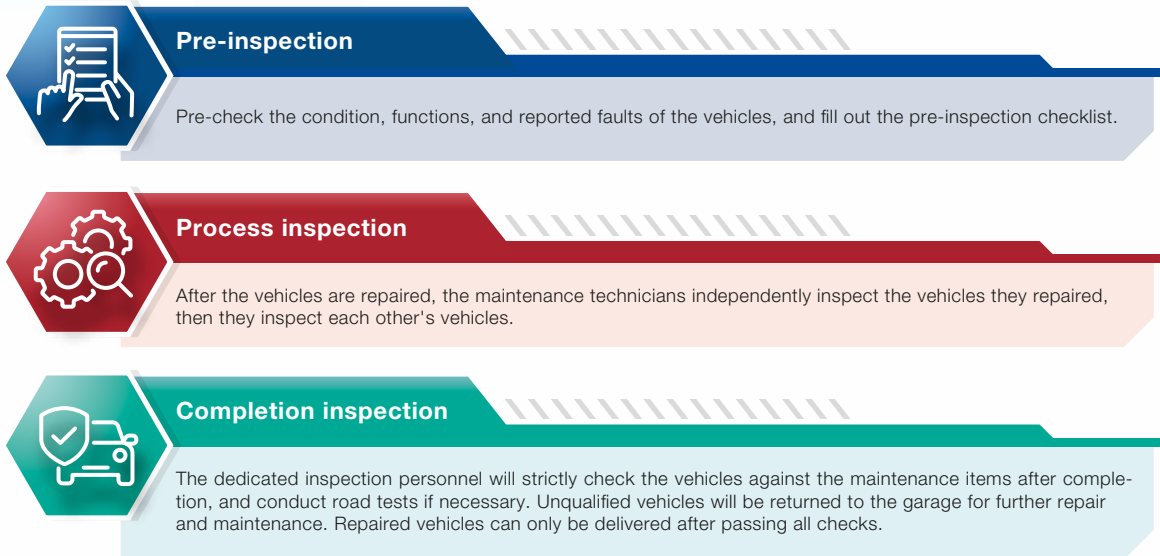
#### ***Inspection of repaired vehicles***

Following our *Vehicle Repair Quality Inspection System*, the Group strictly implements the pre-inspection, process inspection, and completion inspection procedures for repaired vehicles. The Group will collect feedback from the customer within three days after the repaired vehicle is returned to the customer to learn about the vehicle’s status. If there is still a fault, the Group will ask the customer to bring the vehicle back for further inspection and repair, to ensure that any fault is eliminated.



## Environmental, Social and Governance Report

Inspection of repaired vehicles:



In the event that the products sold need to be recalled due to quality or other problems, the Group will strictly execute the recall procedures as instructed by the manufacturers.

### 4.2 Dedicated services for customers


Customer satisfaction is the foundation of our business. The Group actively protects the rights and interests of consumers and makes improving customer satisfaction its top priority. In 2023, the Group continued to integrate online and offline marketing and services through digital technology. We improved our one-stop service system and implemented a series of measures to improve customer satisfaction.

The Group, being always customer-oriented, attaches great importance to customer service and has established the *Channel Service Standards* to regulate the processes of its affiliates. The *Channel Service Standards* cover behaviour, sales service, after-sale service, environment and facilities, management, and customer management standards. The Group will amend and update the relevant content every year according to customer demands and internal management.

#### **Diversified online and offline services**

With the number of users on new media platforms such as TikTok, Xiaohongshu and WeChat Channel raising, new media has become an increasingly important online platform for marketing and promotion. In line with the development trend of the Internet and automobile industry, the Group continuously explores new marketing methods such as the combination of new media channels and sales services to bring more convenient and efficient services and fresh customer experiences to the users.

In 2023, the Group generated over 200,000 sales leads on its new media platforms, an increase of 100% from 2022, and amassed over 25 million followers on TikTok, an increase of 25% from the beginning of 2022. Dealers' TikTok accounts with the largest fan bases have increased three compared with 2022, maintaining the leading position in the automobile dealer account matrix on the TikTok platform.



The Group also launched Yongda Auto App, an online 4S-store service platform for car owners. The APP supports various online service scenarios and interactive services. In 2023, Yongda Auto APP launched new features, including the vehicle mall, user coupons, points and recharge, with the cumulative registered users exceeding 1.65 million and monthly active users approaching 0.15 million, comprehensively empowering business operation and customer relation maintenance.

#### ***Pre-owned vehicle trading service system***

The Group built a complete pre-owned vehicle trading system, and optimized the omni-channel and whole-chain trading method to provide consumers with an open, transparent, and convenient service environment and a more professional and comfortable experience, advancing the Group to become the “most respected automobile service platform”. In 2023, the Group continued to apply the “2+1” all-channel digital pre-owned vehicle retail trade model. It combines Yongda’s two channel systems (over 200 4S stores and Yongda’s pre-owned vehicle chain stores) with its used-car e-commerce platform ([www.yducc.com.cn](http://www.yducc.com.cn)), allowing consumers to easily view and buy cars online. The Group also has a digital data centre for centralized pricing and allocation of vehicles. Therefore, we established a customer lifecycle-centred operation management system.

Before an order is placed, our WeChat mini program provides a real-time consultation, enabling quick answers and improving communication efficiency. After purchasing a car, the Group provides consumers with at least a 3 month or 5,000 km quality guarantee and one-stop services covering warranty extension, financial insurance, high-end decoration, repair & maintenance, and evaluation & replacement to realize a reassuring customer experience.

#### ***Listening to customers***

The Group set up a 24-hour customer service hotline and Yongda Qiche Darenhui to collect customers’ feedback and suggestions; besides, we collaborate with Shanghai Consumer Council to launch the industry’s first online customer comments platform. In 2023, the Group received approximately 300,000 customer comments.

The Group also set up a sound customer feedback process. After receiving customer feedback, the Group’s customer service centre will identify customer needs, and convey the customer feedback through the customer complaint processing system to the relevant member companies and departments, which will receive the customer complaint immediately through their enterprise WeChat, ensuring timely communication with the customers and the provision of proper solutions. During the Reporting Period, the Group received 67 products and services-related complaints, all of which were effectively addressed.



## Environmental, Social and Governance Report

### **Elevating customer experience**

Adhering to the service philosophy of “your auto service expert”, the Group launched various activities in 2023 to provide customers with a pleasant car-using experience and improve customer loyalty. In October 2023, the Group joined hands with Huadong Hospital to carry out themed activities and became the first in the industry to introduce a customized health examination project for vehicle owners. Hospital professionals will accompany vehicle owners throughout the process to detect and address health issues early on.



Customized health examination for vehicle owners



Porsche Golf Cup

The Group planned a series of featured activities for vehicle owners who are sports enthusiasts, including the 2023 Porsche Golf Cup with Porsche China to promote a stylish and elegant lifestyle for vehicle owners and build an excellent platform for meeting friends and exchanging ideas, and the skiing activity with SNOW51 to provide customers with the opportunity for skiing-related interaction.

### **4.3 Privacy protection: mutual-trust relationship**

The Group respects and protects customer information, privacy and has strict standards and requirements for customer information management. The Group strictly regulates the collection, holding, use, and processing of customer information to ensure customer information security in a cautious, confidential, and lawful way.

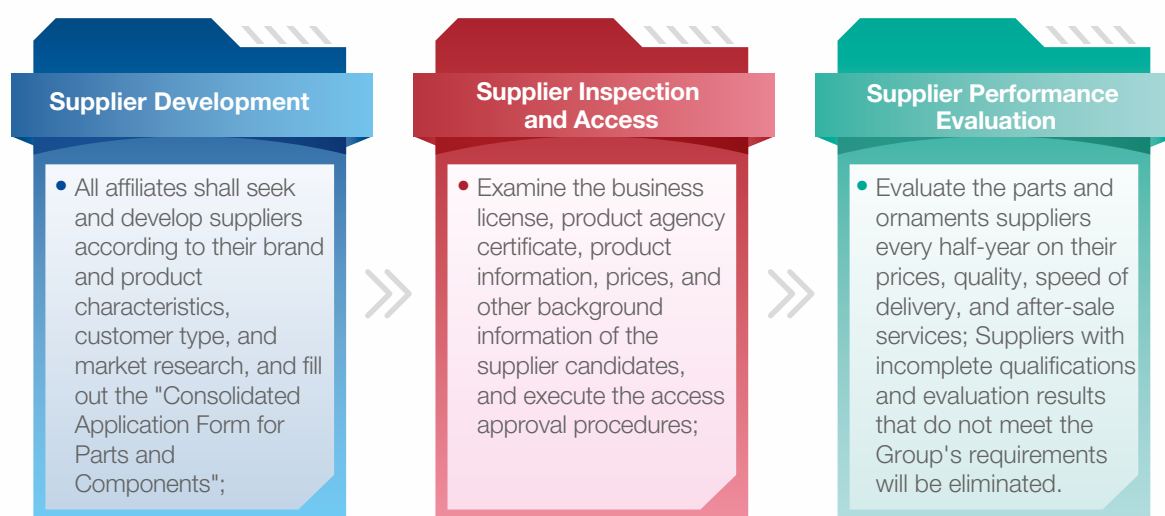
All employees of the Group have signed the *Confidentiality Agreement*, and resigned employees are required to sign the *Resignation Statement*, which specifies their information protection responsibilities and obligations, as well as their legal liabilities if any confidential information leaks because of them.

With China introducing the *Personal Information Protection Law*, the Group continued to act strictly in accordance with the relevant regulations. It established the *Management Measures for Strengthening Prevention of Customer Information Risks* to regulate the relevant processes. The Group also conducted group-wide training, requiring employees to clearly explain the usage and purpose of information when collecting from customers and obtain the customers authorization, follow the corresponding application and approval procedures, and sign a customer information confidentiality agreement when cooperating with third parties, to ensure privacy security.

In addition, the Group includes customer information authorization in routine inspections. Any violation of the management measures will lead to a penalty on the leader of the relevant affiliate.

#### 4.4 Cooperation: sustainable supply chain

The Group mainly cooperates with auto parts, ornaments, maintenance equipment, and office appliances suppliers and is committed to building an open, transparent and sustainable supply chain. In 2023, with the supplier relationship management system (SRM system) fully online and operational, the Group timely revised the *Management Measures for Suppliers of Auto Parts and Ornaments (SRM version)*, the *Management Measures for Auto Parts and Ornaments Stock*, the *Guiding Opinion on Strengthening the Turnover Efficiency of Auto Parts and Ornaments*, and the *Management Regulations for Procurement of Automobile Maintenance Equipment and Tools* to regulate supplier development, inspection, access, and performance evaluation.



The Group utilizes the SRM procurement management system to collect comprehensive supplier data (including basic info, staff info, financial info, brand authorization, etc.) in order to achieve total life cycle management. Besides, the Group classifies suppliers and compares their prices to control procurement costs effectively. The Group also launched WeChat mini programs for suppliers and affiliates to facilitate timely quotes and confirmation of business documents. A unified online digital procurement management platform will make the procurement process more automatic and transparent, reduce employee engagement and reduce compliance risks. Meanwhile, specifying suppliers, material and business data and establishing data models can help the Group maximize management effectiveness and control and reduce costs.

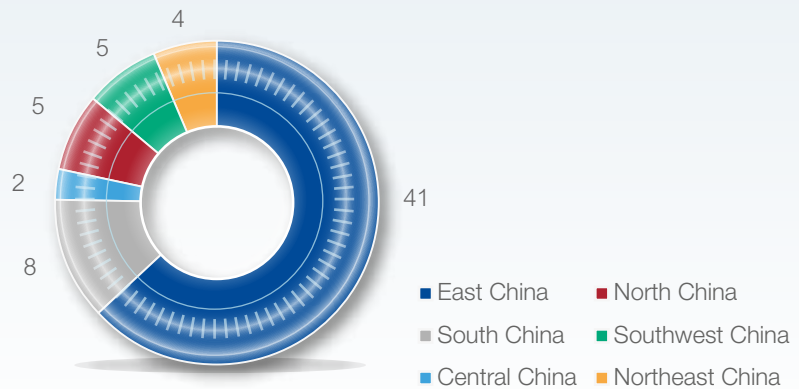
In addition, environmental and social risks are considered important factors for selecting suppliers. For all parts purchased (except OEMs), the Group required the suppliers to provide a product authorization certificate and inspection reports of quality and environmentally hazardous substances to ensure the products meet environmental requirements. For example, the Group required the paint suppliers to provide relevant materials proving that the products meet the latest environmental requirements, along with VOCs content test reports and other inspection results, and refused to cooperate with suppliers who cannot provide the necessary materials. In 2023, the Group included suppliers' participation in charitable and public welfare activities, such as donations, volunteer services, and environmental protection actions, as a new criteria for supplier admission and assessment.



## Environmental, Social and Governance Report

The figure below shows the geographical distribution of the Group's 65 suppliers that accounted for more than 90% of the Group's total purchase amount during the Reporting Period.

### Geographical Distribution of the Group's Suppliers



## 5. CHERISH TALENT

As the backbone of sustainable development, employees are a focus of the Group. The Group adheres to an equal and compliant employment policy, provide reasonable compensation and welfare, help employees grow, and create a healthy and safe working environment, laying the foundation for attracting various kinds of outstanding talent. In 2023, the Group was awarded the “China Talent Management Innovation Model Award” and the “Youth Friendly Employer Award”, recognizing our efforts to create a comfortable working environment for employees.



2023 China Talent Management Innovation Model Award





### 5.1 People-oriented: employee rights, interests, and welfare

The Group adopts people-oriented management and continuously improves the recruitment, compensation, and promotion mechanisms to build a professional team. The Group is also committed to creating a harmonious people-oriented working environment to improve employees' happiness and sense of belonging.

#### **Principles**

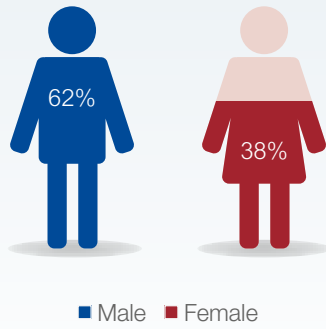
The Group acts in strict compliance with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Women's Rights and Interests*, the *Law on the Protection of Minors*, and the *Provisions on Prohibiting the Use of Child Labor*. It established the internal *Provisions on Optimizing Recruitment and On-boarding Management of Employees* and *Provisions on Strengthening the Survival-of-the-Fittest Management of Employees* to regulate the recruitment and promotion processes. The Group sticks to the principles of fairness and ensures no discrimination against or privilege for employees regardless of their gender, age, nationality, ethnicity, and religion. The Group strictly follows the national regulations and never recruits people under the age of 16 or forces people to work, ensuring all labour work in compliance with relevant laws. In case of any violation of laws and regulations, the Group will deal with it strictly with the recruitment system.

The Group allows flexible working hours within the Group for better work and life balance. The Group implements an eight-hour working system with at least one day off every week. We also provide statutory holidays (such as paid annual leave, wedding holidays, maternity leave, sick leave, and bereavement leave) for employees according to local policies, to guarantee employees' will and rights to take holidays.

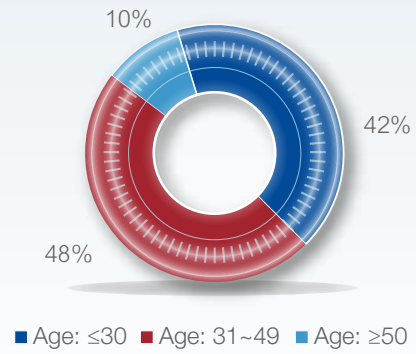
By the end of the Reporting Period, the Group had a total of 14,778 employees, down slightly compared with 2022. This is mainly because, in 2023, the Group promoted the digital transformation of business and finance, piloted cross-store business and personnel sharing of enterprises in the same park, and integrated the organizational structure to ensure the quota of high-quality frontline personnel and continue to optimize the auxiliary position deployment, further improving the human resource efficiency. The classification of employees by gender, age, and region in 2023 is as follows.

# Environmental, Social and Governance Report

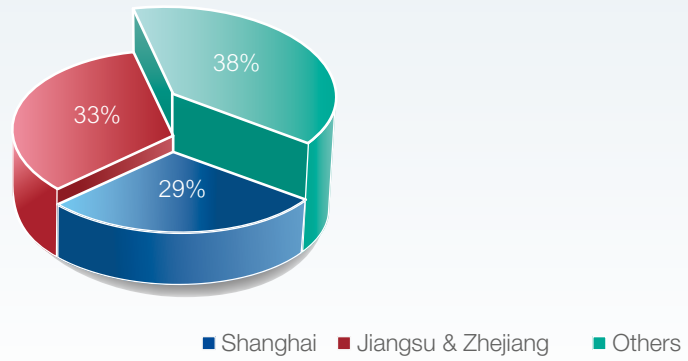
## Male and Female Employees



## Employees of Different Age Groups



## Employees in Different Regions





### **Compensation system**

A fair and equitable compensation system is an important basis for attracting talent. The Group strives to provide employees with a competitive compensation and benefits package based on the market standards and the Company's operation, and dedicates to improving its compensation and benefit level.

The Group's employee compensation mainly includes fixed salary and performance bonus. There are clear performance evaluation indicators for different positions so that the compensation distribution reflects as much as possible the principles of job differences, sharing of results and more pay for more work, and ensures that all employees fairly enjoy labour rewards. The Group will flexibly adjust employees' salaries every year according to their performance and the changes in the external environment to provide employees a salary that matches the value of their position and contributions.

### **Caring for employee**

The Group established a diversified and humanized benefits system that covers five types of social insurance and a housing fund, annual or sick leave, other paid holidays, holiday gifts, and free working meals. The Group also supports employees in work-life balance, caring for employee families, health and medical privilege, and low-income family assistance:

#### *Work-life balance*

The Group offers sufficient resting hours for employees. Other than the normal holidays, the Group offers a one-day paid leave for female employees on International Women's Day, a one-day paid leave for all employees on their birthday with birthday treats, and a three-day paid leave for employees who are awarded the title of Exemplary Individual, so that employees will have more time to study and spend time with their families.

The Group also holds various activities to enrich employees' spare time, such as weekly fitness activities for management personnel, sports club, art performance, employees' sports meeting, labour emulation, "Yongda Craftsman" Selection and so on.

During the Chinese Youth Festival on May 4, 2023, the Group organized outdoor team-building activities, including icebreaker games, barbecues, and karaoke, enhancing employee communication and cooperation. During the Mid-Autumn Festival, the Group planned a garden party, providing employees with ancient Chinese costume experiences, lantern riddle guesses, pitch-pot games and other activities. Employees whose birthdays are in September were invited to celebrate their birthdays together, showing the Group's care for employees and the warmth of the company culture.



## Environmental, Social and Governance Report

### *Caring for employee families*

The Group pays a family salary to both their spouse and parents of the senior executives, directors, general managers, and personnel at other core management positions, with an annual expenditure of about CNY 4 million. For employees who worked for Yongda more than a year, the Group will provide scholarships and subsidies to their children each year during their undergraduate, graduate or doctoral study.

### *Health and medical privilege*

Other than physical examinations for all employees, the Group arranges a special physical examination and VIP inquiry services for senior executives, directors, general managers, and their families. The Group also provides assistance for employees who suffering serious illnesses (or their immediate families) and major emergencies.

### *Low-income family assistance*

The Group attaches great importance to poor employees, providing them with mental health counselling and emotional support, and putting efforts into contacting them. Following the concept of caring for employees, the Group established the “Yongda Employee Special Assistance Fund” to subsidize employees and their families who suffered significant financial difficulties and help them overcome difficulties in a timely manner. In 2023, the Group continued to implement the Spring Festival assistance and the Double Ninth Festival care activity, and donated consolation money totaling CNY 585,000 to 135 low-income families. The Group also assisted 114 families whose parents are over 75 or over 65 but suffering serious diseases or poverty, and donated consolation money totaling CNY 114,000.



Visits to poor employees during the Spring Festival



“She Power”-themed party on International Women’s Day

Other than the above welfare policies and caring activities, the Group pays constant attention to female employees’ health and development and hosts various activities so they can go further in their career. On International Women’s Day in 2023, the Group held a “She Power” festival for female employees at each store and prepared exquisite gifts to express gratitude to hard-working female employees and encourage them to bravely show themselves and pursue beauty.

## 5.2 Employee training and development

The Group attaches great importance to career development and offers employees diversified training channels to help them enhance their professional knowledge and comprehensive skills, and provides adequate and equal promotion opportunities, thus steadily building talent within the Group.

### **Employee training**

The Group has established and continuously improves a training system that focuses on employees' competency and career development, and adjusts the training plans every year according to business needs. We offer different training to different employees.

#### **New employee**

##### **Orientation and on-the-job training**

- Help new employees understand the company culture and the job duties to fit in as soon as possible.

#### **Professional talent**

##### **Internal business skills training and advanced certification training by external manufacturers**

- Help professional talent to quickly upgrade skills to fully realize their potential

#### **Management personnel**

##### **Management ability enhancement training, general management courses, professional skill upgrading training**

- Help management personnel further expand their horizons and understand the company's development strategies.

For new employees, in 2023, the Group comprehensively updated and optimized training courses and forms to ensure synchronized, unified and standardized learning management, organization, and content. In particular, to promote the comprehensive development of new employees, the Group designed a series of courses covering four key modules: cognitive upgrade, interpersonal communication, potential release, and efficient execution. These courses can be learned independently via the Yongda Cloud University platform.

For professionals, in 2023, the Group increased the investment in employees' professional skills training by arranging for employees to participate in maintenance skill enhancement training organized by automobile manufacturers and regularly inviting industry experts to give special training, such as paintless dent repair (PDR) and internal training capacity enhancement for technical trainers, to ensure that employees have sufficient professional skills to cope with the increasingly complex automotive technologies.



PDR training



## Environmental, Social and Governance Report

For management personnel, for five years, the Group has been cooperating with Korn Ferry to promote the “Talent Development Program” — Yongda EMP Class, which provides outstanding young management personnel with a professional assessment on competency and leadership potential and systematic training. After being promoted as a director or general manager, employees will continue to receive leadership training to meet daily management needs. The Group also encourages middle and high-level management personnel and outstanding young managers to attend the EMBA, MBA, and AMP courses of key institutions such as CEIBS, Shanghai Jiao Tong University, and Fudan University and covers their full tuition. In 2023, the Group also conducted training sessions on digitalization, artificial intelligence and other topics covering all management personnel to help them make more scientific and forward-looking management decisions.



Yongda EMP Training Class

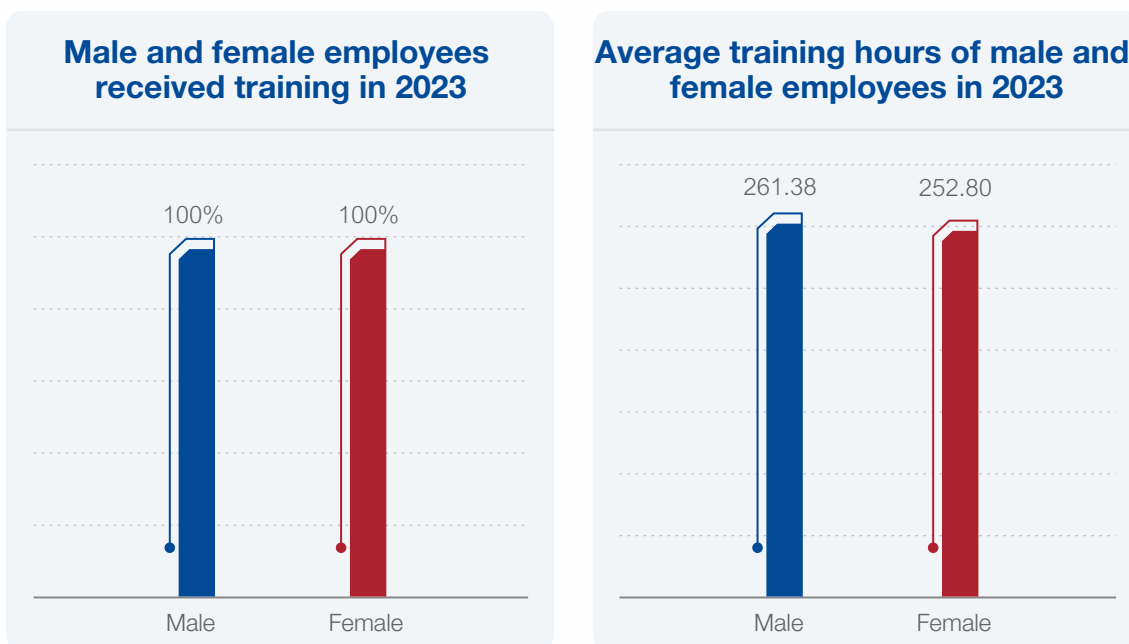


CEO exchange activity

In addition, the Group held general managers’ sharing four times in 2023 to further optimize the channel and mechanism of learning from and sharing general managers’ experience and facilitate management system innovation. These activities combined the changing market environment and industry trends and key of the Group’s operation and management strategies at different stages, and developed various themes and forms for sharing. Initiated by the Board and management, these sharings were participated by the function centre and directors of the automobile division, general managers and their core operation management team from each affiliate, management of the regional group and general managers from affiliates.

The Group has also set up a digital learning platform—Yongda Cloud University, which provides unified training on all employees through pre-charted learning maps and online courses, achieving digital employee management training and a 100% participation rate throughout the year. Employees can earn credits by logging in, studying and making class contributions in exchange for gifts, which increasing employee’s engagement and enjoyment.

During the Reporting Period, the total training time of employees were 3,813,930 hours, with 258.08 hours of training per capita. The total training time and hours of training per capita increased compared to last year. The specific employee training rates and average training hours are as follows.



### **Career development**

We offer clear career paths for employees who can take the development route of professional talent or management personnel. The professional talent route consists of five levels: junior, intermediate, advanced, senior and chief; the management personnel will grow from supervisor, manager, general manager, to Business Unit director. Each level is divided into 1-3 sub-levels based on the capabilities and experience of employees. Employees are motivated to climb the career ladder through continuous hard work.

The two routes are connected, and employees can switch between the two according to their competency, or they can change a position within the professional route to develop other capabilities to become versatile talent. Both routes will provide employees with proper positions and adequate opportunities to maximize their value and become mainstays of the Group. In 2023, the Group held an elite competition covering sales, after-sales service, new media, and other business lines to encourage employees to enhance their skills and achieve long-term development.



## Environmental, Social and Governance Report



Yongda Group 2023 Elite Competition



Employee won the gold medal at the Second Vocational Skills Competition of PRC.

Excellent case: Yongda employee Chang Chen won the gold medal in the car spray painting project at the Second Vocational Skills Competition of PRC.

In September 2023, Chang Chen, a 19-year-old employee of Yongda, won the gold medal in the car spray painting competition and the title of “National Technical Expert” at the Second Vocational Skills Competition of PRC.

Car spray painting is a competition for painting and repairing damage to car parts. The contestants must polish the poly-putty base to its pre-damaged state, quickly match the colour to the car body, and spray paint to the OEM coating quality. The paint thickness error of each layer should not exceed 0.01 mm, which requires exceptional visual acuity and technical expertise. The only way to achieve this goal is to keep practicing.

Pursuing technical excellence motivated Chang Chen to practice hard every day, and customers’ complex and diverse requirements have further enhanced his technical experience and adaptability. After winning this award, Chang Chen did not slack off. He said, “I will take solid steps forward on the path ahead and strive to become a member of the Group’s chief technician team as soon as possible.”

### 5.3 Occupational health and safety

The health and safety of employees remain top priorities of the Group. The Group always implements the policy of “prevention first, combined prevention and control”, constantly optimizes the safe operation measures, and specifies the management responsibilities and supervision tasks, to create a healthy and safe working environment for employees.

#### **Occupational health**

The Group tries its best to avoid occupational hazards and takes proper control measures to eliminate the potential health risks of employees. We provide employees working on the positions with potential occupational hazards with appropriate protective equipment, such as gas masks, earplugs, goggles, insulating gloves, and insulating shoes. We conduct regular environmental tests, occupational health examination which includes pre-job, in-job, and off-job physical examinations, to prevent occupational diseases and ensure employees’ health. For after-sales workshop employees working in extreme weather conditions, the Group regularly provides materials for preventing heatstroke and accidents.





Heatstroke prevention supplies for employees

### **Safety**

The Group strictly abides by the *Law of the People's Republic of China on Workplace Safety* and other relevant regulations. It has formulated the *Regulations on Management of Production Safety* to clarify production safety management tasks and the relevant responsibilities. All affiliates set up their safety management team and sign a written pledge of risk prevention and control responsibilities with the directors, general managers, management personnel, and employees of all functional departments to establish a sound responsibility system for production safety management at all levels.

At present, the Group faces potential test-drive safety hazards, operational safety risks in the maintenance workshop and hidden fire hazard during regular operation. To ensure the safety of test-drivers, the Group has clearly defined the rights and responsibilities of our affiliates, sales consultants and the test-drivers, including:

- (1) The company shall require customers to provide their original identity card and driving license before the test drive, and carefully verify the identity of the customers.
- (2) A *Test Drive Service Agreement* shall be signed with customers, which will be reviewed and confirmed by the vehicle administrator; then vehicle administrator can give the key to the sales consultant.
- (3) The company shall install a Car Recorder on the vehicles to be tested and ensure that the recorder functions well during the test drive, to effectively reduce various kinds of potential safety hazards.
- (4) When taking a customer to test a vehicle, the sales consultant or designated driver shall shut down the vehicle and take out the key before changing seats with the customer, and give the key to the customer after he/she is seated with the safety belt fastened. In the case of a Keyless-Go car, the key must be kept by the sales consultant or designated driver throughout the test drive.
- (5) Customers are not allowed to test drive the vehicles under the influence of alcohol or drugs.
- (6) Test drivers must undertake that they will comply with relevant laws and regulations, keep a safe distance during the test drive, and obey the arrangements and instructions of our text-driving escorts.



## Environmental, Social and Governance Report

For operational safety problems in the maintenance workshop, the Group has established a system for safety inspection and hidden danger identification, required all affiliates to conduct a safety self-inspection every day and have the general manager conduct a monthly safety inspection. All affiliates must take immediate measures to eliminate hidden dangers found during daily self-inspection. If the hidden danger cannot be rectified immediately, the affiliates shall make a rectification plan and have designated people to implement the rectification measures. Meanwhile, the Group conducts safety inspections, and will timely record and make rectification suggestions for any safety hazards found.

In 2023, the Group conducted on-site inspections on affiliates in Shanghai and surprise inspections on affiliates outside Shanghai through live-streaming video by applying the 5S methodology—Seiri (Sort), Seiton (Set-in-order), Seisō (Shine), Seiketsu (Standardize), and Shitsuke (Sustain)—in after-sales service workshops, equipment maintenance, old parts and waste management, and checked affiliates' ledgers. The Group carries out regular maintenance and overhaul of the equipment in the maintenance workshop in strict accordance with the maintenance system to ensure normal operation of the equipment. We will immediately stop using the faulty or unsafe equipment until it is repaired.



Safety inspections in workshops



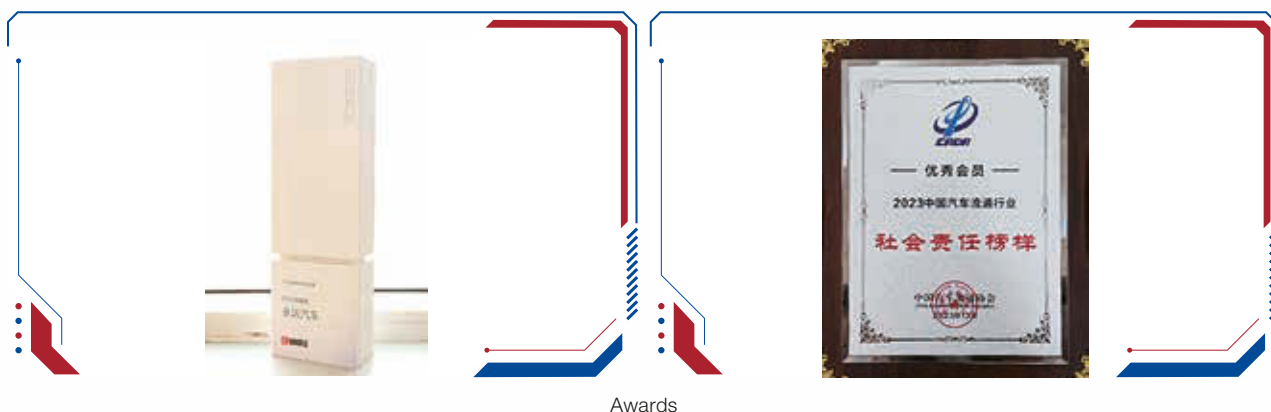
Fire drill

The Group holds case study meetings from time to time, emphasizing on fire safety management to prevent and reduce fire related incidents. In addition, the Group's affiliates are required to conduct at least one company-wide fire drill every year to train employees to save themselves and properly respond to emergencies. Affiliates will check the availability of fire equipment and ensure that employees know where to find and how to use fire equipment though fire drills, hoping to eliminate fire hazards at the initial stage.

The Group also attaches great importance to enhancing employees' safety awareness and executes a sound safety education and training system. The Group ensures that employees have the necessary safety knowledge through training on general safety knowledge for new recruits, pre-job safety knowledge education, and training on safe operation rules, covering hazardous material identification, protective measures, and emergency response. Besides, the Group publicizes safe production through the company newspapers and cultural walls and commend advanced units and individuals in the safe production to create a safe production culture.

## 6. LOVE FOR SOCIETY

As a socially responsible corporate citizen, the Group actively contributes to society and participates in community activities while pursuing strategic growth. Since the establishment of Yongda Foundation in 2017, the Group has focused on “caring for children”, “caring for the elderly”, “caring for education”, and “caring for poverty” to carry out various public welfare programs with an expenditure of over CNY 100 million. In 2023, the Group invested CNY 22 million in public welfare and charity and was awarded the “ESG Pioneer Award” and the “Social Responsibility Role Model of China Automobile Dealers Industry”.



### 6.1 Caring for the elderly

Great love begins with great kindness, and filial piety is one of the virtues to be held above all else. In today's society with an increasingly aging population, promoting a culture of respect for the elderly is of great importance to maintain family happiness and social harmony and stability. In 2023, Yongda Foundation continued to make prioritized caring for the elderly, providing necessary emotional care and spiritual comfort to the elderly as much as possible. It planned and carried out the “Love Around You” elderly companionship project. The Foundation constantly adjusts the project content and form according to the actual needs and holds activities, including volunteer companionship, the Double Ninth Festival activity, the newspaper donation activity, and the “Echoes of Old Times” documentary.



## Environmental, Social and Governance Report

### 2023 “Love Around You” elderly companionship project

1. Yongda Foundation established the “Yongda Public Welfare Volunteer Team”, with 37 volunteers from the psychology department of Shanghai Normal University. They went to 21 nursing homes, including Pudong Heqing Nursing Home and Huamu Street Nursing Home, and provided professional psychological companionship and guidance for about 600 elderly people, with a satisfaction rate of 100%, which was highly praised by the staff.
2. On the Double Ninth Festival in October 2023, the Foundation organized an elderly greeting event at the Conference Centre of Yongda International Building with the theme of “Yongda Foundation-Making Life Better for the Elderly”, sending gifts and festival blessings to over 3,000 elderly people from 20 nursing homes.
3. The Foundation carried out reading activities and subscribed to Xinmin Evening News for nearly 200 nursing homes in Pudong, providing joyful leisure time for the elderly.
4. The Foundation recorded a documentary called “Echoes of Old Times”, which features 11 elderly people who have made outstanding contributions to society, aiming to preserve the precious life experiences and wisdom of the elderly and inspire the younger generation to think about social responsibilities and historical inheritance.



2023 “Yongda Foundation-Making Life Better for the Elderly” elderly greeting activity



Yongda Foundation-newspaper donation activity

## 6.2 Caring for children

Disease assistance can light up a family's hope. In 2023, the Yongda Foundation devoted to charities for children's health and supported rare disease relief, liver transplants, and the MCLS medical assistance programs for children. A total of CNY 5.2 million was donated to improve the children's and their families' life standards, demonstrating the Yongda Foundation's firm commitment to promoting social welfare and improving public health.

- In February 2023, the Foundation donated CNY 6 million (for a period of three years) to launch the Rare Disease Charity Assistance Program for Children at the Shanghai Institute for Pediatric Research. Due to the variety of rare diseases, their low incidence rate and high medical costs, families with children suffering rare diseases will get into or return to poverty. This donation will help children with genetic metabolic, neuromuscular, and other rare diseases in low-income families, bringing them back to life and helping their families out of poverty. This donation is also the first time for the Foundation to carry out multi-party joint charitable assistance. Yongda Foundation cooperated closely with the Shanghai Institute of Pediatric Research, Xinhua Hospital, Shanghai Children's Medical Centre, and Children's Hospital of Shanghai to build a multi-party "joint assistance" platform to help children with rare diseases. During the Reporting Period, the Foundation donated CNY 2 million to support treating three children with rare diseases.



## Environmental, Social and Governance Report



Signing ceremony of the Rare Diseases Charity Assistance Program for Children

- In March 2023, the Foundation donated CNY 6 million (for a period of three years) to launch the Children's Liver Transplant Program at Huashan Hospital of Fudan University. Each year the program helps approximately 1,300 to 2,300 children with congenital biliary atresia who are exposed to life-threatening risks due to bile outflow obstruction. A liver transplant is the only effective means to treat this illness. The Foundation's donation will alleviate the financial burden of needy families, enable more children to receive surgery and capture the best life-saving chance. During the Reporting Period, the Foundation donated CNY 2 million to subsidize 19 children to receive liver transplants.



Launching ceremony of the Children Liver Transplant Program

- In May 2023, the Foundation donated CNY 6 million to the Children's Hospital of Fudan University to launch the MCLS Medical Assistance Program for Children with Kawasaki Disease. Kawasaki disease is an acute condition that causes inflammation or swelling of small and medium-sized blood vessels throughout the body. It primarily affects children younger than five. If not treated in a timely and effective manner, approximately 25% of children will suffer from severe cardiovascular complications. For children with Kawasaki disease admitted to the Children's Hospital of Fudan University, about 10-15% of them don't receive enough money from family medical insurance or are in financial difficulties. The Foundation's donations will be directly used to subsidize these children and ensure they can receive the necessary medical treatment. During the Reporting Period, the Foundation donated CNY 1.2 million to subsidize 21 children with Kawasaki disease to receive treatment.



Signing ceremony of the MCLS Medical Assistance Program



Children's Day gift for children with Kawasaki disease

Traffic safety is too important to be taken lightly, and it is the common responsibility of society, schools and families to ensure that children grow up safely and healthily. As a cooperative unit of Shanghai Traffic Civilization Public Welfare Alliance, Yongda Foundation has joined hands with the Traffic Police Headquarters of Shanghai Public Security Bureau as well as the Traffic Police Detachments of the 16 districts and counties to carry out a three-month campaign called "Adults and Children Walking on a Safe Path" – Yongda Charity • Traffic Safety with Shanghai Dialect Culture Tour in Schools since September 2023. The Foundation donated its well-crafted traffic safety comic books to about 200,000 first graders in Shanghai. It also delivered interactive classes and traffic safety quizzes to help children develop good traffic behavior and follow traffic laws and regulations to reduce traffic accidents.



Learning about traffic safety signs



Traffic safety comic books



## Environmental, Social and Governance Report

### 6.3 Caring for education

When education thrives, the country prospers. The Group firmly believes education is the key driving force for regional economic development. Therefore, we have devoted ourselves to public welfare education and have provided special education funds for years, such as Shanghai Normal University-Yongda Special Education Fund, Pudong Heqing Town-Yongda Special Education Fund, and Yongda Class-Yongda Special Education Fund, to enable outstanding teenagers from needy families to pursue their education and safeguard their right to enjoy a fair and high-quality education.



Granting scholarships to student representatives of the 2023 Yongda “Hope” and “Excellence” education assistance program

In 2023, the Yongda Foundation furthered the localized school-enterprise cooperation in talent cultivation, covering 18 universities in Shanghai, Jiangsu, Anhui, Tianjin, Fujian, Sichuan and Shandong. There are 18 Yongda classes and factory project classes with 327 participants. In addition to providing financial assistance to students, the Group also conducted campus promotions and participated in school-enterprise cooperation meetings to expand its talent pool. These initiatives provide students with valuable learning and practice opportunities and inject new vitality into enterprise development, demonstrating our commitment to education and far-reaching plans for the future.

### 6.4 Caring for poverty

The Group is committed to targeted poverty alleviation and takes practical actions to help the poor and vulnerable groups. In July 2023, the Yongda Foundation, in cooperation with the Shanghai University of Traditional Chinese Medicine and Fujian University of Traditional Chinese Medicine, sent a doctoral student service group to Sanming Integrated Medicine Hospital, Ninghua County Hospital of Traditional Chinese Medicine and other local hospitals in Fujian province. Through talks, demonstrative ward rounds, and free clinical treatment, they learned about the local healthcare situation, discovered the bottlenecks of developing hospitals and traditional Chinese medicine, and carried out traditional Chinese medicine health services. In addition, the doctoral student service group also visited the herb planting base to determine farmers’ knowledge and demand for traditional Chinese medicine and provide technical support for traditional Chinese medicine for rural revitalization.



In addition, the Foundation also initiated a caring program for injured and disabled athletes. During the Reporting Period, the Foundation has assisted 32 athletes, including male volleyball player Tang Miao, wrestler Chen Jicheng and trampolinist Zhou Bijun. The Foundation sent them festive blessings, consolation money and gifts, conveying the positive energy of charity for sports.

### 6.5 Online Yongda charity auction

The Group also encourages employees to participate in social welfare activities and perform their social responsibilities. In November 2023, the Yongda Foundation held the “Online Yongda Charity Auction,” where the Group’s senior executives, relevant management, and warm-hearted people from the society made their contributions through the online auction platform. All the 55 lots in the charity auction were sold and a total of CNY 13.025 million were raised, all of which will be used in the charity cause of Yongda Foundation in 2024. In addition, 15 senior executives of the Group donated CNY 312,000 after the auction, further demonstrating the Group’s commitment to social responsibility.



Online Yongda charity auction site

At the same time, the Foundation collected its charity footprints since its establishment in 2017 to compile the “2017-2023 Charity Path of Shanghai Yongda Foundation” brochure and offered it to the Group’s subsidiaries and organizations for public welfare cooperation. Internally, upholding the corporate culture of “everyone for public welfare”, it advocates employee participation in corporate philanthropy. Externally, it displays a good image by fulfilling its social responsibility and advocates warm-hearted people to participate and contribute to society together.

## 7. ENVIRONMENTAL PROTECTION

The Group is mainly engaged in automobile sales and services, which is not an energy-intensive industry and has a limited impact on the environment. However, the Group fully understands the environmental responsibilities enterprises should assume and takes practical actions to implement sustainable development during operations. The Group has established an environmental protection management system, which includes various environmental management elements such as environmental protection management organization, responsibility management, environmental evaluation, environmental protection training, and contingency plans. The Group is committed to sincerely managing resources and minimizing carbon emissions and waste generation.



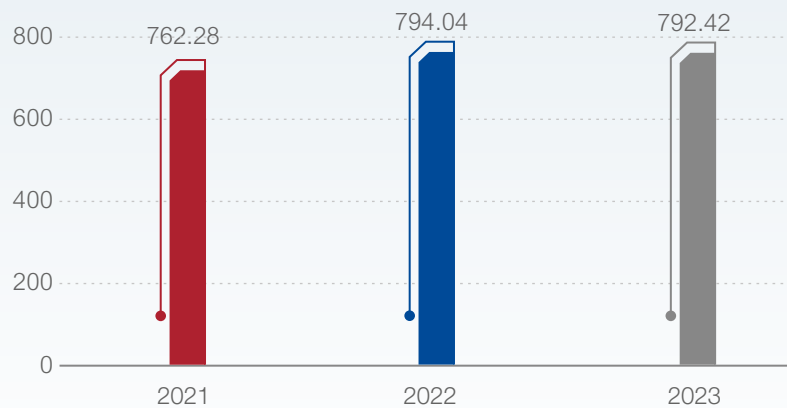
## Environmental, Social and Governance Report

### 7.1 Low-carbon operation: rational utilization of resources

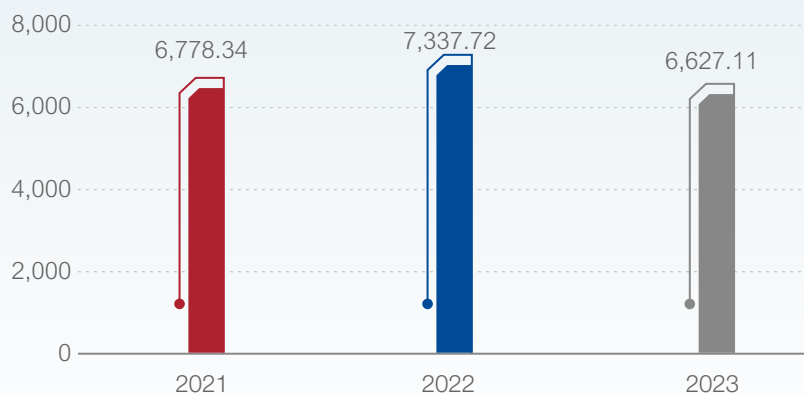
The Group has always attached importance to improving energy use efficiency and strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Conserving Energy, and other laws and regulations. The Group mainly uses electricity, petrol, diesel, and municipal water.

During the Reporting Period, the Group's energy consumption totalled 116,327.92 MWh. Specifically, the Group consumed 98,598.00 MWh of electricity, 16,931.90 MWh of petrol, and 798.02 MWh of diesel. The energy consumption density was 792.42 MWh/10,000 m<sup>2</sup>, remaining the level of 2022. Meanwhile, the Group's water consumption totalled 972,860.00 tonnes, and water consumption density is 6,627.11 tonnes/10,000 m<sup>2</sup>, a decrease of 9.68% compared to 2022.

**Energy consumption density (MWh/10,000 m<sup>2</sup>)**



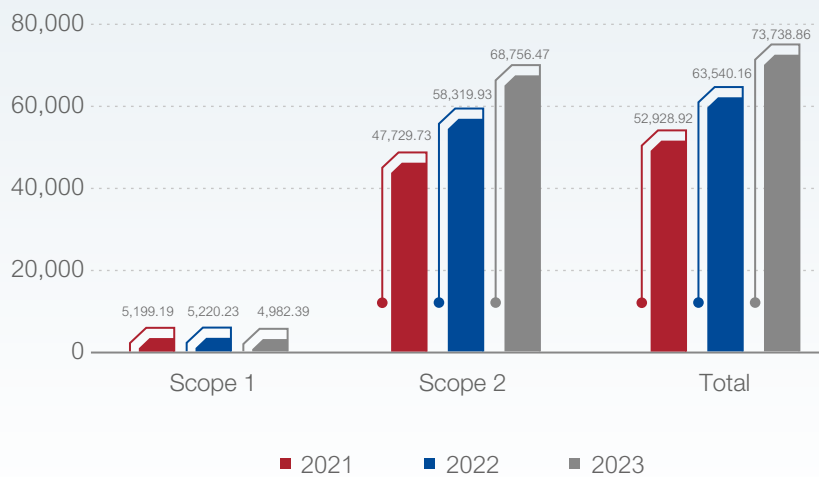
**Water consumption density (tonnes/10,000 m<sup>2</sup>)**



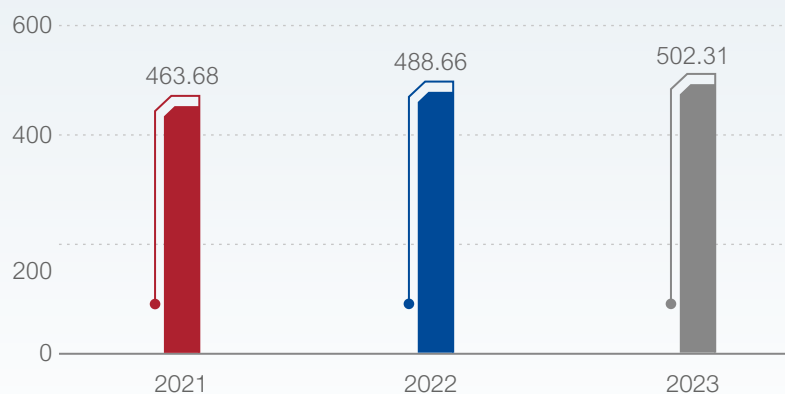


During the Reporting Period, the Group’s greenhouse gas emissions totalled 73,738.86 tonnes. Specifically, the Group’s Scope 1 direct greenhouse gas emission is mainly caused using petrol, with total greenhouse gas emissions (CO<sub>2</sub> equivalent) of 4,982.39 tonnes in 2023. The Group’s Scope 2 direct greenhouse gas is mainly generated from purchased electricity, with total emissions of 68,756.47 tonnes in 2023. In addition, the Group applied effective means to reduce use of paper, with total water consumption of 325.09 tonnes, a decrease of 8.49% compared with 2022.

### Greenhouse gas emissions (tonne)



### Greenhouse gas emission density (tonnes/ 10,000 m<sup>2</sup>)





## Environmental, Social and Governance Report

The Group always advocates low-carbon operations and incorporates minimizing resource utilization into daily operations and management. Now, the Group has set long-term targets for the use of power and water—specifically, the Group is committed to continuously improving electricity efficiency and will install rooftop photovoltaic power to reduce building energy consumption; the Group will strive to control annual water consumption below the amount approved by the water supply company. During the Reporting Period, the Group took the following resource-saving measures during its operations:



### Water saving

We regularly checked water pipes and fire hoses for leakage, pay close attention to monthly water consumption and abnormalities, and publicized to improve employees' awareness of water conservation, to effectively reduce annual water consumption.



### Paper saving

In principle, staff are required to adopt electronic means such as Email and WeChat for business reporting and issuing notices whenever possible; necessary paper materials should be printed using different types of paper in proper printing modes; for example, using a new piece of paper and single-sided printing for external documents, and double-sided printing for important internal reporting materials.



### Electricity saving


We upgraded the hardware and interior finish to gradually replace the ordinary lamps with energy-saving lamps, got rid of unnecessary electric equipment, used air conditioners according to seasonal temperatures, set the air conditioner temperature at 26°C, and regularly popularized energy conservation knowledge.

## 7.2 Reducing pollutant discharge

The Group strictly complies with the *Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution*, the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, the *Integrated Wastewater Discharge Standard*, and other relevant environmental laws and regulations. The Group has designed a scientific discharge system to mitigate the impact of the pollutants generated during operations on the environment.

### **Waste discharge management**

At present, the non-hazardous waste generated by the Group is mainly household waste, iron scrap, aluminium scrap, waste plastic, and waste glass, among others; the hazardous waste mainly includes waste oil, lead battery scrap and other hazardous incineration waste. In 2023, the Group continued to cooperate with suppliers in waste discharge management to reduce waste and improve reuse and recycling approach.



To achieve our targets, the Group set up operating procedures for sorting, storing, cleaning and disposing of non-hazardous waste, established non-hazardous waste storage and disposal accounts, and signed a waste disposal agreement with qualified third-party companies to maximally utilize the recyclable parts. For faulty furniture, printing and photocopying machines, the Group tried to repair and continue to use them to reduce solid waste.

The Group annually logs into the Hazardous Waste Management Information System to report information such as Management Plans and Contracts for Entrusted Collection and Disposal. The Group established a hazardous waste ledger to record the generation, disposal and storage of waste oil, lead battery scrap and other hazardous waste. We ensure that hazardous waste is disposed of through legal and compliant channels, and regularly inspect the management of hazardous waste. In addition, the Group complies with the Technical Specification for Setting Identification Signs of Hazardous Waste and the Standard for Pollution Control on Hazardous Waste Storage, which came into effect in July 2023, and supervised its subsidiaries to update the signs in accordance with the new requirements.

During the Reporting Period, the Group generated 56,148.93 tonnes of non-hazardous and 3,102.84 tonnes of hazardous waste, and the emission density is 382.49 tonnes/10,000 m<sup>2</sup> and 21.14 tonnes/10,000 m<sup>2</sup> tonnes respectively, presenting a year-on-year decrease of 26.44% and a year-on-year increase of 12.33% compared with last year. The increase is mainly attributable to the higher performance in maintenance services.

#### ***Exhaust emission management***

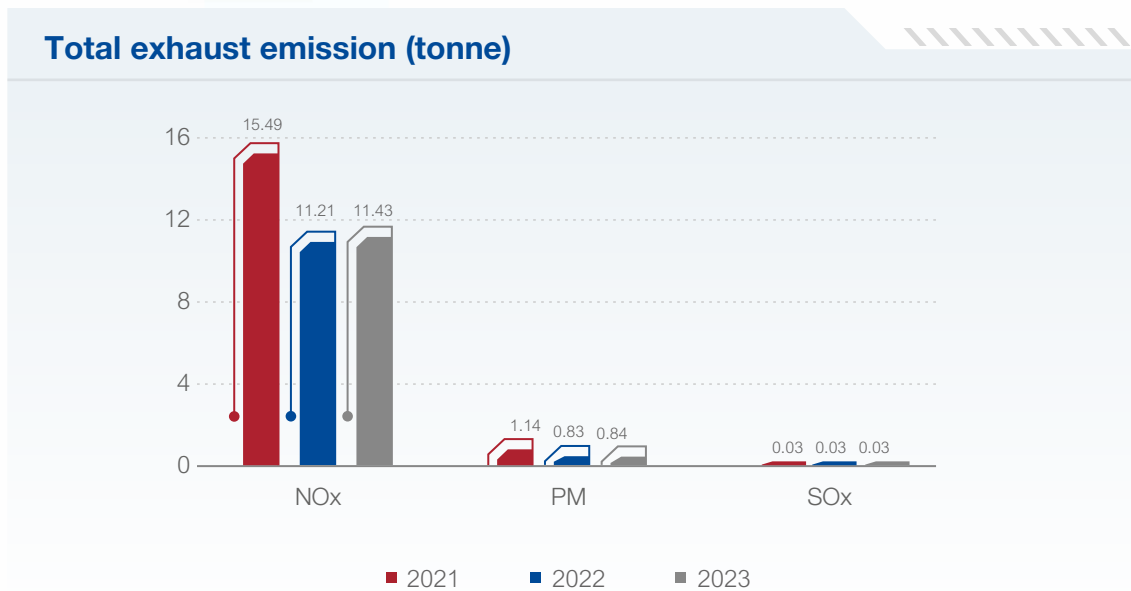
The Group mainly generates nitrogen oxides, sulphur oxides, and particulate matter from the daily use of vehicles at work, rental vehicles provided to customers, rescue vehicles and test drives. To effectively reduce exhaust emissions, the Group is trying its best to replace all the fuel-powered business vehicles with new energy vehicles by 2025. Besides, the Group will plan our test drive routes scientifically and rationally to minimise the impact of exhaust emissions on the environment.

For the small amount of exhaust gas generated during the repair of vehicles, the Group has introduced exhaust gas purification devices in the paint room and other places. We have enclosed rooms for paint pre-treatment stations and introduced exhaust gas purification devices. We regularly replace the consumables of the exhaust gas purification devices, such as the filter cotton and activated carbon, according to business volume, and implement the equipment maintenance plans to ensure that exhaust gas meets the relevant national standards before emission. In 2023, the Group continued to promote the regional auto body repair & paint centre model to control the costs of paint auxiliary materials and energy consumption. We also prefer environmentally friendly maintenance solutions. For example, we use environmentally friendly materials and products (e.g., water-based color paints and varnishes) to reduce exhaust gas emissions.



## Environmental, Social and Governance Report

In 2023, the Group's exhaust emissions totalled 12.30 tonnes (11.43 tonnes of NO<sub>x</sub>, 0.84 tonnes of PM and 0.03 tonnes of SO<sub>x</sub>), and the emission density is 0.08 tonnes/10,000 m<sup>2</sup>, remaining the level of 2022.



### Sewage discharge management

The Group mainly generates car-washing wastewater and sanitary wastewater, which are separately collected and disposed. The Group has filter mesh and grit basin to filter the car-washing wastewater to ensure it meets the relevant standards before being discharged and the sediment is regularly dealt with. The Group keeps daily monitoring and control sanitary wastewater, regularly checks if it is excessively discharged, and takes remedial measures immediately in case of any abnormality.

### 7.3 Addressing climate changes

The Group attaches great importance to effectively addressing climate changes throughout its operations. We strictly follow the government's guidelines on dealing with extreme weather and develop emergency plans and countermeasures based on the actual situations of the Company to minimise the impact of climate changes on daily operations and personal safety.

The Group operates mainly in the Chinese mainland and faces typhoons and heavy rainfall. Every year the Group issues typhoon and flood prevention notices in the typhoon and flood seasons and requires all affiliates to conduct a comprehensive safety inspection, especially the electric circuits, downpipes, and sanitary sewers. To promptly deal with the climate changes, the Group will also set up a temporary emergency response team and require the team members to be on standby around the clock to address emergencies in time.

## 8. APPENDIX

### 8.1 Data overview

- Environmental**

A1.1 The types of emissions	Unit	2023	2022	2021
Total NOx emissions	tons	11.43	11.21	15.49
Total SOx emissions	tons	0.03	0.03	0.03
Total PM emissions	tons	0.84	0.83	1.14
Total exhaust emission	tons	12.30	12.07	16.66
Intensity of exhaust emission	tons/hm <sup>2</sup>	0.08	0.09	0.15

A1.2 Total GHG emissions	Unit	2023	2022	2021
GHG emissions- scope 1	tons	4,982.39	5,220.23	5,199.19
GHG emissions- scope 2	tons	68,756.47	58,319.93	47,729.73
Total GHG emissions	tons	73,738.86	63,540.16	52,928.92
Intensity of total GHG emissions (scope 1 & scope 2)	tons/hm <sup>2</sup>	502.31	488.66	463.68

A1.3 Total hazardous waste produced	Unit	2023	2022	2021
Total emissions of hazardous waste	tons	3,102.84	2,447.81	2,952.57
Intensity of hazardous waste	tons/hm <sup>2</sup>	21.14	18.82	25.87

A1.4 Total non-hazardous waste produced	Unit	2023	2022	2021
Total emissions of non-hazardous waste	tons	56,148.93	67,612.18	64,512.36
Intensity of non-hazardous waste	tons/hm <sup>2</sup>	382.49	519.97	565.15

A2.1 Total energy consumption by type	Unit	2023	2022	2021
Electricity	MWh	98,598.00	84,537.17	69,379.65
Petrol	MWh	16,931.90	18,024.50	17,203.15
Diesel	MWh	798.02	687.95	431.54
Total energy consumption	MWh	116,327.92	103,249.62	87,014.34
Intensity of energy consumption	MWh/hm <sup>2</sup>	792.42	794.04	762.28

A2.2 Water consumption	Unit	2023	2022	2021
Total water consumption	tons	972,860.00	954,123.10	773,747.72
Intensity of water consumption	tons/hm <sup>2</sup>	6,627.11	7,337.72	6,778.34

## Environmental, Social and Governance Report

### • Social

<b>B1.1 Total workforce by gender, employment type, age, employee category and geographical region</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
Total number of employees		14,778	16,936	16,697
Gender	Male	9,096	10,426	10,249
	Female	5,682	6,510	6,448
Employment type	Full-time	14,778	16,901	16,664
	Part-time	0	35	33
Age	Age: ≤30	6,154	7,053	5,991
	Age: 31~49	7,172	7,935	9,337
	Age: ≥50	1,452	1,948	1,369
Employee category	Senior management	16	15	15
	Middle management	156	175	193
	Junior management	857	966	1,027
	Staff	13,749	15,780	15,462
Region	Shanghai	4,334	5,858	4,733
	Jiangsu and Zhejiang	4,878	6,321	5,659
	Others	5,566	4,757	6,305

<b>B1.2 Employee turnover rate by gender, age and geographical region</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
Gender	Male	25.67%	28.73%	26.43%
	Female	21.38%	29.57%	26.91%
Age	Age: ≤30	31.01%	40.27%	40.48%
	Age: 31~49	20.73%	25.07%	20.76%
	Age: ≥50	3.14%	4.67%	5.92%
Region	Shanghai	27.46%	24.09%	31.33%
	Jiangsu and Zhejiang	30.00%	34.65%	21.21%
	Others	14.67%	27.73%	27.93%



<b>B2.1 Number and rate of work-related fatalities</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
The number of work-related fatalities	0	0	0
The rate of work-related fatalities	0	0	0

<b>B2.2 Lost days due to work injury</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Lost days due to work injury	0	0	0

<b>B3.1 The percentage of employees trained by gender and employee category</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
Gender	Male	100%	100%	100%
	Female	100%	100%	100%
Employee category	Senior management	100%	100%	100%
	Middle management	100%	100%	100%
	Junior management	100%	100%	100%
	Staff	100%	100%	100%

<b>B3.2 Average training hours completed by per employee by gender and employee category</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
Gender	Male	261.38	219.43	258.93
	Female	252.80	202.30	255.97
Employee category	Senior management	115.75	131.60	105.00
	Middle management	247.53	218.33	190.90
	Junior management	242.72	215.17	232.55
	Staff	259.32	212.72	260.45

<b>5.1 Number of suppliers by geographical region</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Eastern China	41	38	62
South China	8	6	7
Central China	2	2	2
North China	5	6	5
Northwest China	0	0	0
Southwest China	5	4	3
Northeast China	4	4	5



## Environmental, Social and Governance Report

B6.2 Products and service related complaints received	2023	2022	2021
The number of products and service related complaints	67	52	49

B8 Community Investment	Unit	2023	2022	2021
Total community investment	RMB10,000	2,200.00	1,924.88	1668.79

- **Standards and methodologies used in calculation:**

1. Greenhouse gases include carbon dioxide, methane, nitrous oxide and sulfur hexafluoride. Scope 1 GHG is calculated by default values of common fossil fuel characteristic parameters issued by the National Development and Reform Commission of China; Scope 2 GHG is calculated by region based on the average CO<sub>2</sub> emission factors of China's regional power grids published by the National Development and Reform Commission of China.
2. NO<sub>x</sub>, SO<sub>x</sub>, PM data sources were monitoring systems installed or third-party commissioned for monitoring. The calculation was based on factors from the EMFAC-HK Vehicle Emission Calculation issued by the Hong Kong Environmental Protection Department.
3. The Hazardous waste was classified according to "hazardous waste" as stipulated in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal as mentioned in the Guidelines on Reporting of Environmental Key Performance Indicators published by the HKEX. The data sources were the relevant records and ledgers.
4. The non-hazardous waste was all waste that does not fall within the definition of "hazardous waste" of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. The data sources were the relevant records and ledgers.
5. Water consumption: the data sources were municipal water purchase volume.
6. Energy consumption: the calculation was based on purchased electricity and fuel consumption, with relevant conversion factors provided by the International Energy Agency.

## 8.2 ESG content index

ESG Guide	Description	Location/Remarks
<b>A. Environment</b>		
<b>Aspect A1: Emission</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection
A1.1	The types of emissions and respective emissions data.	Environmental Protection
A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection; Data Overview
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection; Data Overview
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection; Data Overview
A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection; Data Overview
A2.2	Water consumption in total and in intensity (e.g. per unit of production volume, per facility).	Environmental Protection; Data Overview
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection
A2.4	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.	Environmental Protection
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Undisclosed: this is a non-material issue

## Environmental, Social and Governance Report

ESG Guide	Description	Location/Remarks
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Protection
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Protection
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Cherish Talent
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Cherish Talent; Data Overview
B1.2	Employee turnover rate by gender, age group and geographical region.	Data Overview
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to providing a safe working environment and protecting employees from occupational hazards.	Cherish Talent
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Data Overview
B2.2	Lost days due to work injury.	Data Overview
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Cherish Talent



ESG Guide	Description	Location/Remarks
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Cherish Talent
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Cherish Talent; Data Overview
B3.2	Average training hours completed per employee by gender and employee category.	Cherish Talent; Data Overview
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to preventing child and forced labour.	Cherish Talent
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Cherish Talent
B4.2	Description of steps taken to eliminate such practices when discovered.	Cherish Talent
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Enjoy Quality
B5.1	Number of suppliers by geographical region.	Enjoy Quality; Data Overview
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Enjoy Quality
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Enjoy Quality
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Enjoy Quality

## Environmental, Social and Governance Report

ESG Guide	Description	Location/Remarks
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Enjoy Quality
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable: if there are product recalls, they will be conducted directly by the automotive OEM.
B6.2	Number of complaints received related to products and service and how they are dealt with.	Enjoy Quality; Data Overview
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Undisclosed: this is a non-material issue
B6.4	Description of quality assurance process and recall procedures.	Enjoy Quality
B6.5	Description of consumer data protection and privacy policies, how implemented and monitored.	Enjoy Quality
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to bribery, extortion, fraud and money laundering.	Integrity and Responsibility
B7.1	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.	Integrity and Responsibility
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity and Responsibility
B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and Responsibility
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Love for Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Love for Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	Love for Society; Data Overview



# Independent Auditor's Report

**Deloitte.**

德勤

**TO THE SHAREHOLDERS OF  
CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

## **OPINION**

We have audited the consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 121 to 267, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) 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 (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (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 judgment, 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.



## Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment of goodwill</i>	
<p>We identified the impairment assessment of goodwill arising from acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the complexity and significant judgements and management estimation involved in the assessment process.</p> <p>Determining whether goodwill is impaired required management's estimation of the value in use of the cash generating units ("CGUs") to which goodwill has been allocated. As disclosed in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and assumptions including the discount rates, sales volume growth rates, changes in selling prices and direct costs that involve the management's estimations.</p> <p>As at December 31, 2023, the carrying amount of goodwill was approximately RMB1,630,874,000. The Group recognized an impairment loss of goodwill of RMB41,286,000 for certain underperforming CGUs for the year then ended. Details of such judgements and estimations are disclosed in Note 18 to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the management's control processes over impairment assessment of goodwill;</li> <li>• Assessing the methodology used by the management to determine the recoverable amounts which are the value in use of CGUs to which goodwill has been allocated;</li> <li>• Obtaining the value in use calculations of the CGUs to which the goodwill has been allocated and understanding the key management assumptions adopted in these calculations through enquiries with management;</li> <li>• Evaluating key inputs and assumptions used by the management in estimations of value in use, on sample basis, including discount rates applied, sales volume growth rates, selling prices and direct costs; and</li> <li>• Comparing cash flow projections to supporting evidence, on sample basis, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective CGU as well as our knowledge of the business.</li> </ul>

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.





## *Independent Auditor's Report*

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism 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 of the Company.



## *Independent Auditor's Report*

- Conclude on the appropriateness of the directors of the Company's 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.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Joseph Wing Ming Chan.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

March 26, 2024

# Consolidated Statement of Profit or Loss

For the year ended December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (Restated)
Revenue			
Goods and services		72,133,355	71,532,452
Rental		462,136	491,436
Total revenue	5A/B	72,595,491	72,023,888
Cost of sales and services		(67,601,069)	(65,634,545)
Gross profit		4,994,422	6,389,343
Other income and other gains and losses	6	1,858,463	1,549,711
Distribution and selling expenses		(4,041,666)	(3,799,708)
Administrative expenses		(1,849,747)	(1,835,484)
Profit from operations		961,472	2,303,862
Share of losses of joint ventures	19	(725)	(800)
Share of profits of associates	20	106,991	90,293
Finance costs	7	(327,421)	(320,688)
Profit before tax	9	740,317	2,072,667
Income tax expense	8	(154,566)	(601,371)
<b>Profit for the year</b>		<b>585,751</b>	1,471,296
Profit for the year attributable to:			
Owners of the Company		572,579	1,411,824
Non-controlling interests		13,172	59,472
		<b>585,751</b>	1,471,296
Earnings per share – basic	13	RMB0.29	RMB0.72
Earnings per share – diluted	13	RMB0.29	RMB0.72



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000 (Restated)
<b>Profit for the year</b>	<b>585,751</b>	1,471,296
<b>Other comprehensive expense</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	<b>(1,291)</b>	(1,254)
<b>Total comprehensive income for the year</b>	<b>584,460</b>	1,470,042
Total comprehensive income for the year attributable to:		
Owners of the Company	<b>571,288</b>	1,410,570
Non-controlling interests	<b>13,172</b>	59,472
	<b>584,460</b>	1,470,042

# Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	14	5,844,615	6,059,015
Right-of-use assets	15	2,901,480	2,995,670
Goodwill	16, 18	1,630,874	1,672,160
Other intangible assets	17	2,953,610	2,817,249
Deposits paid for acquisition of property, plant and equipment		34,273	94,196
Deposits paid for acquisition of right-of-use assets		108,173	144,728
Equity instruments at FVTOCI	22	6,744	8,035
Financial assets at fair value through profit or loss ("FVTPL")	21	334,112	312,142
Interests in joint ventures	19	65,601	51,951
Interests in associates	20	860,474	750,178
Deferred tax assets	30	395,358	319,346
Other assets	23	66,195	68,195
Time deposits	26	600	2,500
		<b>15,202,109</b>	15,295,365
<b>Current assets</b>			
Inventories	24	4,363,154	4,555,391
Trade and other receivables	23	7,202,559	8,017,640
Financial assets at FVTPL	21	–	255,011
Amounts due from related parties	45	91,424	69,809
Cash in transit	25	36,091	68,816
Time deposits	26	7,500	5,000
Restricted bank balances	26	3,589,137	2,008,024
Bank balances and cash	26	2,201,077	2,185,797
Derivative financial assets		–	3,878
		<b>17,490,942</b>	17,169,366
<b>Current liabilities</b>			
Trade and other payables	27	9,125,044	8,390,619
Amounts due to related parties	45	70,295	87,396
Tax liabilities		962,828	1,205,786
Borrowings	31	2,434,016	2,287,511
Contract liabilities	28	1,724,305	1,723,948
Lease liabilities	33	242,904	274,157
Medium-term note	32	–	369,763
		<b>14,559,392</b>	14,339,180

58%



## Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000 (Restated)
<b>Net current assets</b>		<b>2,931,550</b>	2,830,186
<b>Total assets less current liabilities</b>		<b>18,133,659</b>	18,125,551
<b>Non-current liabilities</b>			
Borrowings	31	<b>1,526,584</b>	1,079,905
Lease liabilities	33	<b>1,433,127</b>	1,508,717
Deferred tax liabilities	30	<b>775,497</b>	814,333
		<b>3,735,208</b>	3,402,955
<b>Net assets</b>		<b>14,398,451</b>	14,722,596
<b>Capital and reserves</b>			
Share capital	29	<b>15,963</b>	16,233
Treasury shares	29	<b>(12,269)</b>	(46,659)
Reserves		<b>13,936,426</b>	14,246,492
Equity attributable to owners of the Company		<b>13,940,120</b>	14,216,066
Non-controlling interests	34	<b>458,331</b>	506,530
<b>Total equity</b>		<b>14,398,451</b>	14,722,596

The consolidated financial statements on pages 121 to 267 were approved and authorized for issue by the Board of Directors on March 26, 2024 and are signed on its behalf by:

**Cheung Tak On**  
DIRECTOR

**Xue Yue**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

## Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 (note a)	Treasury shares RMB'000 (Note 29)	Special reserve RMB'000 (note b)	Share-based payments reserve RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2022	16,262	1,666,841	2,173,468	(8,953)	41,116	200,238	(9,284)	9,628,778	13,708,466	580,399	14,288,865
Adjustments (Note 2)	-	-	-	-	-	-	-	68,915	68,915	3,087	72,002
At 1 January 2022 (restated)	16,262	1,666,841	2,173,468	(8,953)	41,116	200,238	(9,284)	9,697,693	13,777,381	583,486	14,360,867
Profit for the year	-	-	-	-	-	-	-	1,411,824	1,411,824	59,472	1,471,296
Other comprehensive expense for the year	-	-	-	-	-	-	(1,254)	-	(1,254)	-	(1,254)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	(1,254)	1,411,824	1,410,570	59,472	1,470,042
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	1,170	1,170
Disposal of partial interest of subsidiaries without losing control	-	-	-	-	32	-	-	-	32	120	152
Acquisition of non-controlling interests (Note 37)	-	-	-	-	(5,092)	-	-	-	(5,092)	(21,076)	(26,168)
Repurchase and cancellation of shares (Note 29)	(37)	(31,169)	-	(37,706)	-	-	-	-	(68,912)	-	(68,912)
Recognition of equity-settled share-based payments (Note 35)	-	-	-	-	-	44,748	-	-	44,748	-	44,748
Exercise of share options	8	6,157	-	-	-	-	-	-	6,165	-	6,165
Transfer to statutory reserve	-	-	565,002	-	-	-	-	(565,002)	-	-	-
Dividends recognized as distributions (Note 12)	-	(948,826)	-	-	-	-	-	-	(948,826)	-	(948,826)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(116,642)	(116,642)
At December 31, 2022 (restated)	16,233	693,003	2,738,470	(46,659)	36,056	244,986	(10,538)	10,544,515	14,216,066	506,530	14,722,596
Profit for the year	-	-	-	-	-	-	-	572,579	572,579	13,172	585,751
Other comprehensive expense for the year	-	-	-	-	-	-	(1,291)	-	(1,291)	-	(1,291)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	(1,291)	572,579	571,288	13,172	584,460
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	10,820	10,820
Acquisition of non-controlling interests (Note 37)	-	-	-	-	(1,463)	-	-	-	(1,463)	(3,949)	(5,412)
Repurchase and cancellation of shares (Note 29)	(270)	(133,080)	-	34,390	-	-	-	-	(98,960)	-	(98,960)
Disposal of subsidiaries (Note 36)	-	-	-	-	-	-	-	-	-	(3,816)	(3,816)
Recognition of equity-settled share-based payments (Note 35)	-	-	-	-	-	35,609	-	-	35,609	-	35,609
Transfer to statutory reserve	-	-	239,354	-	-	-	-	(239,354)	-	-	-
Dividends recognized as distributions (Note 12)	-	-	-	-	-	-	-	(782,420)	(782,420)	-	(782,420)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(64,426)	(64,426)
At December 31, 2023	15,963	559,923	2,977,824	(12,269)	34,593	280,595	(11,829)	10,095,320	13,940,120	458,331	14,398,451



## Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

Notes:

- a. As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries with the amount and allocation basis to be decided by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to make up for prior year losses, if any, and/or (ii) in capital conversion.
- b. The special reserve mainly consisted of:
  - (i) an amount of RMB333,647,000 representing deemed distribution to the owners of the subsidiaries of the Group pursuant to a group reorganization which was effected in 2011; and
  - (ii) a reduction of reserve of approximately RMB299,054,000 (2022: RMB297,591,000) representing the accumulated difference between the consideration paid/received and the carrying amount of the non-controlling interests upon acquisition or disposal of partial interests in subsidiaries.



# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	740,317	2,072,667
Adjustments for:		
Finance costs	327,421	320,688
Interest income on bank deposits	(37,415)	(35,642)
(Gain) loss on disposal of subsidiaries	(92,611)	559
Impairment loss recognized in respect of goodwill	41,286	–
Depreciation of property, plant and equipment	802,033	803,848
Depreciation of right-of-use assets	364,722	371,893
Amortization of other intangible assets	111,801	100,886
Share-based payment expenses	35,609	44,748
Loss on disposal of property, plant and equipment and other intangible assets	25,259	13,446
Gain on fair value change of financial assets at FVTPL	(45,325)	(24,053)
Loss (gain) on changes in fair value of derivative financial instruments, net	3,878	(71,640)
Foreign exchange (gain) loss	(3,878)	71,640
Share of profits of associates	(106,991)	(90,293)
Share of losses of joint ventures	725	800
Operating cash flows before movements in working capital	2,166,831	3,579,547
Decrease (increase) in inventories	156,390	(543,381)
Decrease in trade and other receivables	578,813	922,301
Decrease in cash in transit	32,725	13,029
Increase (decrease) in contract liabilities	37,462	(755,589)
Increase in trade and other payables	866,145	2,781,319
Decrease (increase) in amounts due from related parties	114,511	(24,653)
Increase in amounts due to related parties	7,570	903
Withdrawal of restricted bank balances	1,959,827	962,523
Placement of restricted bank balances	(3,589,137)	(2,008,024)
Cash generated from operations	2,331,137	4,927,975
Income taxes paid	(498,910)	(695,499)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,832,227</b>	<b>4,232,476</b>



## Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000
<b>INVESTING ACTIVITIES</b>		
Additions to and deposits paid for property, plant and equipment	<b>(1,240,528)</b>	(1,381,225)
Purchase of intangible assets	<b>(70,761)</b>	(72,203)
Purchase of financial assets at FVTPL	<b>(965,000)</b>	(327,163)
Refund of financial assets at FVTPL	<b>1,192,647</b>	136,696
Refund of financial assets at FVTOCI	<b>–</b>	126
Payments for right-of-use assets	<b>(107,011)</b>	(323,000)
Proceeds on disposal of property, plant, equipment, intangible assets and right-of-use assets	<b>474,727</b>	505,790
Advance to related parties	<b>(112,059)</b>	(33,604)
Advance to non-controlling shareholders	<b>(1,000)</b>	(4,000)
Advance to independent third parties	<b>(5,430)</b>	–
Collection of advances to non-controlling interests	<b>510</b>	24,651
Collection of advances to related parties	<b>89,023</b>	14,906
Collection of advances to independent third parties	<b>7,420</b>	5,430
Settlement of consideration for prior year acquisition of subsidiaries	<b>(5,994)</b>	(41,225)
(Payments) withdraw for rental deposits	<b>(13,071)</b>	1,231
Proceeds on disposal of subsidiaries	<b>114,318</b>	473
Interest received	<b>37,472</b>	35,644
Dividends received from joint ventures	<b>17,214</b>	2,780
Dividends received from associates	<b>49,732</b>	22,108
Investment in an associate	<b>–</b>	(15,357)
Investment in joint ventures	<b>–</b>	(7,899)
Placement of time deposits	<b>(5,600)</b>	(7,500)
Withdrawal of time deposits	<b>5,000</b>	8,100
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(538,391)</b>	(1,455,241)

# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	<b>24,206,925</b>	26,567,117
Repayment of borrowings	<b>(23,609,863)</b>	(27,822,589)
Payment of medium term note	<b>(370,000)</b>	(1,110)
Repayment of lease liabilities	<b>(237,016)</b>	(237,357)
Repayment of advance from related parties	<b>(89,135)</b>	(52,849)
Capital injection by non-controlling interests	<b>10,820</b>	1,170
Acquisition of non-controlling interests	<b>(1,912)</b>	(26,168)
Proceeds from partial disposal of subsidiaries without losing control	-	152
Advance from independent third parties	<b>7,830</b>	-
Advance from related parties	<b>64,464</b>	80,652
Repayment of advance from non-controlling interests	<b>(5,542)</b>	(8,418)
Interest paid	<b>(349,111)</b>	(317,899)
Placement of deposits to entities controlled by suppliers for borrowings	<b>(31,232)</b>	(39,778)
Withdrawal of deposits to entities controlled by suppliers for borrowings	<b>71,470</b>	155,399
Dividends paid as distribution	<b>(782,420)</b>	(948,826)
Dividends paid to non-controlling interests	<b>(64,874)</b>	(128,534)
Proceeds from exercise of share options	-	6,165
Share repurchase and cancellation	<b>(98,960)</b>	(68,912)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,278,556)</b>	(2,841,785)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>15,280</b>	(64,550)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>2,185,797</b>	2,250,347
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>2,201,077</b>	2,185,797



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 1. GENERAL INFORMATION

China Yongda Automobiles Services Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands on November 7, 2011 and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company’s registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands and its principal place of business in Hong Kong (the “HK”) is Unit 5708, 57/F, The Center, 99 Queen’s Road Central, HK.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the sale of automobiles and provision of after-sales services, provision of automobile operating lease services, and distribution of automobile insurance products and automobile financial products in the PRC. The Company and its subsidiaries are collectively referred to as the Group.

The consolidated financial statements are presented in Renminbi (the “RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two model Rules</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

**New and amendments to IFRSs that are mandatorily effective for the current year** (continued)

### 2.1 Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty.

In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

### 2.2 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The details of the impacts on each financial statement line item and earning per share arising from the application of the amendments are set out under “Impacts of application of amendments to IFRSs on the consolidated financial statements” in this Note. Comparative figures have been restated.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

**New and amendments to IFRSs that are mandatorily effective for the current year** (continued)

### 2.2 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

#### 2.2.1 Impacts of application of amendments to IFRSs on the consolidated financial statements

The effects of the changes in accounting policy as a result of application of amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

	For the year ended December 31	
	2023 RMB'000	2022 RMB'000
<b>Impact on profit for the year</b>		
(Decrease) increase in income tax expense	(3,175)	14,281
Net (increase) decrease in profit for the year	(3,175)	14,281
<b>Impact on total comprehensive (expense) income for the year</b>		
Net (increase) decrease in total comprehensive income for the year	(3,175)	14,281
(Increase) decrease in profit for the year attributable to:		
– Owners of the Company	(2,601)	13,615
– Non-controlling interests	(574)	666
	(3,175)	14,281
(Increase) decrease in total comprehensive income for the year attributable to:		
– Owners of the Company	(2,601)	13,615
– Non-controlling interests	(574)	666
	(3,175)	14,281

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

### 2.2 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

2.2.1 Impacts of application of amendments to IFRSs on the consolidated financial statements (continued)

	For the year ended December 31	
	2023 RMB'000	2022 RMB'000
<b>Impact on basic earnings per share</b>		
Basic earnings per share before adjustments	RMB0.29	RMB0.72
Net adjustments arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	–	–
Reported basic earnings per share	RMB0.29	RMB0.72
<b>Impact on diluted earnings per share</b>		
Diluted earnings per share before adjustments	RMB0.29	RMB0.72
Net adjustments arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	–	–
Reported diluted earnings per share	RMB0.29	RMB0.72

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

**New and amendments to IFRSs that are mandatorily effective for the current year** (continued)

### 2.2 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

#### 2.2.1 Impacts of application of amendments to IFRSs on the consolidated financial statements (continued)

The effects of the changes in accounting policy as a result of application of amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the consolidated statement of financial position as at the end of the immediately preceding financial year, December 31, 2022, is as follows:

	December 31, 2022 (Originally stated) RMB'000	Adjustment RMB'000	December 31, 2022 (Restated) RMB'000
Deferred tax assets	255,875	63,471	319,346
Deferred tax liabilities	808,583	5,750	814,333
<b>Total effects on net assets</b>	<b>(552,708)</b>	<b>57,721</b>	<b>(494,987)</b>

	December 31, 2022 (Originally stated) RMB'000	Adjustment RMB'000	December 31, 2022 (Restated) RMB'000
Non-controlling interests	504,109	2,421	506,530
Reserves	14,191,192	55,300	14,246,492
<b>Total effects on net assets</b>	<b>14,695,301</b>	<b>57,721</b>	<b>14,753,022</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

### 2.2 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)

#### 2.2.1 Impacts of application of amendments to IFRSs on the consolidated financial statements (continued)

The effect of the changes in accounting policy as a result of application of amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the consolidated statement of financial position as at the beginning of the comparative period, January 1, 2022, is as follows:

	January 1, 2022 (Originally stated) RMB'000	Adjustment RMB'000	January 1, 2022 (Restated) RMB'000
Deferred tax assets	186,868	77,297	264,165
Deferred tax liabilities	776,066	5,295	781,361
<b>Total effects on net assets</b>	<b>(589,198)</b>	<b>72,002</b>	<b>(517,196)</b>
	January 1, 2022 (Originally stated) RMB'000	Adjustment RMB'000	January 1, 2022 (Restated) RMB'000
Non-controlling interests	580,399	3,087	583,486
Reserves	13,701,157	68,915	13,770,072
<b>Total effects on net assets</b>	<b>14,281,556</b>	<b>72,002</b>	<b>14,353,558</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

**New and amendments to IFRSs that are mandatorily effective for the current year** (continued)

#### 2.3 Impacts on application of Amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date the Pillar Two legislation is enacted or substantially enacted. The Group’s current tax expense/income related to Pillar Two income taxes is disclosed in Note 8.

#### 2.4 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

### Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants<sup>2</sup></i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements<sup>2</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Basis of consolidation** (continued)

##### *Changes in the Group's ownership interests in existing subsidiaries* (continued)

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### **Business combinations or asset acquisitions**

##### *Optional concentration test*

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permit a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

##### *Asset acquisitions*

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognize the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Business combinations or asset acquisitions** (continued)

###### *Business combinations*

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC-Int 21 *Levies*, in which the Group applies IAS 37 or IFRIC -Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payments arrangements of the acquiree or share-based payments arrangements of the Group entered into to replace share-based payments arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Business combinations or asset acquisitions** (continued)

##### *Business combinations* (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### ***Investments in associates and joint ventures***

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Investments in associates and joint ventures** (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associates or joint ventures.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### *Changes in the Group's interests in associates and joint ventures*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

#### *Acquisition of additional interests in associates or joint ventures*

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Revenue from contracts with customers**

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

*Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Revenue from contracts with customers** (continued)

##### *Principal versus Agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in the exchange for arranging for the specified goods or services to be provided by the other party.

##### *Contract costs*

##### *Costs to fulfil a contract*

The Group first assesses whether costs incurred to fulfil revenue generate contracts qualify for recognition as an asset in terms of other relevant Standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is also subject to impairment review.

##### **Leases**

##### *Definition of 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.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Leases** (continued)

###### *The Group as a lessee*

###### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

###### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

###### Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Leases** (continued)

##### *The Group as a lessee* (continued)

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Leases** (continued)

*The Group as a lessee* (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Leases** (continued)

*The Group as a lessee* (continued)

Lease modification (continued)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and make a corresponding adjustment to the related right-of use assets. A lease modification is required by the interest rate benchmark reform if and only if both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Leases** (continued)

###### *The Group as a lessor*

###### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

###### Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

###### Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

###### Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Leases** (continued)

*The Group as a lessor* (continued)

Lease modification (continued)

#### (i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognized as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognized (i.e. the lease payments which are not yet contractually due) as at the effective date of modify.

#### (ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognized and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognized in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognize the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognized in profit or loss at the effective date of modification.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Government grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

#### **Employee benefits**

##### *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

##### *Short-term employee benefits*

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Share based payments**

##### *Equity-settled share based payments transactions*

Restricted shares/Share options granted to the directors and employees

Equity-settled share-based payments to the directors and employees are measured at the fair value of the equity instruments at the grant date.

The fair values of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

When share options are exercised or the share granted are vested, the amount previously recognized in share-based payments reserve will continued to be held in share-based payments reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will also continue to be held in share-based payments reserve.

##### *Modification to the terms and conditions of the share-based payment arrangement*

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Taxation**

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Taxation** (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

##### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly, and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Property, plant and equipment** (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **Intangible assets**

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Intangible assets** (continued)

##### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### ***Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill***

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill** (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

##### **Cash and cash equivalents**

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

##### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are calculated using the individually method or weighted average method based on their nature, respectively. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

##### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Contingent liabilities**

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

#### **Vendor rebates**

Incentive rebates provided by vendors are recognized on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract. Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicles purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

#### **Financial instruments**

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

#### *Financial assets*

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial assets are held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial assets are held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

##### *Financial assets* (continued)

##### Classification and subsequent measurement of financial assets (continued)

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses".



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

##### *Financial assets* (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, amounts due from related parties, other assets, cash in transit, time deposits, restricted bank balances and bank balances) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and amounts due from related parties (trade nature). The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings, estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

##### *Financial assets* (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

#### (i) Significant increase in credit risk (continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### (ii) Definition of default

For internal credit risk management purposes, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Financial instruments** (continued)

##### *Financial assets* (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceeding, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables – goods and services using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

##### *Financial assets* (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

#### (v) Measurement and recognition of ECL (continued)

Generally, ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cash flow used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognized through a loss allowance account.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Financial instruments** (continued)

##### *Financial assets* (continued)

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “Other gains and losses” (Note 6) as part of the net foreign exchange gain/(loss);
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the “Other gains and losses” (Note 6) as part of the net foreign exchange gain/(loss). As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the fair value through other comprehensive income/revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “Other gains and losses” as part of the gain/(loss) on fair value change of financial assets (Note 6);
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through other comprehensive income/revaluation reserve.

##### Derecognition/modification of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risk and rewards of ownership and continues to control the transfer asset, the Group recognize its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transfer financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

##### *Financial assets* (continued)

##### Derecognition/modification of financial assets (continued)

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flow as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from the original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flow under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modification contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortized over the remaining term. Any adjustment to the carrying amount of the financial asset is recognized in profit or loss at the date of modification.

##### *Financial liabilities and equity*

##### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.2 Material accounting policy information (continued)

##### **Financial instruments** (continued)

##### *Financial liabilities and equity* (continued)

##### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and other payables, amounts due to related parties and medium-term note are subsequently measured at amortised cost, using the effective interest method.

##### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the “Other gains and losses” in profit or loss (Note 6) as part of net foreign exchange gain/(loss) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

##### Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### **Financial instruments** (continued)

##### *Financial liabilities and equity* (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortized cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

#### **Derivative financial instruments**

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### **Offsetting a financial asset and a financial liability**

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amount; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

#### **Estimated impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, including the calculation of the value in use. The value in use calculation requires the Group to estimate the key inputs including discount rate applied, sales volume growth rates, changes in selling price and direct costs in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at December 31, 2023, the carrying amount of goodwill is RMB1,630,874,000 (2022: RMB1,672,160,000). Details of the recoverable amount calculation are disclosed in Note 18.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Deferred tax assets

As at December 31, 2023, a deferred tax asset of approximately RMB305,540,000 (2022: RMB223,229,000) in relation to unused tax losses for certain operating subsidiaries has been recognized in the Group's consolidated statement of financial position.

No deferred tax asset has been recognized on the tax losses of RMB22,230,000 (2022: RMB21,626,000) due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

### Fair value measurement

Certain financial assets of the Group amounting to RMB332,826,000 as at December 31, 2023 (2022: RMB310,660,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 42(c) for further disclosures.

### Provision of ECL for trade receivables

Except for trade receivables with significant balances which are assessed for ECL individually, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of debtors as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Note 23 and Note 42(b) respectively.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

#### **Estimated useful lives and impairment of intangible assets acquired through business combinations**

The Group's management determines the estimated useful lives and the amortization method in determining the related amortization charges for the intangible assets acquired through business combinations, namely, dealership agreement and customer relationship (see Note 17 for details). The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortization charges when useful lives become shorter than previously estimated. In addition, determining whether the intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. As at December 31, 2023, the carrying amounts of intangible assets acquired in business combinations are approximately RMB2,236,583,000 (2022: RMB2,311,001,000).

#### **Estimated useful lives and impairment of property, plant, and equipment**

The Group's management determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect recoverable amounts. Management will increase the depreciation charge when useful lives become shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the year in which such event takes place. As at December 31, 2023, the carrying amounts of property, plant and equipment are approximately RMB5,844,615,000 (2022: RMB6,059,015,000).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 5A. REVENUE

### (i) Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
<b>Types of goods or services</b>		
Sale of new vehicles:		
– Luxury and ultra-luxury brands ( <i>note a</i> )	48,220,668	50,388,466
– Mid-to-high-end brands ( <i>note b</i> )	6,463,300	6,808,491
– Independent new energy brands ( <i>note c</i> )	1,634,500	870,992
Sale of pre-owned vehicles distribution ( <i>note d</i> )	5,277,149	3,369,991
	<b>61,595,617</b>	61,437,940
Services		
– After-sales services	10,537,738	10,094,512
Total	<b>72,133,355</b>	71,532,452
<b>Geographical markets</b>		
Mainland China	72,133,355	71,532,452
<b>Timing of revenue recognition</b>		
A point in time	61,595,617	61,437,940
Over time	10,537,738	10,094,512
Total	<b>72,133,355</b>	71,532,452

Notes:

- a. Luxury and ultra-luxury brands include BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Bentley, Aston Martin, Infiniti, Lincoln, Cadillac, Volvo, Mercedes-Benz and Lexus.
- b. Mid-to-high-end brands include Buick, Chevrolet, Volkswagen, Ford, Skoda, Toyota, Honda, Roewe, Lynk and others.
- c. Independent new energy brands include BYD, AITO, Great Wall Auto, IM, NETA and others.
- d. The revenue on sale of pre-owned automobile business under the distribution model was recognized on a gross basis.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 5A. REVENUE (continued)

### (i) Disaggregation of revenue from contracts with customers (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	Sale of passenger vehicles RMB'000	After-sales services RMB'000	Sale of passenger vehicles RMB'000	After-sales services RMB'000
<b>Revenue disclosed in segment information</b>				
External customers	61,595,617	10,537,738	61,437,940	10,094,512
Inter-segment	120,211	5,134	123,702	4,569
Total	61,715,828	10,542,872	61,561,642	10,099,081
<b>Eliminations</b>	<b>(120,211)</b>	<b>(5,134)</b>	<b>(123,702)</b>	<b>(4,569)</b>
<b>Revenue from contracts with customers</b>	<b>61,595,617</b>	<b>10,537,738</b>	61,437,940	10,094,512

### (ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells passenger vehicles directly to customers through its own 4S outlets. Revenue on sale of new or pre-owned passenger vehicles is recognized when (or as) the passenger vehicles are transferred to the customers and the customers obtain control of the vehicles.

For after-sales services, since the Group's performance enhances the vehicle that's within the customer's control, revenue is recognized over time.

Generally, no credit period is allowed for sales of passenger vehicles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicle sales and after-sales services, a credit period of not exceeding 60 days is granted.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 5A. REVENUE (continued)

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of sales of passenger vehicles and after-sales services as the related contracts have an original expected duration of less than one year.

### (iv) Revenue from other segments

	2023 RMB'000	2022 RMB'000
Automobile operating lease services	462,136	491,436

## 5B. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the Group's chief operating decision makers who review the segment revenue and results when making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided. For passenger vehicle sales and services, and automobile operating lease services business, the executive directors of the Company review the financial information of each outlet or entity, hence each outlet or entity constitutes a separate operating segment. However, the outlets and entities possess similar economic characteristics, and are similar in terms of products and services, customers, methods used to distribute products and provide services, and regulatory environment. Therefore, all outlets or entities are aggregated into respective reportable segment, namely "passenger vehicle sales and services" and "automobile operating lease services" for segment reporting purposes.

The Group's reportable segments are as follows:

- Passenger vehicle sales and services – (i) sales of passenger vehicles; and (ii) provision of after-sales services, including primarily repair and maintenance services, certain auxiliary passenger vehicles sales related services and provision of other passenger vehicles-related services; and
- Automobile operating lease services.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 5B. OPERATING SEGMENTS (continued)

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Passenger vehicle sales and services <i>RMB'000</i>	Automobile operating lease services <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended December 31, 2023</b>				
External revenue	72,133,355	462,136	–	72,595,491
Inter-segment revenue	125,345	12,691	(138,036)	–
Segment revenue (note a)	72,258,700	474,827	(138,036)	72,595,491
Segment cost (note b)	(67,360,012)	(366,402)	125,345	(67,601,069)
Segment gross profit	4,898,688	108,425	(12,691)	4,994,422
Service income	1,700,008	–	–	1,700,008
Segment results	6,598,696	108,425	(12,691)	6,694,430
Other income and other gains and losses (note c)				158,455
Distribution and selling expenses				(4,041,666)
Administrative expenses				(1,849,747)
Finance costs				(327,421)
Share of losses of joint ventures				(725)
Share of profits of associates				106,991
Profit before tax				740,317

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 5B. OPERATING SEGMENTS (continued)

### Segment revenue and results (continued)

	Passenger vehicle sales and services <i>RMB'000</i>	Automobile operating lease services <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended December 31, 2022</b>				
External revenue	71,532,452	491,436	–	72,023,888
Inter-segment revenue	128,271	6,718	(134,989)	–
Segment revenue (note a)	71,660,723	498,154	(134,989)	72,023,888
Segment cost (note b)	(65,401,456)	(361,361)	128,272	(65,634,545)
Segment gross profit	6,259,267	136,793	(6,717)	6,389,343
Service income	1,496,673	–	–	1,496,673
Segment results	7,755,940	136,793	(6,717)	7,886,016
Other income and other gains and losses (note c)				53,038
Distribution and selling expenses				(3,799,708)
Administrative expenses				(1,835,484)
Finance costs				(320,688)
Share of losses of joint ventures				(800)
Share of profits of associates				90,293
Profit before tax				2,072,667



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 5B. OPERATING SEGMENTS (continued)

#### Segment revenue and results (continued)

Notes:

- a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2023 was approximately RMB72,258,700,000 (2022: RMB71,660,723,000) which included the sales of passenger vehicles amounting to approximately RMB61,715,828,000 (2022: RMB61,561,642,000) and the after-sales services revenue amounting to approximately RMB10,542,872,000 (2022: RMB10,099,081,000), respectively.
- b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2023 was approximately RMB67,360,012,000 (2022: RMB65,401,456,000) which included the cost of sales of passenger vehicles amounting to approximately RMB61,196,056,000 (2022: RMB59,828,273,000) and the cost of after-sales services amounting to approximately RMB6,163,956,000 (2022: RMB5,573,183,000).
- c. The amount excludes the service income generated from the passenger vehicle sales and services segment, which is included in the segment results above.

The accounting policies of the operating segments are the same as those of the Group described in Note 3. Segment result represents the profit before tax earned by each segment without allocation of other income and other gains and losses other than service income (*Note 6*), distribution and selling expenses, administrative expenses, finance costs, share of profits(losses) of joint ventures and share of profits of associates. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the executive directors of the Company.

#### Geographical information

Substantially all of the Group's revenue is generated in the PRC; and all of the Group's principal non-current assets for operation are located in the PRC.

#### Information about major customers

No single customer accounted for 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Other income comprises:		
Service income (note a)	1,700,008	1,496,673
Government grants (note b)	34,779	28,100
Interest income on bank deposits	37,415	35,642
	<b>1,772,202</b>	1,560,415
Other gains and losses comprise:		
Loss on disposal of property, plant and equipment and other intangible assets	(25,259)	(13,446)
Impairment loss recognized in respect of goodwill	(41,286)	–
Gain on fair value change of financial assets at FVTPL	45,325	24,053
Net foreign exchange gain(loss)	7,633	(77,420)
Net (loss) gain on changes in fair value of derivative financial instruments	(3,878)	71,640
Gain(loss) on disposal of subsidiaries	92,611	(559)
Others	11,115	(14,972)
	<b>86,261</b>	(10,704)
Total	<b>1,858,463</b>	1,549,711

Notes:

- a. Service income was primarily related to agency income derived from distribution of automobile insurance products, automobile financial products and suppliers' vehicles in the PRC. It is recognized when the agency services have been completed, which is the point of time being when the services are accepted by customers. The normal credit term is 30 to 60 days upon invoiced. The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of service income as the related contracts have an original expected duration of less than one year.
- b. Government grants represent unconditional grants received from local finance bureaus in compensation for expenses incurred by the Group.

58%



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on:		
– bank loans	151,422	160,136
– other borrowings from entities controlled by suppliers	13,619	19,957
– reimbursement to suppliers (note a)	59,782	25,055
– medium-term note	3,698	17,760
– lease liabilities	99,300	97,636
Release of capitalized transaction cost in relation to issue of medium-term note (Note 32)	237	1,110
Less: interest capitalized (note b)	(637)	(966)
	<b>327,421</b>	<b>320,688</b>

Notes:

- a. The Group is required to undertake part of the finance costs incurred by suppliers of the Group in relation to discounting bank acceptance notes issued by the Group to the suppliers for purchase of new passenger vehicles.
- b. Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 4.64% (2022: 4.90%) per annum to expenditure on qualifying assets.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 8. INCOME TAX EXPENSE

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000 (Restated)
Current tax:		
PRC Enterprise Income Tax ("EIT")	<b>278,650</b>	640,593
Over provision of PRC EIT in prior years	<b>(9,236)</b>	(16,354)
	<b>269,414</b>	624,239
Deferred tax (Note 30):		
Current year credit	<b>(114,848)</b>	(22,868)
	<b>154,566</b>	601,371

The income tax expense for the year can be reconciled to the profit before tax as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000 (Restated)
Profit before tax	<b>740,317</b>	2,072,667
Tax at the PRC EIT rate of 25% (2022: 25%)	<b>185,079</b>	518,167
Tax effect of expenses not deductible for tax purpose	<b>20,261</b>	56,376
Tax effect of income not taxable for tax purpose	<b>(44,283)</b>	(57,907)
Tax effect of share of results of associates and joint ventures	<b>(26,567)</b>	(22,373)
Effect of withholding tax associated with interest income arising from intra-group borrowings	-	2,189
Effect of withholding tax associated with distributed earnings of subsidiaries in PRC	<b>51,000</b>	146,250
Tax effect of preferential tax rates for certain subsidiaries	<b>(21,839)</b>	(28,260)
Utilization of tax losses previously not recognized	<b>(2,056)</b>	(2,121)
Tax effect of tax loss not recognized	<b>2,207</b>	5,404
Over provision of PRC EIT in prior years	<b>(9,236)</b>	(16,354)
Income tax expense for the year	<b>154,566</b>	601,371



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 8. INCOME TAX EXPENSE (continued)

The Company and Sea of Wealth International Investment Company Limited, a subsidiary of the Company, are tax exempted companies incorporated in the Cayman Islands and British Virgin Islands, respectively.

Grouprich International Investment Holdings Limited and Hongda Automobiles Co., Ltd., both subsidiaries of the Company, are incorporated in Hong Kong and had no assessable profits subject to Hong Kong Profits Tax in the years ended December 31, 2023 and 2022.

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Company's PRC subsidiaries, except for some small profit-making PRC subsidiaries which are entitled to a preferential tax rate of 5% with the expiry date on December 31, 2027.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB8,957,234,000 (2022: RMB9,375,396,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Staff costs, including directors' remuneration (Note 10):		
Salaries, wages and other benefits	<b>2,403,432</b>	2,146,680
Retirement benefits scheme contributions	<b>190,021</b>	159,406
Share-based payment expenses	<b>35,609</b>	44,748
<b>Total staff costs</b>	<b>2,629,062</b>	2,350,834
Auditors' remuneration:		
– in respect of audit and review services for the Company	<b>6,920</b>	6,920
– in respect of the statutory audits for the subsidiaries of the Company	<b>2,664</b>	2,718
<b>Total auditors' remuneration</b>	<b>9,584</b>	9,638
<b>Cost of inventories recognized as an expense</b>	<b>66,753,491</b>	64,685,462
Depreciation of property, plant and equipment	<b>802,033</b>	803,848
Depreciation of right-of-use assets	<b>364,722</b>	371,893
Amortization of other intangible assets	<b>111,801</b>	100,886
Covid-19-related rent concessions (deducted in the related expenses)	<b>–</b>	(18,922)

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the chief executive and the directors of the Company for the year are as follows:

	2023 RMB'000	2022 RMB'000
Fees	840	840
Other emoluments		
Salaries and other benefits	7,472	7,136
Performance-based bonus	895	899
Contributions to retirement benefits scheme	311	345
Share-based payments	6,808	10,392
	<b>16,326</b>	19,612

The emoluments of the chief executive and the directors of the Company on a named basis are as follows:

### For the year ended December 31, 2023

	Fees RMB'000	Salaries and other benefits RMB'000	Performance based bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000 (Note 35)	Total RMB'000
<b>Executive Directors</b>						
Mr. Cheung Tak On	-	2,156	173	68	-	2,397
Mr. Cai Yingjie	-	1,168	173	68	-	1,409
Mr. Wang Zhigao	-	1,100	173	39	-	1,312
Mr. Xu Yue	-	1,151	133	68	3,918	5,270
Ms. Chen Yi	-	912	116	-	1,306	2,334
Mr. Tang Liang	-	985	127	68	1,584	2,764
<b>Independent Non-Executive Directors</b>						
Mr. Lyu Wei	280	-	-	-	-	280
Ms. Zhu Anna Dezhen	280	-	-	-	-	280
Mr. Mu Binrui	280	-	-	-	-	280
	<b>840</b>	<b>7,472</b>	<b>895</b>	<b>311</b>	<b>6,808</b>	<b>16,326</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended December 31, 2022

	Fees	Salaries and other benefits	Performance based bonus	Contributions to retirement benefits scheme	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Note 35)	
<b>Executive Directors</b>						
Mr. Cheung Tak On	-	2,252	180	63	-	2,495
Mr. Cai Yingjie	-	1,069	180	63	-	1,312
Mr. Wang Zhigao	-	1,006	180	36	-	1,222
Mr. Xu Yue	-	1,152	128	63	5,565	6,908
Ms. Chen Yi	-	890	112	57	1,789	2,848
Mr. Tang Liang	-	767	119	63	3,038	3,987
<b>Independent Non-Executive Directors</b>						
Mr. Lyu Wei	280	-	-	-	-	280
Ms. Zhu Anna Dezhen	280	-	-	-	-	280
Mr. Mu Binrui	280	-	-	-	-	280
	840	7,136	899	345	10,392	19,612



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. Other than the share-based payments disclosed above and the share options granted to certain directors as disclosed in Note 35 (a), no directors' emoluments consist of a benefit otherwise than in cash.

Mr. Cheung Tak On is the Chairman of the Board of Directors of the Company and his emoluments disclosed above include those services rendered by him as the director of the Company and the Group.

Mr. Cai Yingjie is the Vice-chairman and a director of the Company. His emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Mr. Wang Zhigao is the Vice-chairman and a director of the Company and his emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Mr. Xu Yue is the Vice-chairman, President, Chief Executive Officer and a director of the Company. His emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Ms. Chen Yi is the Vice-president and a director of the Company and her emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Mr. Tang Liang is the Vice-president and a director of the Company and his emoluments include those services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group for the year included four executive directors for the year ended December 31, 2023 (2022: four). The remuneration of the remaining individual for the year ended December 31, 2023 is as follows:

	2023 RMB'000	2022 RMB'000
Employee		
Salaries and other benefits	639	547
Performance-based bonus	127	122
Contributions to retirement benefits scheme	68	63
Share-based payments	912	1,422
	<b>1,746</b>	2,154

The emolument of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2023	2022
Hong Kong dollars ("HK\$") HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	2	1
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
HK\$7,500,001 – HK\$8,000,000	–	1
	<b>5</b>	5

During the year ended December 31, 2023, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors of the Company waived or agreed to waive any emoluments during both of the years.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 12. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2023 interim dividends – RMB0.105 per share and		
2022 final dividends – RMB0.292 per share		
(2021 final dividends – RMB0.479 per share)	782,420	948,826

A final dividend of RMB0.052 per share with the total amount of approximately RMB100 million in respect of the year ended December 31, 2023 has been proposed by the Board of Directors and is subject to approval by the shareholders in the upcoming annual general meeting.

## 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000 (Restated)
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	572,579	1,411,824

	2023 '000	2022 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,942,204	1,966,529
Effect of dilutive potential ordinary shares:		
Restricted shares	2,162	–
Share options	–	392
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,944,366	1,966,921

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the repurchase and cancellation of ordinary shares including treasury shares during the year ended December 31, 2023.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>							
At January 1, 2022	2,748,171	606,823	2,255,458	593,849	2,296,777	149,389	8,650,467
Additions	215,688	31,150	262,126	80,185	800,772	137,768	1,527,689
Transfer	43,152	-	55,940	-	-	(99,092)	-
Disposals	(83,360)	(36,780)	(112,099)	(55,901)	(837,539)	-	(1,125,679)
Disposal of subsidiaries	-	(195)	(1,300)	(117)	-	-	(1,612)
At December 31, 2022	2,923,651	600,998	2,460,125	618,016	2,260,010	188,065	9,050,865
Additions	19,802	58,945	319,433	53,440	797,550	27,705	1,276,875
Transfer	5,271	1,995	15,829	9,251	5,576	(37,922)	-
Transfer to other intangible assets	-	-	-	-	-	(83,081)	(83,081)
Disposals	(32,211)	(74,744)	(67,992)	(86,467)	(709,948)	(11,364)	(982,726)
Disposal of subsidiaries (Note 36)	(123,460)	(8,716)	(27,542)	(8,981)	(17,104)	-	(185,803)
At December 31, 2023	2,793,053	578,478	2,699,853	585,259	2,336,084	83,403	9,076,130
<b>DEPRECIATION</b>							
At January 1, 2022	596,458	412,828	825,284	354,696	622,778	-	2,812,044
Provided for the year	129,156	50,432	178,029	66,314	379,917	-	803,848
Eliminated on disposals	(48,010)	(24,760)	(108,141)	(54,866)	(387,834)	-	(623,611)
Eliminated on disposals of subsidiaries	-	(58)	(334)	(39)	-	-	(431)
At December 31, 2022	677,604	438,442	894,838	366,105	614,861	-	2,991,850
Provided for the year	115,625	52,903	183,013	63,902	386,590	-	802,033
Eliminated on disposals	(26,723)	(56,332)	(12,584)	(86,085)	(337,117)	-	(518,841)
Eliminated on disposal of subsidiaries (Note 36)	(18,238)	(4,098)	(10,515)	(6,394)	(4,282)	-	(43,527)
At December 31, 2023	748,268	430,915	1,054,752	337,528	660,052	-	3,231,515
<b>CARRYING VALUES</b>							
At December 31, 2022	2,246,047	162,556	1,565,287	251,911	1,645,149	188,065	6,059,015
At December 31, 2023	2,044,785	147,563	1,645,101	247,731	1,676,032	83,403	5,844,615



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, taking into account their estimated residual values, at the following rates per annum where applicable:

Buildings	Over the shorter of the remaining lease term of land on which buildings are located and useful life of buildings of 20 – 40 years
Plant and machinery	12% – 32%
Leasehold improvements	10% – 20%
Furniture, fixtures and equipment	19%
Motor vehicles	19%

Details of the Group's buildings and motor vehicles pledged to secure bank borrowings granted to the Group are set out in Note 31.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group leases out a number of motor vehicles under operating lease. The leases typically run for an initial period of one to three years (2022: one to three years). None of the leases include the variable lease payments. The reconciliation of the carrying amount at the beginning and end of the year are set out as below:

	<b>Motor vehicles</b>
	<i>RMB'000</i>
<hr/>	
COST	
At January 1, 2022	1,312,340
Additions	146,946
Disposals	(285,029)
<hr/>	
At December 31, 2022	1,174,257
Additions	160,335
Disposals	(295,192)
<hr/>	
At December 31, 2023	1,039,400
<hr/>	
DEPRECIATION	
At January 1, 2022	445,588
Provided for the year	185,220
Eliminated on disposals	(190,315)
<hr/>	
At December 31, 2022	440,493
Provided for the year	158,811
Eliminated on disposals	(187,276)
<hr/>	
At December 31, 2023	412,028
<hr/>	
CARRYING VALUES	
At December 31, 2022	733,764
<hr/>	
At December 31, 2023	627,372
<hr/>	

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 15. RIGHT-OF-USE ASSETS

	<b>Leasehold land</b>	<b>Leased properties</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at December 31, 2023</b>			
Carrying amount	1,171,031	1,730,449	2,901,480
<b>As at December 31, 2022</b>			
Carrying amount	1,249,347	1,746,323	2,995,670
<b>For the year ended December 31, 2023</b>			
Depreciation charge	(44,748)	(319,974)	(364,722)
<b>For the year ended December 31, 2022</b>			
Depreciation charge	(45,018)	(326,875)	(371,893)
	<b>2023</b>	2022	
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	
Expense relating to short-term leases	<b>64,629</b>	51,397	
Total cash outflow for right-of-use assets	<b>(507,956)</b>	(709,390)	
Additions to right-of-use assets <i>(note)</i>	<b>358,119</b>	414,556	

Note: Amount includes right-of-use assets resulting from business combinations and new lease contracts entered into.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 15. RIGHT-OF-USE ASSETS (continued)

For both years, the Group leases various leasehold lands and properties, offices and warehouses for its operations. Lease contracts are entered into for fixed term of 2 to 20 years. Lease terms are negotiated on an individual basis and contain similar terms and conditions. In determining the lease term and assessing the length of the non-cancellable lease period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effect on changes in lease payment due to the forgiveness or waiver by the lessors for relevant leases of RMB nil (2022: RMB18,922,000) were recognized as negative variable lease payments.

Details of the Group's leasehold land pledged to secure bank borrowings granted to the Group are set out in Note 31.

## 16. GOODWILL

	<i>RMB'000</i>
<hr/>	
COST	
At January 1, 2022, December 31, 2022 and December 31, 2023	1,672,160
<hr/>	
IMPAIRMENT	
At January 1, 2022 and December 31, 2022	–
Impairment loss recognized in the year	(41,286)
<hr/>	
At December 31, 2023	1,630,874
<hr/>	

Particulars regarding impairment testing on goodwill are disclosed in Note 18.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 17. OTHER INTANGIBLE ASSETS

	<b>Dealership agreements</b>	<b>Customer relationship</b>	<b>Vehicle licence plates</b>	<b>Software</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>					
At January 1, 2022	2,420,668	219,819	286,704	216,696	3,143,887
Additions	–	–	32,381	39,822	72,203
Disposal	–	–	(14,168)	–	(14,168)
At December 31, 2022	2,420,668	219,819	304,917	256,518	3,201,922
Transfer from property, plant and equipment	–	–	–	83,081	83,081
Additions	–	–	58,832	130,087	188,919
Disposal	–	–	(22,853)	–	(22,853)
Disposal of subsidiaries (Note 36)	–	–	(985)	–	(985)
At December 31, 2023	2,420,668	219,819	339,911	469,686	3,450,084
<b>AMORTIZATION</b>					
At January 1, 2022	195,391	59,256	–	29,140	283,787
Provided for the year	60,854	13,985	–	26,047	100,886
At December 31, 2022	256,245	73,241	–	55,187	384,673
Provided for the year	60,517	13,901	–	37,383	111,801
At December 31, 2023	316,762	87,142	–	92,570	496,474
<b>CARRYING VALUES</b>					
At December 31, 2022	2,164,423	146,578	304,917	201,331	2,817,249
At December 31, 2023	2,103,906	132,677	339,911	377,116	2,953,610

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 17. OTHER INTANGIBLE ASSETS (continued)

Dealership agreements, customer relationship and software are stated at cost less any impairment losses and are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of these intangible assets are as follows:

Dealership agreements	40 years
Customer relationship	15 years
Software	5-10 years

The majority of vehicle licence plates were issued by the relevant authorities in Shanghai and Guangzhou with no expiration dates. As such, the management of the Group considers such licence plates to have an indefinite useful life and they are carried at cost less any subsequent impairment losses, if any.

The licence plates will not be amortized until the respective useful life is determined to be finite. Instead, they will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The management of the Group determined that there was no impairment of licence plates as their market value exceeds their carrying amount as at the end of the reporting periods.

## 18. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 16 has been allocated to certain individual cash generating units ("CGUs") by different brands and locations which were all included in passenger vehicle sales segment. The carrying amounts of goodwill are as follows:

	Goodwill	
	2023 RMB'000	2022 RMB'000
CGU A	192,236	192,236
CGU B	178,167	178,167
CGU C	148,267	148,267
CGU D	120,183	120,183
CGU E	107,670	107,670
CGU F	81,803	81,803
CGU G	72,159	72,159
CGU H	73,355	73,355
CGU I	64,959	64,959
CGU J	178,611	178,611
CGU K	96,747	96,747
Others	316,717	358,003
Total	1,630,874	1,672,160



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 18. IMPAIRMENT TESTING ON GOODWILL (continued)

In opinion of the directors of Company, the goodwill comprises the fair value of future profit from expected business synergies arising from acquisitions, which is not separately recognized.

The recoverable amounts of CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, sale volume growth rates, changes in selling prices and direct costs. The management of the Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to CGUs. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year ended December 31, 2023, the Group performed impairment review for goodwill dealership agreements and customer relationship of CGUs based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by the management using pre-tax discount rates ranging from 12% to 13% (2022: 12.0% to 13.0%) which reflect current market assessments of the time value of money and the risks specific to CGUs. The cash flows beyond the next five years are extrapolated using a growth rate of 2.5% per annum (2022: 3.0%). The growth rates are by reference to industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. During the years ended December 31, 2023, the Group recognized an impairment loss of goodwill of RMB41,286,000 for certain underperforming CGUs.

### 19. INTERESTS IN JOINT VENTURES

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Cost of unlisted investments in joint ventures	<b>71,265</b>	49,655
Share of post-acquisition (losses)profits and other comprehensive income, net of dividends received	<b>(5,664)</b>	2,296
	<b>65,601</b>	51,951



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 19. INTERESTS IN JOINT VENTURES (continued)

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entities (note a)	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2023	2022	2023	2022	
					%	%	%	%	
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") 上海永達長榮汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	50	50	50	50	4S dealership
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda") 哈爾濱永達國際汽車廣場有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	41	41	41	41	Property investment
Shanghai Zhilin Automobile Supplies Service Co., Ltd. ("Shanghai Zhilin") (note b) 上海智霖汽車用品服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	50	50	50	50	Passage vehicle related service
Shanghai Linheng Automobile Supplies Service Co., Ltd. ("Shanghai Linheng") (note b) 上海霖恒汽車用品服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	50	50	50	50	Passage vehicle related service
Shanghai Miaojeng Network Technology Co., Ltd. ("Shanghai Miaocheng") (note b) 上海妙橙網絡科技有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	60	60	60	60	Network technology service
Beijing Miaojeng Network Technology Co., Ltd. ("Beijing Miaocheng") (note b) 北京妙橙網絡科技有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	60	60	60	60	Network technology service
Shanghai Yinghua Lexus car sales Co., Ltd. ("Yinghua Lexus") (note c) (formerly known as Shanghai Shenbei Lexus car sales Co., Ltd.) 上海英華雷克薩斯汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	50	30	50	30	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 19. INTERESTS IN JOINT VENTURES (continued)

Notes:

- a. The English names of all joint ventures established in the PRC are translated for identification purpose only.
- b. Pursuant to the articles of these entities, their relevant activities require 2/3 of the voting rights to consent. Therefore, the Group has joint control of the arrangement and has rights to the net assets of the joint arrangement.
- c. During the year ended December 31, 2023, the Group acquired another 20% of equity interest from the other shareholder of Yinghua Lexus. Pursuant to the articles of Yinghua Lexus, its relevant activities require 2/3 of the voting rights to consent. Therefore, the Group has joint control of the arrangement and has rights to the net assets of the joint arrangement. As such, the Group has transferred its interest in Yinghua Lexus from an associate to a joint venture upon this acquisition.

None of the joint ventures are considered individually material, and the aggregate information of all the joint ventures are as follows:

	2023 RMB'000	2022 RMB'000
The Group's share of loss and other comprehensive expense for the year	(725)	(800)

## 20. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of unlisted investments in associates	540,126	477,110
Share of post-acquisition profits and other comprehensive income, net of dividends received	320,348	273,068
	<b>860,474</b>	750,178

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 20. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entities*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2023	2022	2023	2022	
					%	%	%	%	
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile") 上海永達風度汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	50	50	50	50	4S dealership property investments
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda") 上海東方永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	Sale of passenger vehicles
Shanghai Jinjiang Toyota Automobile Sales and Services Co., Ltd. 上海錦江豐田汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	20	20	20	20	4S dealership
Changjiang United Finance Leasing Co., Ltd. ("Changjiang United") (note a) 長江聯合金融租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	12	12	12	12	Finance leasing
Guangdao Network Technology (Shanghai) Co., Ltd. 觀道網路科技(上海)有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	30	30	30	30	Software development
Anhui Jijia Yongda Automobile Sales Co., Ltd. ("Anhui Jijia Yongda") 安徽家家永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	Sale of used cars
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd. ("Guangzhou Xianghe Zhongyue") 廣州祥和眾悅實業發展有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	47	47	47	47	4S dealership property investments

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 20. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows: (continued)

Name of entities*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2023	2022	2023	2022	
					%	%	%	%	
Nanjing Yongda Haoxiang Automobile Sales Co., Ltd. ("Yongda Haoxiang") 南京永達好享汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	Sale of passenger vehicles
Shanghai Yongda Finance Leasing Co., Ltd. ("Yongda Finance Leasing") 上海永達融資租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	20	20	20	20	Finance leasing
Honexun Technology (BVI) Limited ("Honexun Technology")	Overseas enterprise	The British Virgin Islands	The British Virgin Islands	Registered capital	-	49	-	49	Network technology service
Shanghai Baocheng Shenjiang Automobile Sales and Service Co., Ltd. ("Shanghai Baocheng Shenjiang") (note b) 上海寶誠申江汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	40	100	40	100	4S dealership
Shanghai Shenjiang 296 Automobile Club Co., Ltd. ("Shanghai Shenjiang 296") (note c) 上海申江二九六汽車俱樂部有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	40	-	40	-	Passage vehicle related service
Shanghai Bilinxing Automotive Service Co., Ltd. ("Shanghai Bilinxing") (note b) 上海比鄰星汽車服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	40	100	40	100	Passage vehicle related service

\* The English names of all associates established in the PRC are translated for identification purpose only.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 20. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows: (continued)

Notes:

- a. Pursuant to the articles of Changjiang United, the Group has the right to appoint one out of six directors of the board. As such, the Group considers it could have significant influence over Changjiang United and treated it as an associate.
- b. During the year ended December 31, 2023, the Group disposed of 60% equity interests in Shanghai Baocheng Shenjiang and Shanghai Bilinxiang to independent third parties and the Group still have 40% equity interests in both companies. As such, the Group considers it could have significant influence over them and treat them as associates.
- c. During the year ended December 31, 2023, Shanghai Shenjiang 296 is a newly established subsidiary of Shanghai Baocheng Shenjiang after it was disposed.

### Summarized financial information of material associates

Summarized financial information in respect of the Group's material associates are set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

#### Changjiang United

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Current assets	2,520,257	1,404,703
Non-current assets	35,312,652	32,900,060
Current liabilities	29,394,237	27,194,332
Non-current liabilities	3,546,531	2,689,889



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 20. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associates (continued)

**Changjiang United** (continued)

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Revenue for the year	<b>1,293,252</b>	1,268,036
Profit and other comprehensive income for the year	<b>645,304</b>	581,051
The Group's share of profit and other comprehensive income of Changjiang United for the year	<b>78,985</b>	71,121
Dividend received from Changjiang United for the year	<b>21,261</b>	16,188

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Net asset of Changjiang United	<b>4,892,141</b>	4,420,542
Proportion of the Group's ownership interest in Changjiang United	<b>12.24%</b>	12.24%
Carrying amount of the Group's ownership interest in Changjiang United	<b>598,891</b>	541,167

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 20. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associates (continued)

### Yongda Finance Leasing

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Current assets	577,945	1,032,228
Non-current assets	2,160,637	2,243,461
Current liabilities	1,019,999	1,628,398
Non-current liabilities	1,122,581	1,014,671
	2023 RMB'000	2022 RMB'000
Revenue for the year	260,602	267,383
Profit and other comprehensive income for the year	89,669	71,944
The Group's share of profit and other comprehensive income of Yongda Finance Leasing for the year	17,934	14,389



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 20. INTERESTS IN ASSOCIATES (continued)

**Summarized financial information of material associates** (continued)

**Yongda Finance Leasing** (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net asset of Yongda Finance Leasing	596,002	632,620
Proportion of the Group's ownership interest in Yongda Finance Leasing	20.00%	20.00%
Carrying amount of the Group's ownership interest in Yongda Finance Leasing	119,200	126,524

#### Aggregate information of associates that are not individually material

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The Group's share of profit and other comprehensive income of these associates for the year	10,072	4,783
Aggregate carrying amount of the Group's interests in these associates	142,383	82,487



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
– Fund investments (a)	–	255,011
– Equity investments (b)	<b>334,112</b>	312,142
<b>Total</b>	<b>334,112</b>	567,153
Analyzed for reporting purposes as:		
Current assets	–	255,011
Non-current assets	<b>334,112</b>	312,142
<b>Total</b>	<b>334,112</b>	567,153

### (a) Fund investments

During the year ended December 31, 2023, the Group entered into several contracts to purchase fund instruments from financial institutions amounting to RMB960,000,000 (2022: RMB302,684,000), and accounted for such investments as financial assets at FVTPL at initial recognition. The return of the fund investments is determined by reference to the performance of the underlying debt and equity instruments and the expected return rate stated in the contracts. All the fund investments are matured during the year of 2023. A fair value gain of RMB2,967,000 (2022: RMB259,000) is recognized in profit or loss in the current year.

### (b) Equity investments

	2023 RMB'000	2022 RMB'000
– Listed equity security (i)	<b>1,286</b>	1,482
– Limited partnership enterprises (ii)	<b>257,631</b>	210,993
– Unlisted equity securities (iii)	<b>75,195</b>	99,667
<b>Total</b>	<b>334,112</b>	312,142

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

### (b) Equity investments (continued)

- i. For the year ended December 31, 2023, a fair value loss of RMB196,000 (2022: gain of RMB2,035,000) based on the quoted bid prices in an active market is recognized in the profit or loss in the current year.
- ii. During the year ended December 31, 2023, the Group increased investments in certain limited partnership enterprises amounting to RMB5,000,000 (2022: RMB24,479,000), which are also measured at FVTPL, and disposed certain investments in limited partnership enterprises amounting to RMB916,000 (2022: RMB60,482,000). A disposal gain of RMB nil (2022: RMB25,829,000) is recognized in profit or loss in the current year.

For the year ended December 31, 2023, a fair value gain of RMB42,554,000 (2022: nil) is recognized in profit or loss in the current year.

- iii. The fair value as at December 31, 2023 has been arrived at on the basis of valuation carried out by the Group's internal valuers who have appropriate qualifications and recent experience in the valuation of similar financial instruments and they determined that there was no significant change of fair value during the year.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 42(c).

## 22. EQUITY INSTRUMENTS AT FVTOCI

	2023 RMB'000	2022 RMB'000
Listed equity securities (note)	6,744	8,035

Note:

The above listed equity investments represent ordinary shares of an entity listed on The Stock Exchange of Hong Kong Limited. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended December 31, 2023, the Group did not withdraw any investment (2022: RMB126,000) and a fair value loss of RMB1,291,000 (2022: loss of RMB1,254,000) was recognized in the FVTOCI reserve.

## 23. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

The Group's credit policies towards its customers are as follows:

- a. In general, deposits and advances are required and no credit period is allowed for sales of automobiles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers of passenger vehicles sales and after-sales services, a credit period not exceeding 60 days is granted;
- b. For automobile operating lease services, the Group typically allows a credit period of 30 to 90 days to its customers.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 23. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

	2023 RMB'000	2022 RMB'000
<b>Current</b>		
Trade receivables	982,857	976,182
Bills receivables	2,962	–
	<b>985,819</b>	976,182
<b>Current</b>		
Prepayments and other receivables comprise:		
Prepayments to suppliers	1,761,915	3,101,871
Deposits to suppliers	392,409	476,606
Deposits to entities controlled by suppliers for borrowings	87,939	128,177
Prepayments and rental deposits on properties	184,642	171,571
Rebate receivables from suppliers	2,893,480	2,443,162
Finance and insurance commission receivables	352,684	258,908
Staff advances	2,817	3,531
Value-added tax recoverable	219,676	203,964
Advances to non-controlling interests (note)	37,000	36,510
Advances to independent third parties (note)	100	2,090
Consideration receivables from disposal of a subsidiary	27,667	–
Others	256,411	215,068
	<b>6,216,740</b>	7,041,458
	<b>7,202,559</b>	8,017,640
<b>Non-current</b>		
Other assets:		
Receivables from disposal of land use right	66,195	68,195

Note: The non trade-related balances are unsecured, interest-free and repayable on demand.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 23. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

As at January 1, 2022, December 31, 2022 and December 31, 2023, trade receivables from contracts with customers amounted to RMB827,865,000, RMB851,025,000 and RMB912,545,000 respectively.

The following is an ageing analysis of the Group's trade and bills receivables presented based on the invoice date or the issue date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2023 RMB'000	2022 RMB'000
0 to 90 days	985,819	976,182

None of the trade receivables is past due but not impaired as at the end of the reporting period. The Group does not notice any deterioration in the credit quality of its trade receivables. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Details of impairment assessment on trade and other receivables, and other assets are set out in Note 42(b).

### 24. INVENTORIES

	2023 RMB'000	2022 RMB'000
Motor vehicles	3,837,663	4,007,158
Spare parts and accessories	525,491	548,233
	4,363,154	4,555,391

As at December 31, 2023, certain inventories of the Group with an aggregate carrying amount of RMB748,332,000 (2022: RMB1,191,716,000) were pledged as securities for the Group's borrowings (Note 31).

As at December 31, 2023, certain inventories of the Group with an aggregate carrying amount of RMB2,497,416,000 (2022: RMB2,177,567,000) were pledged as security for the Group's bills payables.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 25. CASH IN TRANSIT

Cash in transit represents sales settled by credit cards, which has yet been credited to the Group by banks.

## 26. TIME DEPOSITS/RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at December 31, 2023, the Group had fixed-term time deposits in banks with carrying amount of approximately RMB8,100,000 (2022: RMB7,500,000), which carry interest rate is 1.85% to 3.05% (2022: 3.60%) per annum.

The Group also pledged certain of its bank balances with carrying amount of RMB3,589,137,000 (2022: RMB2,008,024,000) to banks as security for bills payables and these restricted bank balances carry variable-rate interest rates ranging from 0.25% to 1.30% (2022: 0.25% to 1.60%) per annum. The restricted bank balances are classified as current assets as they will be released upon the settlement of the relevant bills payables.

The remaining bank balances carry variable-rate interest rates ranging from 0.001% to 0.30% (2022: 0.001% to 0.25%) per annum.

The Group's time deposits, restricted bank balances, bank balances and cash that are denominated in currencies other than RMB are set out below:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
United States Dollars ("US\$")	<b>2,438</b>	4,000
HK\$	<b>7,887</b>	11,290
Euro ("EUR")	-	1,502
	<b>10,325</b>	16,792



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 27. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
<b>Current</b>		
Trade payables	967,416	926,892
Bills payables	7,380,234	6,537,661
	<b>8,347,650</b>	7,464,553
<b>Other payables</b>		
Other tax payables	114,275	152,664
Payable for acquisition of property, plant and equipment	56,131	79,707
Salary and welfare payables	221,590	249,077
Accrued interest	3,933	25,860
Accrued audit fee	5,320	5,320
Consideration payables for acquisition of subsidiaries	789	6,783
Advance from non-controlling interests (note)	33,669	39,211
Advance from third parties (note)	7,830	–
Dividend payable to non-controlling interests	–	448
Other accrued expenses	60,438	93,873
Others	273,419	273,123
	<b>777,394</b>	926,066
	<b>9,125,044</b>	8,390,619

Note: The balances are unsecured, interest-free and repayable on demand.

The Group's trade payables mainly relate to purchase of spare parts and accessories. A credit period not exceeding 90 days is generally granted by certain suppliers to the Group for the purchase of spare parts and accessories. Bills payables primarily relate to the Group's use of bank acceptance notes to finance its purchase of passenger vehicles, with a credit period of one to six months. The Group pledged certain of its bank balances and/or certain inventories to banks as security for bills payables disclosed in Note 26 and Note 24, respectively.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 27. TRADE AND OTHER PAYABLES (continued)

The following is an ageing analysis of the Group's trade and bills payables presented based on invoice date at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
0 to 90 days	7,989,712	7,399,105
91 to 180 days	357,938	65,448
	<b>8,347,650</b>	7,464,553

## 28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advances and deposits from customers	1,724,305	1,723,948

Advances and deposits from customers are mainly from passenger vehicle sales and typically no credit period is allowed. The Group classifies all contract liabilities as current because the Group expects to realize them in their normal operating cycle.

All the contract liabilities at the beginning of the period have been realized to revenue in the reporting period and no revenue recognized in the reporting period from the performance obligations satisfied in prior periods. The balance of contract liabilities as at January 1, 2022 is RMB2,479,537,000.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 29. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000	
Ordinary shares of HK\$0.01 each			
Authorized:			
At January 1, 2022, December 31, 2022 and 2023	2,500,000	25,000	
	Number of shares '000	Amount HK\$'000	Shown in financial statements as RMB'000
Issued and fully paid:			
At January 1, 2022	1,969,571	19,696	16,262
Exercise of share options	886	9	8
Cancellation of shares ( <i>note</i> )	(4,100)	(41)	(37)
At December 31, 2022	1,966,357	19,664	16,233
Cancellation of shares ( <i>note</i> )	(30,783)	(308)	(270)
At December 31, 2023	1,935,574	19,356	15,963

Note:

In accordance with a shareholders' resolution passed by the shareholders of the Company at the annual general meeting held on June 1, 2023, the directors of the Company were granted a general mandate to repurchase up to 194,502,551 shares (2022: 196,727,001 shares) of the Company, representing 10% of the total number of issued shares on that date. In 2023, the Company had re-purchased an aggregate of 24,581,500 shares (2022: 13,751,000 shares) of the Company at a price ranging from HK\$2.68 to HK\$6.97 per share (2022: HK\$3.50 to HK\$9.50 per share), for a total cash consideration of approximately RMB98,960,000 (2022: RMB68,912,000), which had been fully paid in 2023. The Company has then cancelled 30,783,000 (2022: 4,100,000) re-purchased shares and the cumulative remaining 4,450,000 (2022: 10,651,000) re-purchased shares with carrying amount of approximately RMB12,269,000 (2022: RMB46,659,000) are recorded as treasury shares.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 30. DEFERRED TAXATION

### (a) Deferred tax assets

The following are the major deferred tax assets recognized and movements thereon during the current and prior years:

	Tax losses <i>RMB'000</i>	Property, plant and equipment impairment <i>RMB'000</i>	Right-of-use assets/Lease liabilities <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2021	166,578	13,251	–	7,039	186,868
Adjustments (Note 2)	–	–	77,297	–	77,297
At December 31, 2021 (restated)	166,578	13,251	77,297	7,039	264,165
Credit (charge) to profit or loss (restated)	57,310	(179)	(13,826)	12,535	55,840
Eliminated on disposal of subsidiaries	(659)	–	–	–	(659)
At December 31, 2022 (restated)	223,229	13,072	63,471	19,574	319,346
Credit (charge) to profit or loss	82,311	(143)	(667)	(5,489)	76,012
At December 31, 2023	305,540	12,929	62,804	14,085	395,358

The deferred tax balances have reflected the tax rates that are expected to apply in the respective years when the asset is realized or the liability is settled.

The Group's unused tax losses of approximately RMB1,222,160,000 and RMB892,916,000 as at December 31, 2023 and 2022, respectively have been recognized as deferred tax assets as at the end of the reporting period.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 30. DEFERRED TAXATION (continued)

#### (a) Deferred tax assets (continued)

Balances of unused tax losses for which no deferred tax assets have been recognized due to the unpredictability of future profits stream are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Tax losses	22,230	21,626

The unrecognized tax losses will be carried forward and expire in years as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
2024	-	-
2025	-	-
2026	10	10
2027	13,392	21,616
2028	8,828	-
	22,230	21,626

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 30. DEFERRED TAXATION (continued)

### (b) Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries <i>RMB'000</i>	Accelerated tax depreciation <i>RMB'000</i>	Withholding taxes on the earnings anticipated to be remitted by subsidiaries <i>RMB'000</i>	Right-of-use assets/Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2021	677,590	98,476	–	–	776,066
Adjustments ( <i>Note 2</i> )	–	–	–	5,295	5,295
At December 31, 2021 (restated)	677,590	98,476	–	5,295	781,361
(Credit) charge to profit or loss (restated)	(22,863)	5,380	50,000	455	32,972
At December 31, 2022 (restated)	654,727	103,856	50,000	5,750	814,333
(Credit) charge to profit or loss	(22,717)	20,724	(33,000)	(3,843)	(38,836)
At December 31, 2023	632,010	124,580	17,000	1,907	775,497

As at December 31, 2023, the Group recognized the relevant deferred tax liabilities of RMB17,000,000 (2022: RMB50,000,000) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 31. BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank loans	3,590,954	2,955,380
Other borrowings (note)	369,646	412,036
	<b>3,960,600</b>	3,367,416
Secured borrowings, by the Group's assets	2,245,736	1,962,168
Unsecured borrowings	1,714,864	1,405,248
	<b>3,960,600</b>	3,367,416
Unguaranteed borrowings	3,960,600	3,367,416
Fixed-rate borrowings	2,874,358	2,948,182
Variable-rate borrowings	1,086,242	419,234
	<b>3,960,600</b>	3,367,416
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Carrying amount repayable:		
Within one year	2,434,016	2,287,511
More than one year, but not exceeding two years	508,584	73,105
More than two years, but not exceeding five years	1,018,000	1,006,800
	<b>3,960,600</b>	3,367,416
Less: amounts due within one year shown under current liabilities	2,434,016	2,287,511
Amounts shown under non-current liabilities	<b>1,526,584</b>	1,079,905

Note: Other borrowings are mainly obtained from entities controlled by suppliers.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 31. BORROWINGS (continued)

The ranges of effective interest rates on the Group's bank and other borrowings are as follows:

	2023	2022
Effective interest rate (per annum):		
Fixed-rate borrowings	<b>2.90% to 6.30%</b>	3.10% to 6.45%
Variable-rate borrowings	<b>3.45% to 5.92%</b>	4.00% to 6.45%

The Group's variable-rate bank borrowings carry interest at the loan prime rate ("LPR") plus a premium.

At the end of the reporting period, other borrowings (i) are of a term less than one year; (ii) are interest-free from the first 15 days to four months after drawdown; and (iii) carry interest at the People's Bank of China benchmark rate plus a premium as the borrowings are extended beyond the initial interest-free period.

During the years ended December 31, 2023 and 2022, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Right-of-use assets (leasehold land)	<b>30,762</b>	81,191
Property, plant and equipment (buildings and motor vehicles)	<b>21,730</b>	33,859
Inventories	<b>748,332</b>	1,191,716
Total	<b>800,824</b>	1,306,766

As at December 31, 2023, the Company has also pledged the equity interests of certain subsidiaries in favour of banks in respect of the Group's bank borrowings, the principal balance of which is amounted to RMB562 million (2022: RMB635 million) in total.

The Group's borrowings that are denominated in currencies other the functional currency of the relevant group entities are set out below.

	US\$ <i>RMB'000</i>
At December 31, 2023	–
At December 31, 2022	198,452



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 32. MEDIUM-TERM NOTE

On May 24, 2018, Shanghai Yongda Investment received a notice of acceptance of registration issued from National Association of Financial Market Institutional Investors to issue a medium-term note with an aggregate registered amount of RMB1.2 billion. According to the notice, the registered amount shall be effective for two years commencing from the date of issuance.

On March 17, 2020, Shanghai Yongda Investment issued a medium-term note with an aggregate registered amount of RMB370 million, which is repayable within three years from the date of issuance. As at December 31, 2023, the medium-term note has been fully paid.

The medium-term note is unsecured and carries interest at a rate of 4.8% per annum. The interest is payable annually. The medium-term note was issued to domestic institutional investors in the PRC which are independent third parties. The net proceeds from the issue of the medium-term note are intended to be used for repayment of bank loans.

Movements of the medium-term note during the year ended December 31, 2023 are as follows:

	<i>RMB'000</i>
At December 31, 2022	369,763
Add: interest expense – amortization of transaction costs	237
Less: repayment of medium-term note	(370,000)
At December 31, 2023	–

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 33. LEASE LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Lease liabilities payable:		
Within one year	242,904	274,157
Within a period of more than one year but not more than two years	272,843	252,899
Within a period of more than two years but not more than five years	446,241	387,790
Within a period of more than five years	714,043	868,028
	<b>1,676,031</b>	1,782,874
Less: Amount due for settlement with 12 months shown under current liabilities	<b>242,904</b>	274,157
Amount due for settlement after 12 months shown under non-current liabilities	<b>1,433,127</b>	1,508,717

Lease liabilities of RMB1,676 million (2022: RMB1,783 million) are recognized with the relevant right-of-use assets of RMB1,730 million (2022: RMB1,746 million) as at December 31, 2023 using the weighted incremental borrowing rate of 6% (2022: 6%) per-annum. The lease agreements do not impose any covenants and the related leased assets may not be used as security for borrowing purposes.

As at December 31, 2023, the full amount of lease liabilities are secured by rental deposits with carrying amount of RMB21 million (2022: RMB23 million).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 34. NON-CONTROLLING INTERESTS

	<i>RMB'000</i> (Restated)
At January 1, 2022	580,399
Adjustments ( <i>Note 2</i> )	3,087
At January 1, 2022 (restated)	583,486
Profit for the year	59,472
Capital injection by non-controlling interests	1,170
Disposal of partial interest of subsidiaries without losing control	120
Acquisition of non-controlling interests	(21,076)
Dividends paid to non-controlling interests	(116,642)
At December 31, 2022	506,530
Profit for the year	13,172
Capital injection by non-controlling interests	10,820
Acquisition of non-controlling interests	(3,949)
Disposal of subsidiaries ( <i>Note 36(b)</i> )	(3,816)
Dividends paid to non-controlling interests	(64,426)
At December 31, 2023	458,331





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 35. SHARE-BASED COMPENSATION

#### (a) Share Option Scheme

The Company's share option scheme was adopted by the Company on October 10, 2013 ("the Original Share Option Scheme") for the primary purpose of giving the grantees an opportunity to have a personal stake in the Company and motivating the grantees to optimise their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the Original Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Original Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted must be taken up within 28 days from the date of grant, upon payment of RMB1.00. The exercise price of the shares in the Company shall be a price determined by the board of directors of the Company with reference to future earnings potential of the Company and notified to the eligible grantees.

The share options have been vested in three tranches under the Original Share Option Scheme, the first 1/3 from the first anniversary after the date of grant, the second 1/3 from the second anniversary after the date of grant and the remaining from the third anniversary after the date of grant.

As a result of the amendments to the Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has terminated the Original Share Option Scheme and adopted the 2023 share option scheme ("the 2023 Share Option Scheme"), which complies with the Listing Rules on June 1, 2023. The purpose of the 2023 Share Option Scheme is to provide incentive or reward to grantees for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the board may approve from time to time.

The shares which may fall to be issued pursuant to the exercise of any awards and/or share options up to 10% of the shares in issue as at the adoption date. Options granted must be taken up within 28 days from the date of grant or the date on which the conditions are satisfied.

In the event of the termination of the Original Share Option Scheme, no further option will be granted under the Original Share Option Scheme, while the share options granted prior to such termination shall continue to be valid and exercisable in accordance with the Original Share Option Scheme.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 35. SHARE-BASED COMPENSATION (continued)

### (a) Share Option Scheme (continued)

Set out below are details of movements of the outstanding options granted under the Original Share Option Scheme during the years ended December 31, 2023 and 2022:

	Grant/modification date	Outstanding		Modification during the year	Number of options exercised during the year	Forfeited during the year	Outstanding as at December 31, 2023
		Exercised price (HK\$)	as at January 1, 2023				
Directors:							
Mr. Xu Yue	March 17, 2022	8.22	3,000,000	-	-	(2,000,000)	1,000,000
Mr. Tang Liang	March 17, 2022	8.22	2,500,000	-	-	(1,675,000)	825,000
Ms. Chen Yi	March 17, 2022	8.22	800,000	-	-	(536,000)	264,000
Employees and other grantees	March 17, 2022	8.22	5,700,000	-	-	(3,814,000)	1,886,000
			12,000,000	-	-	(8,025,000)	3,975,000
Weighted average exercise price (HK\$)		8.22		-	-	8.22	8.22

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 35. SHARE-BASED COMPENSATION (continued)

### (a) Share Option Scheme (continued)

	Grant/modification date	Exercised price (HK\$)	Outstanding	Modification	Number	Lapsed /	Outstanding
			as at January 1, 2022	during the year	of options exercised during the year	expired during the year	as at December 31, 2022
Directors:							
Mr. Xu Yue	December 4, 2020	13.92	3,000,000	(3,000,000)	-	-	-
	March 17, 2022	8.22	-	3,000,000	-	-	3,000,000
Mr. Tang Liang	June 19, 2017	8.14	500,000	-	(500,000)	-	-
	December 4, 2020	13.92	2,500,000	(2,500,000)	-	-	-
Ms. Chen Yi	March 17, 2022	8.22	-	2,500,000	-	-	2,500,000
	December 4, 2020	13.92	800,000	(800,000)	-	-	-
Employees and other grantees	March 17, 2022	8.22	-	800,000	-	-	800,000
	June 19, 2017	8.14	2,281,900	-	(385,500)	(1,896,400)	-
	December 4, 2020	13.92	5,700,000	(5,700,000)	-	-	-
	March 17, 2022	8.22	-	5,700,000	-	-	5,700,000
			14,781,900	-	(885,500)	(1,896,400)	12,000,000
Option exercisable at the end of the year							
			6,781,900				-
Weighted average exercise price (HK\$)							
			12.83	8.22	8.14	8.14	8.22

As at December 31, 2023, the number of shares in respect of which options had been granted and remained outstanding under the Original Share Option Scheme was 3,975,000 (2022:12,000,000), representing 0.2% (2022: 0.6%) of the shares of the Company in issue at that date.

No share option exercised during the year ended December 31, 2023 (weighted average share price at the dates of exercise in 2022: HK\$8.40).

During the year ended December 31, 2023, the grantees did not meet the performance conditions and a portion of share options granted on March 17, 2022 has been forfeited. The Group reversed an expense of approximately RMB10,168,000 for the year ended December 31, 2023 in relation to the share options forfeited (2022: recognize an expense of RMB11,123,000 for the share options granted) by the Company under the Original Share Option Scheme.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 35. SHARE-BASED COMPENSATION (continued)

#### (b) Employee Pre-IPO Incentive Scheme

The Company's employee pre-IPO incentive scheme was adopted by the Company on April 3, 2012 (the "Employee Pre-IPO Incentive Scheme") for the primary purpose of recognition of the contributions of the beneficiaries under the Employee Pre-IPO Incentive Scheme and to incentivize them. Under the Employee Pre-IPO Incentive Scheme, the board of directors of the Company may make cash awards to eligible employees, including directors (other than independent non-executive directors) of the Company and its subsidiaries. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited via special purpose vehicle under the Employee Pre-IPO Incentive Scheme will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme.

On August 30, 2013, the board of directors resolved to amend the Employee Pre-IPO Incentive Scheme (the "Amended Scheme") to the effect that, in addition to the previously allowed cash awards, awards of restricted share could be granted to eligible persons ("Grantee") pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director, including independent non-executive directors. No Grantee shall be entitled to any dividend, income or any other right for which the record date is prior to the date on which the restricted shares are completed and actually transferred into the Grantee's account. The unvested restricted shares do not carry any right to vote at general meetings of the Company.

On June 18, 2020, the Board resolved to amend the Amended Scheme (the "2020 Amended Scheme") to the effect that, and any reference in Amended Scheme to the previous trustee namely HSBC Trustee (Hong Kong) Limited shall be changed to the new trustee namely BOCI Trustee (Hong Kong) Limited.

Awards of restricted shares have been made pursuant to the Amended Scheme. Details of which are set out as follows:

	Number of shares	Vesting period	Total fair value
	'000		RMB'000
Year 2017	9,413	1-28 years	63,888
Year 2018	10,080	10 years	68,718
Year 2019	2,667	10 years	11,131
Year 2020	4,615	5 years	35,869
Year 2021	3,890	5 years	41,905
Year 2022	2,740	5 years	11,195
Year 2023	200	5 years	562

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

The Group recognized an expense of approximately RMB35,497,000 (2022: RMB33,625,000) for the year ended December 31, 2023 in relation to such awards made by the Company under the Amended Scheme.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 35. SHARE-BASED COMPENSATION (continued)

### (c) Share Award Scheme

The Company's new share award scheme was adopted by the Company on June 1, 2022 (the "Share Award Scheme") to recognize the contributions by the Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

According to the Share Award Scheme, any awarded shares shall be new shares to be allotted and issued to the trustee by the Company pursuant to a valid mandate granted by shareholders at general meeting(s) of the Company from time to time pursuant to the Listing Rules. The grant price which shall be not less than the highest of: (a) 50% of the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant notice, which must be a business day; (b) 50% of the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant notice; and (c) the nominal value of the Shares. The board is entitled to impose any conditions (including a period of continued service within the Group after the award or conditions as to performance criteria), as it deems appropriate in its absolute discretion with respect to the vesting. The awards granted shall be subject to a vesting period as determined by the board, which shall be at least 12 months commencing from the date of the grant notice.

Chapter 17 of the Listing Rules has been amended to govern both share option schemes and share award schemes involving the grant of new shares or options over new shares of the listed issuer with effect from January 1, 2023. On June 1, 2023, amendments made to the Share Award Scheme (the "Amended Share Award Scheme") has been approved by the shareholders of the Company which brings it in line with the Listing Rules.

During the year, awards of approximately 5,660,000 have been granted pursuant to the Share Award Scheme. Details are set out as follows:

	Number of shares	Vesting period	Total fair value
	'000		RMB'000
Year 2023	5,660	1 years	13,706

The fair value of the new shares awards were determined based on the market value of the Company's shares at the grant date.

The Group recognized an expense of approximately RMB10,280,000 for the year ended Dec 31, 2023 in relation to such awards made by the Company under the Share Award Scheme (For the year ended Dec 31, 2022: RMB nil).

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 36. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of Shanghai Baocheng Shenjiang

In February of 2023, the Group disposed of 60% equity interests in Shanghai Baocheng Shenjiang to an independent third party for a consideration of approximately RMB140 million.

	<b>Amount</b>
	<i>RMB'000</i>
Property, plant and equipment	133,139
Right-of-use assets	32,512
Other intangible assets	985
Trade and other receivables	125,407
Inventory	32,672
Bank balances and cash	584
Restricted bank balances	48,197
Financial assets at FVTPL	50,718
Contract liabilities	(35,816)
Tax liabilities	(12,752)
Amounts due to related parties	(113,090)
Trade and other payables	(125,100)
<b>Total net assets</b>	<b>137,456</b>
Gain on disposal ( <i>Note 6</i> )	95,877
Less: 40% equity interests to be held by the Group	(93,333)
<b>Total cash consideration</b>	<b>140,000</b>
Satisfied by:	
Cash received	113,000
Deferred cash consideration	27,000
	<b>140,000</b>
Net cash inflow arising on disposal:	
Cash received	113,000
Less: bank balances and cash disposed of	(584)
	<b>112,416</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 36. DISPOSAL OF SUBSIDIARIES (continued)

### (b) Disposal of other subsidiaries

In April, July, October, November of 2023, the Group disposed of 60% equity interests in Shanghai Yongda Qidong Automobile Sales and Service Co., Ltd., 60% equity interests in Shanghai Bilinxing, 100% equity interests in Hangzhou Yongda Pengda Automobile Sales and Service Co., Ltd., and 85% equity interests in Wuhan Southern Zhongyue New Energy Vehicle Technology Co., Ltd. for a total consideration of approximately RMB2.71 million.

The net assets at the dates of disposal were as follows:

	<b>Amount</b>
	<i>RMB'000</i>
Property, plant and equipment	9,137
Right-of-use assets	843
Trade and other receivables	15,061
Inventory	3,174
Bank balances and cash	139
Contract liabilities	(1,289)
Lease liabilities	(1,001)
Tax liabilities	(710)
Trade and other payables	(15,524)
<b>Total net assets</b>	<b>9,830</b>
Less: non-controlling interests	(3,816)
Less: equity interests to be held by the Group	(40)
Loss on disposal ( <i>Note 6</i> )	(3,266)
<b>Total cash consideration</b>	<b>2,708</b>
Satisfied by:	
Cash received	2,041
Deferred cash consideration	667
	<b>2,708</b>
Net cash inflow arising on disposal:	
Cash received	2,041
Less: bank balances and cash disposed of	(139)
	<b>1,902</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 37. ACQUISITION OF NON-CONTROLLING INTERESTS

In January, March, July, October and November of 2023, the Group acquired 39% of equity interests in Fujian Yongda Aocheng Automobile sales service Co., Ltd., 39% of equity interests in Fujian Yongda Automobile sales service Co., Ltd., 39% equity interests in Fujian Yongda Zhongcheng Automobile sales service Co., Ltd., 12% equity interests in Guangzhou Southern Zhongyue Auto Supplies Co., Ltd., 20% equity interests in Qingyuan South Junkai Automobile sales service Co., Ltd., 30% equity interests in Fuzhou Suiyue Automobile Technology Co., Ltd., 8% equity interests Guangzhou Junwo Automobile sales service Co., Ltd., and 30% equity interests in Hangzhou Yongda New energy vehicle service Co., Ltd. from their respective non-controlling shareholders for a total cash consideration of RMB5,412,000.

The difference between the consideration paid and the non-controlling interests acquired was approximately RMB1,463,000, which was recognized in the special reserve in the consolidated statement of changes in equity.

### 38. OPERATING LEASING ARRANGMENTS

#### The Group as lessor

At the end of reporting period, the Group had contracted with automobile renters for the following future undiscounted minimum lease payments:

	2023 RMB'000	2022 RMB'000
Within one year	172,252	178,721
In the second year	83,524	75,590
In the third year	36,840	37,334
In the fourth year	2,793	15,781
	<b>295,409</b>	<b>307,426</b>

The Group provides automobile operating lease services for fixed rentals.

### 39. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	20,877	47,208





# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 40. CONTINGENT LIABILITIES

Upon the disposal of 80% equity interests in Yongda Finance Leasing in 2021, the Group guaranteed the additional credits (the “Additional Credits”) and corresponding debts of Yongda Finance Leasing in proportion to the Group’s 20% shareholding in Yongda Finance Leasing. These guarantees were conducted on normal commercial terms and on several basis. As at December 31, 2023, the balance for the borrowings drawn under the Additional Credits of Yongda Finance Leasing was RMB1,293 million (2022: RMB1,181 million), of which the guarantee amount provided by the Group was RMB259 million (2022: RMB236 million).

As at December 31, 2023, save for the above, the Group did not have any material contingent liabilities.

## 41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, amounts due to related parties, medium-term note, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on an ongoing basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, capital injection, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>		
Financial assets at amortized cost (including cash and cash equivalents)	10,819,606	8,895,963
Financial assets at FVTPL	334,112	567,153
Equity instruments at FVTOCI	6,744	8,035
Derivative financial assets	–	3,878
Other items	73,274	125,157
	<b>11,233,736</b>	9,600,186
<b>Financial liabilities</b>		
Financial liabilities at amortized cost	12,763,154	11,726,963

### b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, other assets, derivative financial assets, amounts due from related parties, cash in transit, time deposits, restricted bank balances, bank balances and cash, trade and other payables, amounts due to related parties, medium-term note and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Market risk**

##### *Currency risk*

Most of the Company's sales, purchase and expenditure are denominated in RMB. However, certain financial assets (principally bank balances and amounts due from related parties) and financial liabilities are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group mainly exposes to foreign currency of US\$ and HK\$. During the year ended December 31, 2023, all the currency forward contracts with banks of the Group are expired.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### Market risk (continued)

#### Currency risk (continued)

The carrying amounts of the financial assets and financial liabilities denominated in foreign currencies of the group entities at the end of each reporting period are as follows:

	2023 RMB'000	2022 RMB'000
<b>Assets</b>		
US\$	2,438	4,000
HK\$	7,887	11,290
EUR€	-	1,502
<b>Liability</b>		
US\$	-	198,452

#### Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies of the group entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates of foreign currencies of the group entities. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies of the group entities and adjusts their translation at the end of each reporting period for a 5% change in related currency rates.

A positive number below indicates an increase in post-tax profit where foreign currencies of the group entities weaken 5% against RMB. For a 5% strengthen of foreign currencies of the group entities against RMB, there would be an equal and opposite impact on the post-tax profit.

	Foreign currencies of the Group entities impact	
	2023 RMB'000	2022 RMB'000
(Decrease) increase in post-tax profit for the year	(387)	6,812



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### **Market risk** (continued)

##### *Forward foreign exchange contracts*

In addition, the Group has assessed that the exposure of 5% foreign exchange rate changes on the derivative financial assets, a decrease in post-tax profit amounted to RMB nil (2022: RMB7,574,000) where foreign currencies of the group entities weaken 5% against RMB, whereas a negative number indicates a decrease in post-tax profit.

##### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, medium-term note, other borrowings and lease liabilities. The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank balances and variable-rate borrowings. It is the Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates and LIBOR.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Total income from financial assets that are measured at amortized cost or at FVTOCI is as follows:

	2023 RMB'000	2022 RMB'000
Other income – financial assets at amortised cost	37,415	35,642

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### **Market risk** (continued)

##### *Interest rate risk* (continued)

##### *Sensitivity analysis*

Bank balances, pledged bank deposits and borrowings are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances is insignificant.

##### *Other price risk*

The Group is exposed to other price risk through its equity instruments at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk.

If the prices of those financial assets at FVTPL had been 5% higher/lower, the Group's post-tax profit for the year ended December 31, 2023 would increase/decrease by RMB12,529,000 (2022: RMB21,268,000).

#### **Credit risk and impairment assessment**

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

In order to minimize credit risk, the Group has developed and maintained the credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, other assets, cash in transit, time deposits, restricted bank balances and bank balances and cash.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 42. FINANCIAL INSTRUMENTS (continued)

#### b. Financial risk management objectives and policies (continued)

##### **Credit risk and impairment assessment** (continued)

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables – goods and services and amounts due from related parties – trade nature	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment (continued)

	Notes	Internal credit rating	12m or lifetime ECL	December 31, 2023 Gross amount (RMB'000)	December 31, 2022 Gross amount (RMB'000)
<b>Financial assets at amortized cost</b>					
Trade receivables – goods and services	23	note 2	Lifetime ECL	912,545	851,025
Amounts due from related parties	45	note 1a	12m ECL Lifetime ECL	87,115 4,309	56,106 13,703
Other receivables and other non-current assets	23	note 1b	12m ECL	3,981,232	3,704,992
Cash in transit	25	note 4	12m ECL	36,091	68,816
Time deposits	26	note 4	12m ECL	8,100	7,500
Restricted bank balances	26	note 4	12m ECL	3,589,137	2,008,024
Bank balances and cash	26	note 4	12m ECL	2,201,077	2,185,797
<b>Other items</b>					
Trade receivables – automobile operating lease services	23	note 3	12m ECL	73,274	125,157

Notes:

1a: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, amounts due from related parties are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For the purpose of impairment assessment for the amounts due from related parties- non trade portion of RMB87,115,000, the Group has applied the 12-month ECL approach. For the amounts due from related parties-trade portion of RMB4,309,000, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The directors of the Company considered that the 12-month ECL and lifetime ECL allowance are insignificant as at January 1, 2023 and December 31, 2023.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### **Credit risk and impairment assessment** (continued)

Notes:(continued)

- 1b: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, other receivables and other assets are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For other receivables and other assets, debtors with significant outstanding balances with gross carrying amounts of RMB3,374 million as at December 31, 2023 were assessed individually. These individually assessed receivables mainly comprised deposits and rebate receivables from certain suppliers of passenger vehicles in the PRC as at December 31, 2023. The Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In order to further minimize the credit risk, the management of the Group delegates teams to deal with these suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. And the Group could choose to offset the payables for the passenger vehicles purchase from the suppliers as agreed. The delegated teams also reconcile with these suppliers on outstanding balances and transactions recorded in relevant reporting period annually to ensure trading information is properly recorded. In view of the actions taken by the Group and the fact that the counterparties are the sino-foreign joint ventures of renowned automobile manufacturers with high credit quality, the Group considers that credit risk in rebate receivables and deposits made to suppliers is significantly reduced.

The Group's advances to non-controlling interests of RMB37 million consist of several balances with different non-controlling interests in the PRC and there is no concentration of credit risk. The Group considers that credit risk in advances to non-controlling interests is insignificant.

For the purpose of impairment assessment for the remaining other receivables with carrying amount of RMB570 million the Group has applied the 12-month ECL approach. The directors of the Company considered that the 12-month ECL and lifetime ECL allowance are insignificant as at January 1, 2023 and December 31, 2023.

- 2: For trade receivables – goods and services, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

The Group's trade receivables consist of a large number of customers located in the PRC which poses insignificant concentration of credit risk. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The directors of the Company considered that the life time ECL allowance are insignificant as at January 1, 2023 and December 31, 2023.

- 3: For trade receivables – automobile operating lease services, the Group has applied the 12m ECL approach in IFRS 9 to measure the loss allowance. The directors of the Company considered that the 12m ECL allowance are insignificant as at January 1, 2023 and December 31, 2023.

- 4: The credit risk in relation to the Group's cash in transit, time deposits, bank balances and cash and restricted bank balances is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants, if any.

#### Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date the Group can be required to pay, representing the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rates, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

	Weighted average interest rate %	Repayable				Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
		on demand or within 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	After 5 years RMB'000		
<b>At December 31, 2023</b>							
Trade and other payables		8,728,326	-	-	-	8,728,326	8,728,326
Amounts due to related parties		70,295	-	-	-	70,295	70,295
Borrowings	3.17	1,060,343	1,400,959	1,651,897	-	4,113,199	3,964,533
		9,858,964	1,400,959	1,651,897	-	12,911,820	12,763,154
<b>Lease liabilities</b>	6.00	82,505	182,267	750,560	1,206,315	2,221,647	1,676,031
		9,941,469	1,583,226	2,402,457	1,206,315	15,133,467	14,439,185

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate %	Repayable on demand or within 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	After 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
<b>At December 31, 2022</b>							
Trade and other payables		7,876,528	-	-	-	7,876,528	7,876,528
Amounts due to related parties		87,396	-	-	-	87,396	87,396
Borrowings	3.26	627,188	1,686,382	1,198,739	-	3,512,309	3,378,689
Medium-term note	4.80	388,148	-	-	-	388,148	384,350
		8,979,260	1,686,382	1,198,739	-	11,864,381	11,726,963
<b>Lease liabilities</b>	6.00	95,249	243,548	791,733	1,485,988	2,616,518	1,782,874
		9,074,509	1,929,930	1,990,472	1,485,988	14,480,899	13,509,837

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	December 31, 2023 RMB'000	December 31, 2022 RMB'000		
Financial assets at FVTPL	<b>Fund instruments</b> -	Fund instruments 255,011	Level 2	Fair value is referenced to the investment statement issued at the reporting date by the financial institution in which funds were purchased from.
Financial assets at FVTPL	<b>Listed securities</b> 1,286	Listed securities 1,482	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL	<b>Unquoted equity instruments</b> 332,826	Unquoted equity instruments 310,660	Level 3	Share of the net asset values of the financial asset, determined with reference to the fair value of underlying assets and liabilities and adjustments of related expense, if any; Price-to-Sales multiples of selected comparable listed companies in a similar business model and adjusted for the lack of marketability
Equity instruments at FVTOCI	<b>Listed securities</b> 6,744	Listed securities 8,035	Level 1	Quoted bid prices in an active market

There were no transfers among Level 1, 2 and 3 during the year.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. FINANCIAL INSTRUMENTS (continued)

### c. Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	<b>Financial assets at FVTPL</b>
	<i>RMB'000</i>
At January 1, 2022	346,663
Purchases	24,479
Disposals	(60,482)
At January 1, 2023	310,660
Purchases	5,000
Disposals	(25,388)
Fair value change	42,554
At December 31, 2023	332,826

The Group measured derivative financial assets at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	December 31, 2023 <i>RMB'000</i>	December 31, 2022 <i>RMB'000</i>		
Foreign currency forward contracts	<b>Fund instruments</b> -	Fund instruments 3,878	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Medium-term Note	Lease liabilities	Dividend payable	Accrued interest	Advance from non-controlling interests	Consideration payables for acquisition of non-controlling interests	Advance from related parties non-trade	Amounts due to related parties non-trade	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 31)	Note	(Note 33)	(Note 27)	(Note 27)	(Note 27)	(Note 27)	(Note 27)	(Note 45)	
At January 1, 2022	4,506,996	368,653	2,129,761	12,340	24,181	47,629	-	-	57,849	7,147,409
Financing cash flows	(1,255,472)	-	(334,993)	(1,077,360)	(220,263)	(8,418)	(26,168)	-	27,803	(2,894,871)
Non - cash changes in finance costs	-	1,110	97,636	-	221,942	-	-	-	-	320,688
Net foreign exchange loss	115,892	-	-	-	-	-	-	-	-	115,892
Addition due to acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-
Leases termination	-	-	(216,404)	-	-	-	-	-	-	(216,404)
New leases entered	-	-	125,796	-	-	-	-	-	-	125,796
Acquisition of non- controlling interests	-	-	-	-	-	-	26,168	-	-	26,168
Dividends recognized as distributions and paid to non - controlling interests	-	-	-	1,065,468	-	-	-	-	-	1,065,468
Covid - 19- related rent concessions	-	-	(18,922)	-	-	-	-	-	-	(18,922)
At December 31, 2022	3,367,416	369,763	1,782,874	448	25,860	39,211	-	-	85,652	5,671,224
Financing cash flows	597,062	(370,000)	(336,316)	(847,294)	(249,811)	(5,542)	(1,912)	7,830	(24,671)	(1,230,654)
Non - cash changes in finance costs	-	237	99,300	-	227,884	-	(3,500)	-	-	323,921
Net foreign exchange gain	(3,878)	-	-	-	-	-	-	-	-	(3,878)
Disposal due to disposal of subsidiaries	-	-	(1,001)	-	-	-	-	-	-	(1,001)
Leases termination	-	-	(99,759)	-	-	-	-	-	-	(99,759)
New leases entered	-	-	230,933	-	-	-	-	-	-	230,933
Acquisition of non- controlling interests	-	-	-	-	-	-	5,412	-	-	5,412
Dividends recognized as distributions and paid to non - controlling interests	-	-	-	846,846	-	-	-	-	-	846,846
At December 31, 2023	3,960,600	-	1,676,031	-	3,933	33,669	-	7,830	60,981	5,743,044

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 44. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The total costs charged to the consolidated statement of profit or loss and comprehensive income of RMB190,021,000 for the year ended December 31, 2023 (2022: RMB159,406,000) represent contributions paid and payable to the scheme by the Group for the year.

## 45. RELATED PARTY DISCLOSURES

### I. Amounts due from related parties

	2023 RMB'000	2022 RMB'000
<b>Current</b>		
<b>Associates held by the Group</b>		
Shanghai Baocheng Shenjiang	45,001	–
Yongda Finance Leasing	4,704	10,955
Yinghua Lexus	9,689	–
Guangzhou Xianghe Zhongyue	470	470
Honexun Technology	–	30,943
Shanghai Oriental Yongda	–	9
<b>Joint ventures held by the Group</b>		
Harbin Yongda	27,432	27,432
Beijing Miao Cheng	4,128	–
	<b>91,424</b>	69,809
<b>Analyzed as:</b>		
Trade-related (note a)	4,309	13,703
Non trade-related (note b)	87,115	56,106
	<b>91,424</b>	69,809

Notes:

- a. The Group offers at its discretion certain related parties a trade credit period up to 90 days.
- b. The maximum amount outstanding related to non trade-related balance during the year ended December 31, 2023 is RMB200,980,000 (2022: RMB157,533,000).

All the above balances are interest-free, unsecured and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. RELATED PARTY DISCLOSURES (continued)

### II. Amounts due to related parties

	2023 RMB'000	2022 RMB'000
<b>Associates held by the Group</b>		
Yongda Finance Leasing	55,919	79,638
Shanghai Baocheng Shenjiang	6,191	–
Shanghai Yongda Fengdu Automobile	5,063	7,746
Shanghai Oriental Yongda	–	12
<b>Joint venture held by the Group</b>		
Shanghai Linheng	3,122	–
	<b>70,295</b>	87,396
<b>Analyzed as:</b>		
Trade-related (note a)	9,314	1,744
Non trade-related (note b)	60,981	85,652
	<b>70,295</b>	87,396

Notes:

- a. A credit period of not exceeding 90 days is given to the Group by the related parties.
- b. Except the balance of finance lease payables to Yongda Finance Leasing, the remaining balances are interest-free, unsecured and repayable on demand.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 45. RELATED PARTY DISCLOSURES (continued)

#### III. Guarantees issued by the Group

	2023 RMB'000	2022 RMB'000
Bank borrowings of a related party under guarantees issued by the Group:		
Yongda Finance Leasing	258,691	236,221

#### IV. Related party transactions

	2023 RMB'000	2022 RMB'000
<b>a) Sales of motor vehicles</b>		
Shanghai Baocheng Shenjiang	55,077	–
Shanghai Miaocheng	7,359	–
Shanghai Oriental Yongda	3,209	10,415
Yinghua Lexus	570	1,932
Anhui Jiajia Yongda	–	1,018
	<b>66,215</b>	13,365
<b>b) Sales of spare parts</b>		
Shanghai Baocheng Shenjiang	3,278	–
Shanghai Yongda Changrong	704	181
Beijing Miaocheng	205	–
	<b>4,187</b>	181



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. RELATED PARTY DISCLOSURES (continued)

### IV. Related party transactions (continued)

	2023 RMB'000	2022 RMB'000
<b>c) Services income from</b>		
Yongda Finance Leasing	12,026	–
Shanghai Oriental Yongda	38	–
	<b>12,064</b>	–
<b>d) Finance lease interest expense to</b>		
Yongda Finance Leasing	4,077	6,107
<b>e) Purchase of services</b>		
Shanghai Oriental Yongda	3,156	8,000
<b>f) Purchase of spare parts</b>		
Shanghai Linheng	3,122	–
<b>g) Rental expenses paid or payable to:</b>		
<b>Entities controlled by the shareholders</b>		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd., and Shanghai Yongda Property Development Co., Ltd. (note)	37,918	31,992
<b>Associate held by the Group</b>		
Shanghai Yongda Fengdu Automobile	3,234	3,234
	<b>41,152</b>	35,226



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. RELATED PARTY DISCLOSURES (continued)

### IV. Related party transactions (continued)

Note:

Based on IFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the lease agreements in connection with the use of leased properties had resulted in recognition of a lease liability with the balance of RMB nil(2022: RMB35,810,000) and a right-of-use assets with the balance of RMB nil(2022: RMB33,023,000) as at December 31, 2023. In addition, the Group recorded depreciation of right-of-use assets of RMB33,023,000 (2022: RMB33,023,000) and interest expense of RMB1,261,000 (RMB3,127,000) in the consolidated statement of profit or loss for year ended December 31, 2023.

	2023 RMB'000	2022 RMB'000
<b>h) Compensation of key management personnel</b>		
Salaries and other benefits	10,832	9,940
Performance-based bonus	1,774	1,620
Contributions to retirement benefits scheme	743	759
Share-based payments	9,684	14,884
	<b>23,033</b>	27,203

The remuneration of directors and key executives is determined by the board and its remuneration committee having regard to the performance of individuals and market trends.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at December 31, 2023 is as follows:

NOTE	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	–	579
Unlisted investment in a subsidiary and amounts due from subsidiaries	640,084	1,254,994
	<b>640,084</b>	1,255,573
<b>Current assets</b>		
Other receivables	9,207	16,614
Bank balances and cash	30,488	32,485
Restricted bank balances	–	4,764
Amounts due from subsidiaries	2,706,868	2,402,720
Derivative financial assets	–	3,878
	<b>2,746,563</b>	2,460,461
<b>Current liabilities</b>		
Other payables	66	1,099
Borrowings	–	198,452
Amounts due to subsidiaries	21,042	850,228
	<b>21,108</b>	1,049,779
<b>Net current assets</b>	<b>2,725,455</b>	1,410,682
<b>Total assets less current liabilities</b>	<b>3,365,539</b>	2,666,255
<b>Net assets</b>	<b>3,365,539</b>	2,666,255
<b>Capital and reserves</b>		
Share capital	15,963	16,233
Reserves (a)	3,349,576	2,650,022
<b>Total equity</b>	<b>3,365,539</b>	2,666,255



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note (a):

	Share premium <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	Share-based payments reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2022	1,666,841	(8,953)	200,238	71,651	1,929,777
Profit for the year	-	-	-	1,687,041	1,687,041
Repurchase and cancellation of shares	(31,169)	(37,706)	-	-	(68,875)
Exercise of share options	6,157	-	-	-	6,157
Recognition of equity-settled share-based payments	-	-	44,748	-	44,748
Dividends recognized as distributions	(948,826)	-	-	-	(948,826)
At December 31, 2022	693,003	(46,659)	244,986	1,758,692	2,650,022
Profit for the year	-	-	-	1,545,055	1,545,055
Repurchase and cancellation of shares	(133,080)	34,390	-	-	(98,690)
Recognition of equity-settled share-based payments	-	-	35,609	-	35,609
Dividends recognized as distributions	-	-	-	(782,420)	(782,420)
At December 31, 2023	559,923	(12,269)	280,595	2,521,327	3,349,576

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows:

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>®</sup>
				2023	2022	
				%	%	
Directly held:						
Sea of Wealth International Investment Company Limited ("Sea of Wealth") 富海國際投資有限公司	The British Virgin Islands	November 15, 2011	80,000,000 shares of HK\$1.00 each	100	100	Investment holding
Hongda Automobiles Co., Ltd. 弘達汽車有限公司	HK	November 12, 2003	HK\$89,334,092	100	100	Investment holding
Grouprich International Investment Holdings Limited ("Grouprich International") 匯富國際投資集團有限公司	HK	September 10, 2004	1,000,000 shares of HK\$1.00 each	100	100	Investment holding
Indirectly held:						
Shanghai Yongda Investment Holdings Group Co., Ltd. (note 2) 上海永達投資控股集團有限公司 (formerly known as Shanghai Yongda Investment Co., Ltd. (note 2) 上海永達投資有限公司)	PRC	September 25, 2003	RMB2,320,000,000	100	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. (note 1) 上海永達汽車集團有限公司 (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司)	PRC	September 15, 2003	RMB1,893,204,250	100	100	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities <sup>o</sup>
				at December 31,		
				2023 %	2022 %	
Shanghai Yongda Automobile Leasing Co., Ltd. operating (note 2) 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB150,000,000	100	100	Automobile lease services
Shanghai Baozen Automobile Sales and Services Co., Ltd. (note 3) 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB80,000,000	100	100	4S dealership
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. (note 3) 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB50,000,000	100	100	4S dealership
Taiyuan Baozen Automobile Sales and Services Co., Ltd. (note 3) 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	60	60	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. (note 3) 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB30,000,000	100	100	4S dealership
Wuxi Yicheng Automobile Sales and Services Co., Ltd. (note 3) 無錫翼誠汽車銷售服務有限公司	PRC	October 13, 2011	RMB30,000,000	100	100	4S dealership
Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. (note 3) ("Wuxi Yongda Oriental") 無錫永達東方汽車銷售服務有限公司	PRC	April 15, 2011	RMB50,000,000	95	95	4S dealership
Shanghai Yongda Infiniti Automobile Sales and Services Co., Ltd. (note 3) 上海永達英菲尼迪汽車銷售服務有限公司	PRC	September 18, 2006	RMB30,000,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>o</sup>
				2023	2022	
				%	%	
Shanghai Yongda Infiniti Qibao Automobile Sales and Services Co., Ltd. (note 3) 上海永達英菲尼迪七寶汽車銷售服務有限公司	PRC	August 14, 2009	RMB25,000,000	100	100	4S dealership
Guangzhou Yongda Automobile Rental Co., Ltd. ("Guangzhou Yongda Automobile Rental") (note 3) 廣州永達汽車租賃有限公司	PRC	July 6, 2012	RMB30,000,000	100	100	Automobile operating lease services
Linyi Yubaohang Automobile Sales and Services Co., Ltd. (note 3) 臨沂宇寶行汽車銷售服務有限公司	PRC	October 26, 2006	RMB30,000,000	100	100	4S dealership
Lishui Jiacheng Automobile Sales and Services Co., Ltd. (note 3) 麗水市嘉誠汽車銷售有限公司	PRC	May 17, 2010	RMB80,000,000	100	100	4S dealership
Jiangyin Leichi Automobile Sales and Services Co., Ltd. (note 3) 江陰雷馳汽車銷售服務有限公司	PRC	August 23, 2010	RMB35,000,000	88	88	4S dealership
Haerbin Baozen Automobile Sales and Services Co., Ltd. (note 3) 哈爾濱寶誠汽車銷售服務有限公司	PRC	March 7, 2015	RMB30,000,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>o</sup>
				2023	2022	
				%	%	
Tianjin Zhongshun Jinbao Automobile Sales and Services Co., Ltd. (note 3) 天津市中順津寶汽車服務有限公司	PRC	March 31, 2015	RMB45,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. (note 3) 無錫寶尊汽車銷售服務有限公司	PRC	August 31, 2015	RMB20,000,000	100	100	4S dealership
Guangdong Yongda South Investing Group Co., Ltd. (note 3) 廣東永達南方投資集團有限公司	PRC	June 09, 2014	RMB266,000,000	70	70	Investment holding
Linfen Baocheng Automobile Sales Service Co., Ltd. (note 3) 臨汾寶誠汽車銷售服務有限公司	PRC	July 10, 2009	RMB30,000,000	90	90	4S dealership
Yongjia Baozen Automobile Sales Service Co., Ltd. (note 3) 永嘉寶誠汽車銷售服務有限公司	PRC	January 19, 2010	RMB20,000,000	70	70	4S dealership
Jiangyin Infinite Automobile Sales Service Co., Ltd. (note 3) 江陰無限汽車銷售服務有限公司	PRC	December 5, 2014	RMB20,000,000	88	88	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. (note 3) 南通東方永達佳農汽車銷售服務有限公司	PRC	November 16, 2011	RMB40,000,000	100	100	4S dealership



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>o</sup>
				2023	2022	
				%	%	
Shanghai Yongda Shenjie Automobile Sales and Services Co., Ltd. (note 3) 上海永達申傑汽車銷售服務有限公司	PRC	March 3, 2011	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Jiawo Automobile Sales and Services Co., Ltd. (note 3) 上海永達嘉沃汽車銷售服務有限公司	PRC	March 1, 2011	RMB30,000,000	100	100	4S dealership
Rui'an Yongda Lujie Automobile Sales and Services Co., Ltd. (note 3) 瑞安市永達路捷汽車銷售服務有限公司	PRC	March 5, 2014	RMB42,000,000	100	100	4S dealership
Kunshan Yongda Lujie Automobile Sales and Services Co., Ltd. (note 3) 昆山永達路捷汽車銷售服務有限公司	PRC	March 15, 2014	RMB40,000,000	100	100	4S dealership
Changshu Yongda Lujie Automobile Sales and Services Co., Ltd. (note 3) 常熟永達路捷汽車銷售服務有限公司	PRC	June 8, 2014	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Hongjie Automobile Sales and Services Co., Ltd. (note 3) 上海永達弘傑汽車銷售服務有限公司	PRC	July 5, 2011	RMB60,000,000	100	100	4S dealership
Shanghai Yongda Qiming Automobile Sales and Services Co., Ltd. (note 3) 上海永達啟明汽車銷售服務有限公司	PRC	January 27, 2015	RMB22,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. ("Wuxi Baozen") (note 3) 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB100,000,000	88	88	4S dealership



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>®</sup>
				2023	2022	
				%	%	
Jiangsu Baozun Investment Group Co., Ltd. (note 3) 江蘇寶尊投資集團有限公司	PRC	April 25, 2011	RMB589,910,000	100	100	Investment holding
Changzhou Xin Baozun Automobile Sales and Services Co., Ltd. (note 3) 常州新寶尊汽車銷售服務有限公司	PRC	October 29, 2009	RMB10,000,000	100	100	4S dealership
Changzhou Kaidi Automobile Sales and Services Co., Ltd. (note 3) 常州凱帝汽車銷售服務有限公司	PRC	August 29, 2012	RMB10,000,000	100	100	4S dealership
Changzhou Changtong Auto Sales and Service Co., Ltd. (note 3) 常州常通汽車銷售服務有限公司	PRC	January 9, 2003	RMB23,000,000	100	100	4S dealership
Changzhou Zunyue Automobile Sales and Services Co., Ltd. (note 3) 常州尊越汽車銷售服務有限公司	PRC	June 25, 2007	RMB10,000,000	100	100	4S dealership
Dezhou Shengbao Automobile Sales Service Co. Ltd. (note 3) 德州聖寶汽車銷售服務有限公司	PRC	October 17, 2013	RMB99,890,000	100	100	4S dealership
Yancheng Baocheng Automobile Sales and Service Co., Ltd. (note 3) 鹽城寶誠汽車銷售服務有限公司	PRC	December 9, 2008	RMB30,000,000	100	100	4S dealership
Yancheng Yongda Zhongcheng Automobile Sales Service Co., Ltd. (note 3) 鹽城永達眾誠汽車銷售服務有限公司	PRC	July 22, 2012	RMB30,000,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>o</sup>
				2023	2022	
				%	%	
Guangzhou Tengyue New Energy Vehicle Sales Service Co., Ltd. (note 3) 廣州騰悅新能源汽車銷售服務有限公司	PRC	June 11, 2015	RMB10,000,000	70	70	4S dealership
Shenzhen Baohua Baocheng Automobile Sales Service Co., Ltd. (note 3) 深圳寶華寶誠汽車銷售服務有限公司	PRC	May 14, 2015	RMB20,000,000	70	70	4S dealership
Shenzhen Tengyue New Energy Vehicle Sales Service Co., Ltd. (note 3) 深圳騰悅新能源汽車銷售服務有限公司	PRC	August 3, 2015	RMB10,000,000	66	66	4S dealership
Shenzhen Yuebao Automobile Sales Service Co., Ltd. (note 3) 深圳市悅寶汽車銷售服務有限公司	PRC	July 19, 2016	RMB2,000,000	60	60	4S dealership
Guangzhou Nanfang Lujie Automobile Sales Service Co., Ltd. (note 3) 廣州南方路捷汽車銷售服務有限公司	PRC	June 2, 2017	RMB2,000,000	70	70	4S dealership
Shanghai Yongda Used Car Chain Management Co., Ltd. (note 3) 上海永達二手車連鎖經營有限公司	PRC	November 26, 2014	RMB50,000,000	85	85	Used car business
Weifang Shengbao Automobile Sales Service Co. Ltd. (note 2) 濰坊聖寶汽車銷售服務有限公司	PRC	October 10, 2013	RMB20,000,000	100	100	4S dealership
Zibo Shengbao Automobile Sales Service Co. Ltd. (note 2) 濰博聖寶汽車銷售服務有限公司	PRC	October 18, 2013	RMB10,000,000	100	100	4S dealership

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>o</sup>
				2023	2022	
				%	%	
Dongying Yibaoxuan Automobile Sales Service Co. Ltd. (note 2) 東營宜寶軒汽車銷售服務有限公司	PRC	March 1, 2011	RMB10,000,000	100	100	4S dealership
Yulin Baitai Automobile Sales and Services Co., Ltd. (note 3) 榆林百泰汽車銷售服務有限公司	PRC	May 24, 2012	RMB52,000,000	100	100	4S dealership
Fujian Quanzhou Baitai Automobile Sales and Services Co., Ltd. (note 3) 福建省泉州百泰汽車銷售服務有限公司	PRC	March 23, 2011	RMB50,000,000	100	100	4S dealership
Fujian Baitai Automobile Sales and Services Co., Ltd. (note 3) 福建百泰汽車銷售服務有限公司	PRC	December 19, 2013	RMB95,000,000	100	100	4S dealership
Haina Automobile Insurance Sales Co., Ltd. (note 3) 海納汽車保險銷售有限公司	PRC	May 4, 2012	RMB50,000,000	100	100	Insurance services
Changzhou Baozun Automobile Sales and Services Co., Ltd. (note 3) 常州寶尊汽車銷售服務有限公司	PRC	May 11, 2006	RMB22,220,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities <sup>o</sup>
				at December 31,		
				2023 %	2022 %	
Zhenjiang Dongfang Meiya Lexus Automobile Sales Service Co., Ltd. (note 3) 鎮江東方美亞雷克薩斯汽車銷售服務有限公司	PRC	October 15, 2021	RMB278,270,000	100	100	4S dealership
Nantong Dongfang Jiayu Lexus Automobile Sales Service Co., Ltd.(note 3) 南通東方嘉宇雷克薩斯汽車銷售服務有限公司	PRC	November 2, 2021	RMB72,000,000	100	100	4S dealership
Wujiang Baozhi Automobile Sales Service Co., Ltd.(note 3) 吳江寶致汽車銷售服務有限公司	PRC	October 18, 2021	RMB94,890,000	100	100	4S dealership
Nantong baozhihang Automobile Sales Service Co., Ltd. (note 3) 南通寶致行汽車銷售服務有限公司	PRC	October 18, 2021	RMB202,980,000	100	100	4S dealership
Nanchong Yongda Lujie Automobile Sales Service Co., Ltd. (note 3) 南充永達路捷汽車銷售服務有限公司	PRC	April 3, 2014	RMB64,500,000	70	70	4S dealership
Chengdu Xin Jin Feng Automobile Sales and Services Co., Ltd. (note 3) 成都新錦豐汽車銷售服務有限責任公司	PRC	February 22, 2013	RMB62,300,000	100	100	4S dealership
Mianyang Xinjincheng Automobile Sales and Services Co., Ltd. (note 3) 綿陽新錦程汽車銷售服務有限責任公司	PRC	May 23, 2014	RMB81,000,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>®</sup>
				2023	2022	
				%	%	
Nanchong Xinshuangli Automobile Sales Service Co. Ltd. (note 3) 南充新雙立汽車銷售服務有限責任公司	PRC	April 4, 2014	RMB26,700,000	100	100	4S dealership
Jiangyin Shengda Automobile Sales Service Co. Ltd. (note 3) 江陰市盛達汽車銷售服務有限公司	PRC	April 25, 2001	RMB10,000,000	100	100	4S dealership
Jiangyin Shengda Toyota Automobile Sales Service Co. Ltd. (note 3) 江陰市盛達豐田汽車銷售服務有限公司	PRC	October 27, 1999	RMB20,000,000	100	100	4S dealership
Jiangyin Shengda Yintian Automobile Sales Service Co. Ltd. (note 3) 江陰市盛達穎田汽車有限公司	PRC	November 16, 2005	RMB10,000,000	100	100	4S dealership
Jiangyin Yinda Automobile Sales Service Co. Ltd. (note 3) 江陰市穎達汽車銷售有限公司	PRC	May 15, 2007	RMB12,100,000	100	100	4S dealership
Jiangyin Shengda Jiayin Automobile Sales Service Co. Ltd. (note 3) 江陰市盛達佳穎汽車銷售有限公司	PRC	September 5, 2007	RMB5,000,000	100	100	4S dealership
Jiangyin Shengsheng Automobile Sales Service Co. Ltd. (note 3) 江陰盛升汽車有限公司	PRC	August 4, 2009	RMB15,000,000	100	100	4S dealership
Shanghai Yongda Zhixing Automobile Sales and Service Co., Ltd. (note 3) 上海永達之星汽車銷售服務有限公司	PRC	July 25, 2013	RMB30,000,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities <sup>o</sup>
				at December 31,		
				2023 %	2022 %	
Shanghai Dezhilin Automobile Co., Ltd. (note 3) 上海德之林汽車有限公司	PRC	July 25, 2013	RMB80,000,000	100	100	4S dealership
Qingruo Investment (Shanghai) Co., Ltd. (note 3) 慶若投資(上海)有限公司	PRC	March 1, 2013	RMB480,610,806	100	100	Investment holding
Nanchang Yongda Yongcheng Automobile Sales Service Co., Ltd. (note 3) 南昌永達永誠汽車銷售服務有限公司	PRC	November 9, 2017	RMB2,100,000	100	100	4S dealership
Jiujiang Yongda Zhixing Automobile Sales Service Co., Ltd. (note 3) 九江永達之星汽車銷售服務有限公司	PRC	October 25, 2017	RMB80,164,740	100	100	4S dealership
Shaoxing Yongda Lexus Automobile Sales Service Co., Ltd. (note 3) 紹興永達雷克薩斯汽車銷售服務有限公司	PRC	February 28, 2007	RMB112,438,960	100	100	4S dealership
Nanchang Yongda Automobile Sales Service Co., Ltd. (note 3) 南昌永達汽車銷售服務有限公司	PRC	June 1, 2011	RMB65,366,600	100	100	4S dealership
Nanning Baocheng Automobile Service Co., Ltd. (note 3) 南寧寶誠汽車服務有限公司	PRC	November 11, 2015	RMB20,000,000	70	70	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities <sup>o</sup>
				at December 31,		
				2023 %	2022 %	
Kunming Baocheng Automobile Sales Service Co., Ltd. (note 3) 昆明寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB200,000,000	100	100	4S dealership
Dali Baocheng Automobile Sales Service Co., Ltd. (note 3) 大理寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB80,000,000	100	100	4S dealership
Yuxi Baocheng Automobile Service Co., Ltd. (note 3) 玉溪寶誠汽車服務有限公司	PRC	October 22, 2020	RMB53,000,000	100	100	4S dealership
Baoshan Baocheng Automobile Sales Service Co., Ltd. (note 3) 保山寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB21,000,000	100	100	4S dealership
Yibin Baozun Automobile Sales Service Co., Ltd. (note 3) 宜賓寶尊汽車銷售服務有限公司	PRC	October 22, 2020	RMB52,000,000	100	100	4S dealership
Dazhou Baocheng Automobile Sales Service Co., Ltd. (note 3) 達州寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB72,000,000	100	100	4S dealership
Changzhou Lubao Automobile Sales Service Co., Ltd. (note 3) 常州路寶汽車銷售服務有限公司	PRC	September 1, 2022	RMB20,000,000	100	100	4S dealership
Shanghai Yongda Honglin Automobile Sales Service Co., Ltd. (note 3) 上海永達虹林汽車銷售服務有限公司	PRC	July 20, 2022	RMB10,000,000	100	100	4S dealership



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities <sup>o</sup>
				at December 31,		
				2023 %	2022 %	
Kunshan Yongda Yicheng Automobile Sales and Service Co., Ltd (note 3) 昆山永達翼誠汽車銷售服務有限公司	PRC	April 8, 2013	RMB50,000,000	100	100	4S dealership
Hainan Yongda Automobile Sales and Service Co., Ltd (note 3) 海南永達汽車銷售服務有限公司	PRC	August 23, 2007	RMB30,000,000	100	100	4S dealership
Anhui Yongda Baoyi Automobile Sales and Service Co., Ltd (note 3) 安徽永達寶易汽車銷售服務有限公司	PRC	January 6, 2011	RMB20,000,000	72	72	4S dealership
Suzhou Yongbao Automobile Sales and Service Co., Ltd (note 3) 蘇州永保汽車銷售服務有限公司	PRC	November 17, 2014	RMB70,000,000	100	100	4S dealership
Linyi Dajie Automobile Sales and Service Co., Ltd (note 3) 臨沂達捷汽車銷售服務有限公司	PRC	June 14, 2017	RMB30,000,000	100	100	4S dealership
Xiangyang Baodian Automobile Sales and Service Co., Ltd (note 3) 襄陽保典汽車銷售服務有限公司	PRC	March 27, 2018	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Tengjun Automobile Sales and Service Co., Ltd (note 3) 上海永達騰駿汽車銷售服務有限公司	PRC	December 6, 2018	RMB50,000,000	100	100	4S dealership
Beijing Baocheng Baiwang Automobile Sales and Service Co., Ltd (note 3) 北京寶誠百旺汽車銷售服務有限公司	PRC	August 5, 2009	RMB30,000,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>o</sup>
				2023	2022	
				%	%	
Kunshan Baocheng Automobile Sales and Service Co., Ltd (note 3) 昆山寶誠汽車銷售服務有限公司	PRC	November 4, 2009	RMB40,000,000	100	100	4S dealership
Taicang Baocheng Automobile Sales and Service Co., Ltd (note 3) 太倉寶誠汽車銷售服務有限公司	PRC	August 5, 2009	RMB10,000,000	100	100	4S dealership
Changzhi Baocheng Lufu Automobile Sales and Service Co., Ltd (note 3) 長治寶誠潞府汽車銷售服務有限公司	PRC	January 29, 2010	RMB20,000,000	100	100	4S dealership
Yuncheng Baocheng Automobile Sales and Service Co., Ltd (note 3) 運城市寶誠汽車銷售服務有限公司	PRC	February 3, 2010	RMB14,000,000	100	100	4S dealership
Jiangyin Baocheng Automobile Sales and Service Co., Ltd (note 3) 江陰寶誠汽車銷售服務有限公司	PRC	August 15, 2007	RMB30,000,000	88	88	4S dealership
Wuxi Baocheng Gaohui Automobile Sales Co., Ltd (note 3) 無錫寶誠高惠汽車銷售有限公司	PRC	May 21, 2010	RMB5,000,000	88	88	4S dealership
Jiangyin Xiangyue Baocheng Automobile Sales Service Co., Ltd (note 3) 江陰享悅寶誠汽車銷售服務有限公司	PRC	November 4, 2021	RMB40,000,000	100	100	4S dealership
Shengzhou Baocheng Automobile Sales and Service Co., Ltd (note 3) 嵊州市寶誠汽車銷售服務有限公司	PRC	March 15, 2012	RMB40,000,000	100	100	4S dealership

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>®</sup>
				2023	2022	
				%	%	
Jiaxing Zhibao Automobile Sales and Service Co., Ltd (note 3) 嘉興之寶汽車銷售服務有限公司	PRC	July 12, 2012	RMB45,000,000	100	100	4S dealership
Shijiazhuang Baohe Automobile Sales and Service Co., Ltd (note 3) 石家莊寶和汽車銷售服務有限公司	PRC	July 4, 2005	RMB37,000,000	100	100	4S dealership
Zhangjiakou Xuanzhibao Automobile Sales and Service Co., Ltd (note 3) 張家口軒之寶汽車銷售服務有限公司	PRC	April 13, 2011	RMB50,000,000	51	51	4S dealership
Ningbo Baocheng Automobile Sales and Service Co., Ltd (note 3) 寧波寶誠汽車銷售服務有限公司	PRC	October 28, 2013	RMB40,000,000	100	100	4S dealership
Guangzhou Palladium Auto Parts Co., Ltd. (note 3) 廣州鈹特汽車配件有限公司	PRC	February 22, 2017	RMB250,000	72	72	Passage vehicle related service
Guangzhou South Zhongyue Auto Products Co., Ltd. (note 3) 廣州南方眾悅汽車用品有限公司	PRC	September 3, 2018	RMB1,000,000	85	73	Passage vehicle related service
Suzhou Suiyue Auto Technology Co., Ltd. (note 3) 蘇州隨悅汽車科技有限公司	PRC	July 2, 2018	RMB6,500,000	100	100	Automobile operating lease service
Guangzhou Guanghang Automobile Service Co., Ltd. (note 3) 廣州廣行汽車服務有限公司	PRC	November 1, 2018	RMB10,000,000	100	100	Automobile operating lease service

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities <sup>®</sup>
				2023	2022	
				%	%	
Wenzhou Baocheng Automobile Sales Service Co., Ltd. (note 3) 溫州寶誠汽車銷售服務有限公司	PRC	September 3, 2008	RMB30,000,000	100	100	4S dealership
Yueqing Youjia Automobile Consulting Service Co., Ltd. (note 4) 樂清市悠加汽車諮詢服務有限公司	PRC	November 11, 2016	RMB100,000	-	100	Passage vehicle related service
Fujian Yongda Tongcheng Automobile Sales Service Co., Ltd. (note 3) 福建永達通誠汽車銷售服務有限公司	PRC	July 8, 2015	RMB10,000,000	100	100	4S dealership



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2023 and 2022 are as follows: (continued)

- # Except for Sea of Wealth, Hongda Automobiles Co., Ltd. and Grouprich International which are limited liability companies, all subsidiaries are domestic limited liability enterprises.
- ^ The English names of all subsidiaries established in the PRC are translated for identification purpose only.
- @ 4S dealership represents an automobile dealership authorized by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, services and survey.

Notes:

1. This Company is a sino-foreign equity joint venture (including HK, Taiwan and Macao).
2. This Company is a wholly-foreign owned enterprise (including HK, Taiwan and Macao).
3. This Company is a domestic owned enterprise.
4. This Company is cancelled in 2023.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

# Financial Summary

For the year ended December 31, 2023

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	2023 RMB'000	2022 RMB'000 (Restated)	2021 RMB'000	2020 RMB'000 (Restated)	2019 RMB'000
<b>Continuing operations</b>					
<b>REVENUE</b>	<b>72,595,491</b>	72,023,888	77,916,554	68,201,242	62,707,380
Profit before tax	<b>740,317</b>	2,072,667	3,374,762	2,139,562	2,075,782
Income tax expense	<b>(154,566)</b>	(601,371)	(837,027)	(523,704)	(506,728)
Profit for the year from continuing operations	<b>585,751</b>	1,471,296	2,537,735	1,615,858	1,569,054
<b>Discontinued operations</b>					
Profit for the year from discontinued operations – net		–	80,338	117,227	–
<b>Profit for the year</b>	<b>585,751</b>	1,471,296	2,618,073	1,733,085	1,569,054
Other comprehensive income	<b>(1,291)</b>	(1,254)	(3,532)	2,289	1,331
<b>Total comprehensive income for the year</b>	<b>584,460</b>	1,470,042	2,614,541	1,735,374	1,570,385
<b>Profit for the year attributable to:</b>					
Owners of the Company	<b>572,579</b>	1,411,824	2,480,098	1,624,961	1,472,984
Non-controlling interests	<b>13,172</b>	59,472	137,975	108,124	96,070
	<b>585,751</b>	1,471,296	2,618,073	1,733,085	1,569,054
<b>Total comprehensive income for the year attributable to:</b>					
Owners of the Company	<b>571,288</b>	1,410,570	2,476,566	1,627,250	1,474,315
Non-controlling interests	<b>13,172</b>	59,472	137,975	108,124	96,070
	<b>584,460</b>	1,470,042	2,614,541	1,735,374	1,570,385
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
<b>TOTAL ASSETS</b>	<b>32,693,051</b>	32,464,731	31,566,638	34,737,491	35,474,817
<b>TOTAL LIABILITIES</b>	<b>(18,294,600)</b>	(17,742,135)	(17,277,773)	(22,381,832)	(25,022,220)
<b>NON-CONTROLLING INTERESTS</b>	<b>(458,331)</b>	(506,530)	(580,399)	(523,923)	(571,057)
	<b>13,940,120</b>	14,216,066	13,708,466	11,831,736	9,881,540