



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01771



PORSCHE



2025
ANNUAL REPORT



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CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

新豐泰集團控股有限公司

ENGLISH NAME OF THE COMPANY

Sunfonda Group Holdings Limited

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BOARD OF DIRECTORS

Executive Directors

Mr. Wu Tak Lam (*Chairman of the Board*)

Ms. Chiu Man (*Chief Executive Officer*)

Ms. Chen Wei

Mr. Wang Hao (*appointed on 7 November 2025*)

Mr. Deng Ning (*resigned on 7 November 2025*)

Independent Non-executive Directors

Dr. Han Qinchun

Mr. Liu Qiming

Mr. Mou Junfa (*appointed on 31 December 2025*)

Dr. Liu Xiaofeng (*resigned on 31 December 2025*)

AUDIT COMMITTEE

Dr. Han Qinchun (*Chairman*)

Mr. Liu Qiming

Mr. Mou Junfa (*appointed on 31 December 2025*)

Dr. Liu Xiaofeng (*resigned on 31 December 2025*)

NOMINATION COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Ms. Chiu Man

Dr. Han Qinchun

Mr. Liu Qiming

Mr. Mou Junfa (*appointed on 31 December 2025*)

Dr. Liu Xiaofeng (*resigned on 31 December 2025*)

REMUNERATION COMMITTEE

Mr. Liu Qiming (*Chairman*)

Dr. Han Qinchun

Mr. Mou Junfa (*appointed on 31 December 2025*)

Dr. Liu Xiaofeng (*resigned on 31 December 2025*)

FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam (*Chairman*)

Ms. Chiu Man

Dr. Han Qinchun

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam

Ms. Chan Sze Ting

COMPANY SECRETARY

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

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PRC

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STOCK CODE

01771

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FINANCIAL HIGHLIGHTS

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2025

During the year ended 31 December 2025, the Group recorded:

- Operating revenue of RMB7,345.0 million, which was down by 14.7% from the same period in 2024, including:
 - Sales volume of new vehicles down by 11.0% to 24,116 units, and revenue from the sales of new vehicles down by 13.9% to RMB6,048.0 million;
 - Revenue from after-sales services down by 14.3% to RMB989.5 million; and
 - Revenue from the sales of used cars down by 28.7% to RMB307.5 million.
- Gross profit of RMB4.4 million (2024: gross loss of RMB29.8 million).
- Gross profit margin of 0.1% (2024: gross loss margin of 0.3%).
- Loss before tax for the Year was RMB239.2 million (2024: loss of RMB187.7 million).

Loss for the year attributable to owners of the Company for the Year was RMB245.1 million (2024: loss of RMB213.0 million).

Basic and diluted loss per share attributable to ordinary equity holders of the Company amounted to RMB0.41 for the Year (2024: loss of RMB0.36 per share).

DEAR SHAREHOLDERS,

On behalf of the board of directors (the “**Board**”) of Sunfonda Group Holdings Limited (the “**Company**”), I am pleased to present the annual report of the Company and its subsidiaries (the “**Group**” or “**Sunfonda**”) for the year ended 31 December 2025 (the “**Period**”).

In 2025, amid complex and challenging domestic and international conditions, China's economy continued to advance under pressure, achieving a stable and orderly conclusion to the “14th Five-Year Plan”. Nevertheless, pressures arising from changes in the external environment further intensified, domestic demand remained insufficient, and the macroeconomic landscape continued to face significant challenges. In response to an increasingly complex and uncertain market environment, the Group adopted a prudent operating approach and continued to optimise its network footprint and brand structure, with a strategic focus on core regions and key brands.

On the marketing front, the Group optimised sales cadence and inventory turnover efficiency, ensuring efficient capital circulation. At the same time, it continued to advance end-to-end digitalisation, enabling system-driven empowerment across all aspects of its operations. The Group recorded a sales volume of 24,116 new vehicles in 2025, with the proportion of new energy vehicles (“**NEV(s)**”) in the overall sales continuing to rise, and NEVs are expected to become a new growth driver within the Group's core business.

Amid the rapidly evolving competitive landscape between internal combustion engine vehicles and electric vehicles, the after-sales service business has become a key stabilising pillar supporting the Group's steady operations. Adhering to a customer-centric philosophy, the Group established a full customer lifecycle management model and continued to deliver higher-quality service experiences. By proactively connecting all stages of the business value chain and building an integrated operating model encompassing business centres, front-end and back-end interconnectivity, and a combination of proactive and responsive customer engagement, the Group strengthened its customer relationships, thus supporting the steady growth of its retained customer base and leading to gradual improvements in service efficiency.

The used car business of the Group continued to grow, with annual transaction volumes reaching 7,828 units and the ratio of used-to-new vehicle sales continuing to rise. The integration of the used car business in the Xi'an region was fully completed, resulting in a comprehensive platform integrating vehicle display, sales, refurbishment and detailing services. Covering the full business spectrum, the platform continued to demonstrate enhanced scale advantages and operational efficiency.

Competition in China's domestic automobile market continued to intensify in 2025. The penetration rate of NEV models exceeded 50% for the first time, new model launches by various brands accelerated, and terminal transaction prices continued to decline, resulting in a significant compression of profit margins across the industry. In the second half

CHAIRMAN'S STATEMENT

of the year, the nationwide vehicle replacement subsidy policy was gradually scaled back, while financing instalment policies were tightened across the board. Coupled with intensifying competition in terminal pricing, these factors had a marked impact on the Company's new vehicle sales, gross profit level and overall profitability. As a result of the combined effect of the above market and policy factors, the Group's overall sales volume, profitability and operating results fell short of expectations, and its operating performance came under pressure.

Looking ahead, supported by policy guidance, technological innovation and consumption upgrading, consumers' demand for personalised mobility solutions is expected to be continuously met. New segmented markets are likely to emerge, and China's automobile market is expected to usher in fresh development opportunities. Accordingly, the Group will continue to actively expand its presence in its leading NEV brands and continue to promote the construction and completion of NEV retail outlets. In addition, based on changes in the business scale of existing luxury brand outlets, the Group will make timely adjustments and introduce more competitive new brands, striving to achieve broader cooperation with best-in-class brands across the industry.

Last but not least, would like to express my heartfelt gratitude to all shareholders and investors for their long-standing trust in and support for our management. Looking ahead, with the creation of long-term and stable value as its core objective, the Group will continue to strive for excellence, consistently upholding the "customer-centric" philosophy to drive market expansion and business growth and ensure the continuous improvement of its operational quality and efficiency, while delivering stable and long-term returns to our shareholders.

Wu Tak Lam

Chairman of the Board

31 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Economic Development in 2025 Advanced towards Innovation and Higher Quality, with All Expected Targets Fully Achieved

In 2025, amid complex changes in the domestic and international economic environment, China's national economy advanced steadily under pressure. The 14th Five-Year Plan period concluded successfully, and the major objectives and tasks for economic and social development were fully achieved. According to the data released by the National Bureau of Statistics, based on its preliminary accounting, gross domestic product (GDP) for the year amounted to RMB140,187.9 billion, representing a year-on-year increase of 5.0% calculated at constant prices. The total value added of the industrial enterprises above the designated size recorded a year-on-year increase of 5.9%. The total retail sales of consumer goods amounted to approximately RMB50,120.2 billion, representing a year-on-year increase of 3.7%. The consumer price index (CPI) remained flat as compared with the previous year. The national per capita disposable income was RMB43,377, and per capita consumption expenditure stood at RMB29,476, representing a year-on-year actual growth of 5.0% and 4.4%, respectively if price factors were excluded.

Overall, the national economy maintained a trend of steady progress in 2025. However, the impact of changes in the external environment deepened, and the economy continued to face both long-standing issues and emerging challenges.

In 2025, the macroeconomic policies in Shaanxi Province, where the Group's principal business is located, continued to deliver tangible results, supporting steady and progressive growth in the provincial economy. According to the results of the unified accounting of regional GDP, in 2025, Shaanxi Province's GDP was approximately RMB3,655,110 million, representing a year-on-year increase of 5.1% calculated at constant prices. The total value added of the industrial enterprises above the designated size recorded a year-on-year increase of 7.3%, with the automobile manufacturing sector growing by 20.2%. The total fixed-asset investment across the province recorded a year-on-year decline of 2.8%; however, private investment in automobile manufacturing increased by 21.1%. The total retail sales of social consumer goods amounted to RMB1,158,799 million, representing a year-on-year increase of 6.0%. The retail sales of consumer goods of entities above designated size grew by 7.3%. The trade-in policy for consumer goods delivered notable results, with sales of NEVs increasing by 30.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, Gansu Province, another major operating region of the Group, reached a new milestone in economic scale, with major indicators outperforming expectations. According to the results of the unified accounting of regional GDP, in 2025, the GDP of Gansu Province amounted to approximately RMB1,369,750 million, representing a year-on-year increase of 5.8% calculated at constant prices. Since 2022, the growth rate in Gansu Province exceeded the national average for 16 consecutive quarters, demonstrating robust growth momentum. The total provincial value added of the industrial enterprises above the designated size for the year recorded a substantial year-on-year increase of 9.5%. The provincial per capita disposable income for the year was RMB28,224, representing a year-on-year growth of 6.1%. The total retail sales of social consumer goods recorded a year-on-year increase of 2.5%. Driven by policies including consumer goods trade-in programs, sales of upgraded products remained robust, with retail sales of NEVs surging by 35.5%, underscoring a clear trend towards consumption upgrading.

Review of China's Automobile Market in 2025

I. Production and sales hit new highs, with the NEV industry continuing its strong growth

In 2025, China's automobile market achieved record-high production and sales volumes. According to data released by the China Association of Automobile Manufacturers ("CAAM"), total vehicle production and sales reached 34.531 million units and 34.4 million units, respectively, maintaining China's position as the world's largest automobile market for the 17th consecutive year.

The NEV sector continued to grow strongly. The sales volume of NEVs accounted for 47.9% of total new vehicle sales in 2025, representing a year-on-year increase of 7 percentage points. Annual production and sales both exceeded 16 million units, remaining the world's largest for the 11th consecutive year.

In 2025, the production and sales of passenger vehicles in China both exceeded 30 million units, demonstrating steady overall growth. The production and sales of passenger vehicles in China amounted 30.27 million units and 30.103 million units, respectively, representing a year-on-year increase of 10.2% and 9.2%, respectively. Domestic sales volume of passenger vehicles totalled 24.065 million units, representing a year-on-year increase of 6.4%. Specifically, domestic sales volume of traditional fuel passenger vehicles declined by 4.3% to 11.060 million units; while domestic sales volume of new energy passenger vehicles increased by 17.7% to 13.005 million units, accounting for 54% of domestic sales volume of passenger vehicles.

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According to the statistics of the Ministry of Public Security of China, in 2025, China's motor vehicle ownership volume reached 469 million units, of which the automobile ownership volume was 366 million units. The number of newly registered motor vehicles reached 35.35 million units, including 26.19 million automobiles. The number of newly registered motor vehicles has exceeded 30 million for 11 consecutive years. There were 103 cities with an automobile ownership volume of more than one million units in China.

In 2025, the number of newly registered NEVs reached 12.93 million units, representing an increase of 1.68 million units or 14.93%, and accounting for 49.38% of newly registered automobiles. As at the end of 2025, the NEV ownership volume in China reached 43.97 million units, accounting for 12.01% of the total volume of automobiles. Specifically, the battery electric vehicle ownership volume was 30.22 million units, accounting for 68.74% of the total number of NEVs.

In 2025, public security and traffic control departments in China processed 41.11 million motor vehicle ownership transfer registrations nationwide, among which 38.41 million were for automobiles, accounting for 93.44%. Since 2020, the volume of used-car transfer registrations nationwide has exceeded new car registrations for six consecutive years.

II. Luxury brands exhibited marked divergence, while domestic NEV brands rose strongly

According to the official sales data released by Porsche, Porsche delivered a total of 279,449 automobiles worldwide in 2025, representing a year-on-year decrease of 10%. Specifically, deliveries to Chinese customers were 41,938 units, representing a year-on-year decrease of 26%. In 2025, electrified models (including battery electric and plug-in hybrid vehicles) accounted for 34.4% of Porsche's global deliveries, representing an increase of 7.4 percentage points as compared with last year. Porsche stated that in 2026 it would continue to adhere to the principle of "value over volume", manage supply and demand prudently, and advance its three-track powertrain strategy across internal combustion engines, plug-in hybrids and battery electric vehicles.

According to the data released by the BMW Group, global deliveries in 2025 reached 2,463,715 vehicles, representing a year-on-year increase of 0.5%. Specifically, deliveries of electrified models totalled 642,087 units, representing a year-on-year increase of 8.3%. This included 442,072 battery electric vehicles, representing a year-on-year increase of 3.6%. China remained BMW's largest single market globally, with 625,527 BMW and MINI vehicles delivered during the year, representing a year-on-year decrease of 12.5%. According to BMW, it plans to launch approximately 20 new BMW, MINI and BMW Motorrad products in the Chinese market in 2026, marking the start of a new round of strong product offensives.

MANAGEMENT DISCUSSION AND ANALYSIS

Official annual data released by Mercedes-Benz Group show that the group's global vehicle sales totalled 2.16 million units in 2025, representing a year-on-year decrease of 10%. Deliveries in China totalled 575,000 units, representing a year-on-year decrease of 19.5%. Despite the decline, Mercedes-Benz China maintained a leading share in both the core luxury segment above RMB400,000 and the ultra-luxury segment above RMB1 million, demonstrating strong systemic resilience.

Official Audi data shows that Audi's global sales totalled 1.6236 million units in 2025, representing a year-on-year decline of 2.9%. Sales in the Chinese market reached 617,500 units, representing a year-on-year decrease of 5.0%, making China Audi's largest single market, accounting for 38% of global sales. 2026 will be a major product year for Audi, with multiple new-generation petrol models scheduled for launch, including the all-new Audi Q5L, all-new Audi A6L and all-new Q3.

Official data released by Lexus show that its sales in the Chinese market exceeded 180,000 units in 2025, maintaining positive growth and becoming the only overseas luxury automotive brand to record year-on-year growth in the Chinese market that year. By the end of 2025, Lexus' cumulative sales in China had exceeded 2.2 million units, with the flagship ES series accounting for more than 1.1 million units. Data from the China Automobile Dealers Association showed that Lexus' three-year residual value rate reached 60.51%, while the ES series achieved 63.89%, ranking first among imported mid-to-large-sized vehicles.

BYD announced that it recorded cumulative sales of 4.6024 million units in 2025, setting a new annual record and retaining its position as China's best-selling automaker, China's best-selling automotive brand and the global leader in NEV sales. Meanwhile, sub-brands including Formula Leopard and DENZA also achieved record-high sales, DENZA recorded cumulative annual sales of 157,134 vehicles, representing a year-on-year increase of 24.7%, while Formula Leopard achieved annual sales of 234,637 vehicles, surging by 316.1% year-on-year.

According to data released by Seres Group, cumulative sales volume of Seres NEVs exceeded 470,000 units in 2025, consolidating its position among the industry's leading players. The flagship AITO brand delivered particularly strong performance, achieving annual deliveries of over 420,000 units during the year, ranking first among luxury brands in the Chinese market. This highlighted its leadership in China's premium NEV segment and underscored the strong rise of Chinese brands in the high-end market.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Competition in the automobile consumer market became increasingly intense, with the industry-wide price war continuing to escalate

Although stabilisation measures for consumption, such as the national “Two New” policies, were introduced in China’s domestic automobile market in 2025 and, to a certain extent, released automobile consumption demand, automobile dealers on the distribution side nevertheless fell into significant operating difficulties, with dealers coming under mounting operating pressure across the board, due to a combination of market-level factors including the slower pace of recovery in the consumer market, intensified industry competition and fluctuations in market expectations. From the consumer side, the automobile consumer market was characterised by uneven demand release and increasingly cautious purchasing decisions. Coupled with the early exhaustion of replacement and renewal subsidies in many regions since the third quarter, phased consumer demand contracted rapidly. As a result, dealers faced greater difficulty in acquiring customers and longer transaction cycles, making it difficult to achieve their predetermined sales targets.

According to the survey data on the operating conditions of automobile dealers nationwide published by the China Automobile Dealers Association, more than half of dealers failed to meet their full-year sales targets in 2025. From the perspective of market competition and industry dynamics, the new energy vehicle market and the internal combustion engine vehicle market continued to diverge at an accelerated pace, while the industry-wide price war continued to intensify, placing pressure on the market pricing system, and price inversion at the dealer level became a widespread phenomenon. In order to maintain sales volume and reduce inventory levels, dealers had no choice but to compress their own profit margins. Losses in the new vehicle business, being the core profit-generating segment, continued to deepen, the overall proportion of loss-making participants in the industry continued to expand, and the proportion of profitable participants narrowed further. From the perspective of the market operating environment, the profit structure of automobile dealers continued to deteriorate under the impact of the market environment, and this, together with imbalances in the linkage between upstream and downstream participants in the industry, led to operating pain points becoming increasingly prominent on multiple fronts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2025, the automotive market continued to undergo the complex structural transformation seen in recent years. Competition between NEVs and traditional fuel-powered vehicles further intensified, industry-wide competitive pressure remained elevated, and consumers became increasingly rational and prudent in their vehicle purchasing decisions. Closely aligned with market dynamics, the Group adhered to its core strategy of “grasping rhythm, adjusting structure, strengthening services and building ecosystems”. Against the backdrop of intensifying competition in the new vehicle sales market, the Group addressed challenges through a series of initiatives, including standardising procurement management, refining sales performance metrics, strengthening digital enablement, reinforcing the after-sales service assurance system and deepening engagement in the used car market. These measures enabled the Group to maintain stable operations and achieve high-quality development throughout the year.

As at 31 December 2025, the Group had a total of 33 operating outlets. The network layout remained stable, providing solid offline support for the Group’s business operations.

New Vehicle Sales Business: A Multi-Dimensional Strategy to Address Market Challenges

In 2025, the Group precisely anchored its strategic direction of “optimising operational rhythm and adjusting business structure”. With refined management as the core, the Group established a multi-dimensional market response system, focused on the effective execution of key initiatives within the sales segment, mitigated market risks, and promoted a healthy transformation of its business structure towards higher NEV penetration and an optimised gross profit mix, thereby delivering remarkable results across the business.

During the year, the Group achieved total new vehicle sales of 24,116 units. Despite overall market pressure arising from macroeconomic volatility and persistent industry-wide price competition, coupled with the tightening of nationwide financing instalment policies in the second half of the year and a substantial decline in auto financing rebate commissions, the Group effectively offset downward market trends through differentiated competitive strategies and refined management measures. As a result, overall sales gross margins were maintained within a reasonable range, achieving a dynamic balance between scale and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group further standardised new vehicle procurement management and optimised its inventory structure. By refining metrics for assessing aged inventory and clarifying follow-up procedures, procurement processes were enhanced in terms of rationality and precision. Following a full year of implementation, inventory turnover efficiency and aged inventory levels improved significantly on a year-on-year basis, effectively safeguarding healthy and stable cash flow. At the same time, the Group optimised sales rhythm assessment mechanisms by adjusting performance indicators to focus on core performance metrics and critical execution points, thereby improving the efficiency and execution capabilities of the sales team. Through multiple cycles of market research and analysis, precise data support was provided for sales decision-making. Online marketing and customer relationship management jointly powered growth under a dual-engine model, with the new media matrix generating a substantial volume of sales opportunities through refined and targeted media deployment. In addition, the Group innovatively launched the “Loyal Customers Program” ecosystem, driving significant growth in customer referral rates and repeat purchase volumes. By focusing on the full vehicle ownership lifecycle, the Group organised word-of-mouth marketing initiatives such as test-drive experience camps and owner seminars, continuously tapping into the value of existing customers while expanding its potential customer base.

After-Sales Business: Centred on Customer Experience to Strengthen Profit Support

Positioning after-sales services as a core profit growth engine, the Group adhered to a customer-centric development strategy. Through systematic operations, the Group continued to enhance profitability and customer loyalty, supporting its overall high-quality development.

In response to intensifying market competition, the Group addressed customers’ full vehicle usage lifecycle by strengthening synergies between sales and after-sales operations. Personalised, diversified products and services were promoted in parallel, thereby significantly improving product penetration and customer retention rates and laying a solid foundation for sustainable long-term development of the Company. Regarding renewal insurance business as a core driver, the Group established a specialised renewal centre. Through benchmarking initiatives and systematic, refined management, comprehensive improvements were achieved: the number of renewed insurance policies recorded a year-on-year increase of 18%, renewal premium income grew by 14% year-on-year, and renewal penetration rose by 6 percentage points. Meanwhile, the Group closely aligned with manufacturers’ commercial policy directions to secure additional resource support. By advancing early-stage technical diagnostics and strengthening professional technical advantages, the Group actively shaped Sunfonda’s “technology-leading” brand image. The advancement of in-depth repair projects enabled customers to solve major issues at relatively low cost, significantly enhancing customer satisfaction.

MANAGEMENT DISCUSSION AND ANALYSIS

Decoration Business: A Refined Strategy Centred on “Value Enhancement and Experience Optimisation”

In 2026, the decoration business will focus on two key directions: enhancing value at the new vehicle front-end and deepening after-sales customer experience. By offering high-value products and tailored solutions, the Group delivered a better vehicle ownership experience to customers, met the personalised needs of different customer segments, and thereby enhanced service satisfaction.

At the new vehicle front-end, the focus will be on product upgrades and project-level profitability enhancement. Guided by customer needs and market trends, the Group will implement structured upgrades to its interior customisation product portfolio, strengthen high-value and high-experience optional packages, and enhance overall gross margins through bundled offerings and differentiated configurations. At the same time, closer collaboration with the sales function will be promoted to deliver a more compelling new vehicle handover experience. By offering “visible value and tangible differentiation”, customer acceptance and conversion rates will be further enhanced.

For the existing after-sales customer base, emphasis will be placed on increasing the penetration of car wash and detailing services and optimising service experience. Taking car wash and detailing services as the entry point, the Group will strengthen penetration across maintenance and repair scenarios. Through standardised service processes, upgraded service environments and digital appointment mechanisms, customer in-store experience and service efficiency will be further improved. In addition, based on customer profiles and vehicle usage habits, differentiated detailing and maintenance programmes will be developed, complemented by festive limited-time promotions, in order to enhance customer loyalty and increase return visit frequency.

Used Car Business: High-Quality Growth through Systematic Upgrading

In 2025, leveraging its brand strength and customer network, the Group’s used car business built a one-stop vehicle purchase and trade-in service system. The segment achieved rapid, high-quality growth and became an important contributor to the Group’s profit growth.

In the second half of 2025, the gradual scaling-back of national subsidy policies affected the extent of improvement in the full-year business indicators, but core results still recorded growth: total used car transaction volume recorded a year-on-year increase of 2%; profitability strengthened, with gross margin rising by 1.2 percentage points; operational efficiency continued to improve, with average inventory turnover days shortened by 4.3 days, enhancing capital utilisation efficiency; and business structure was further optimised, with the Group’s new-to-used car ratio increasing by 2 percentage points, demonstrating enhanced business resilience.

MANAGEMENT DISCUSSION AND ANALYSIS

A series of key initiatives were steadily implemented to comprehensively strengthen the business foundation. These included: (i) enhancing standardised operations across the full process of inspection, reconditioning, pricing and disposal to ensure orderly execution; (ii) deepening strategic cooperation with DaSouChe to optimise vehicle sourcing management and intelligent pricing through technology enablement, improving operational intelligence; (iii) expanding diversified vehicle sourcing channels and reinforcing the core role of trade-in operations; (iv) integrating operations across the Xi'an and Lanzhou regions to optimise resource allocation, improve workforce efficiency, reduce operating costs and strengthen regional bargaining power; and (v) upgrading the retail service experience, increasing the retail proportion to 34%, while introducing service commitments such as triple certification and a 7-day no-excuse return and exchange policy to reinforce consumer trust.

Anchoring on Customer Demand and Deepening Operations to Drive the Group's Incremental Growth across New Media Channels

In 2025, amid profound changes in the automotive market, policy orientation shifted towards long-term ecosystem development. Trade-in programmes became mainstream, consumer demand increasingly moved towards experiential and intelligent upgrades, purchasing decisions became more rational and pragmatic, while marketing models were evolving towards greater precision and value orientation. Against this backdrop, the Group accurately anchored core customer needs, deepened differentiated marketing initiatives and strengthened new media operations. By continuously expanding traffic entry points and focusing on downstream new media operations, the Group significantly improved lead quality and conversion efficiency. These efforts delivered remarkable results: annual new media channel orders exceeded 5,000 units, representing a year-on-year increase of 90% and accounting for 21% of the Group's total orders, thereby effectively driving channel-led incremental growth. In addition, the Group prioritised strategic deployment on Xiaohongshu, requiring all outlets to activate verified Blue V accounts and encouraging sales consultants to establish personal accounts to build individual IPs. This multi-dimensional approach enabled effective engagement across diverse customer segments, generating over 150 orders via the Xiaohongshu channel during the year. Aligned with younger consumers' preference for experience sharing and recommendation-driven decision-making, the Group actively encouraged customers to share their experiences and recommendations on its owned media platforms, fostering a positive word-of-mouth ecosystem and further strengthening brand affinity and user loyalty.

Customer Management Centre: Building a "Customer Ecosystem" through Digitalisation to Deepen Customer Value and Strengthen the Foundation for Long-Term Development

Consistently adhering to the principle that "customers are the core for enterprises to achieve sustainable development, and customer satisfaction is the cornerstone of customer management", the Group took customer ecosystem construction as the core driver of digital transformation, and constructed a three-dimensional framework of "data-driven – intelligent service – ecological synergy", enabling the formation of a closed-loop ecosystem of "customer acquisition – conversion – retention – value-added", facilitating a fundamental shift from a business-oriented to a customer-centric operating model and injecting lasting impetus into market expansion and business growth.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, the Group continued to deepen its digital practices and intensified customer operations. By conducting in-depth analysis of key touchpoints across the full customer life cycle and leveraging multi-dimensional data tagging to build precise customer profiles, the Group achieved accurate insight into customer needs and effectively delivered customised services. Through the new media matrix (short videos, live streaming, etc.), WeCom, WeChat mini programs and other channels, the Group established a comprehensive omnichannel engagement network spanning both public-domain traffic acquisition and private-domain operations, further strengthening its regional and all-scenario customer reach. At the same time, the Group's digital management platform incorporated an intelligent early-warning system that proactively identified potential customer churn risks through behavioural data analysis. This drove an upgrade in service delivery from "reactive response" to "proactive anticipation", successfully transforming "churn risk points" into "value enhancement opportunities".

In 2025, the Group fully established a virtuous cycle of "data empowering services – services creating value – value driving growth", enabling the deep mining and sustained realisation of customer lifetime value. Contributions from existing customers and repeat purchase rates continued to rise steadily. The deepening implementation of intelligent services further strengthened brand loyalty. Ultimately, through its distinctive customer-centric ecosystem mindset, the Group injected strong and lasting internal momentum into long-term, mutually beneficial development for both the Company and its customers.

Network Development: Expanding the NEV Brand Footprint and Enhancing Brand Contribution

The Group continued to deepen its brand matrix strategy. While maintaining the overall stability of its existing brand structure, it selectively optimised certain brand outlets to better adapt to the evolving competitive landscape. The Group placed strong emphasis on collaboration with NEV brands and advanced the development and operation of authorised NEV brand dealerships through a light-asset operating model. By 2025, the Group had completed the construction of two authorised Formula Leopard brand 4S dealerships in Xi'an and Yan'an. Multiple dealerships for brands including DENZA, Formula Leopard and AITO commenced official operations, further enhancing the Group's NEV brand network in key development regions and advancing its brand diversification.

In addition, the Group continued to optimise the marketing models and management mechanisms of its NEV brands. Through a series of targeted operational improvement initiatives, it continuously strengthened the contribution of NEV brand outlets to overall business performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Digital Construction: Building a Global Domain New Ecosystem with Intelligence at Its Core

The Group remained committed to its core strategy of “technology empowering business and data-driven decision-making”. With deepening global domain digitalisation as its core engine, the Group comprehensively advanced the integration and coordinated upgrading of technology and business operations. Focusing on four strategic priorities, namely deepening private-domain traffic value, building intelligent decision-making systems, implementing closed-loop integration between operations and finance, and optimising end-to-end service efficiency, the Group continued to strengthen its digital infrastructure and promoted the evolution of its smart enterprise ecosystem towards a model characterised by “all-domain coordination and intelligent efficiency”.

I. Private-Domain Traffic Operations: From Precision Operations to Value Co-Creation

The Group continued to enhance its “online + offline” omnichannel engagement network and optimised the operation of its private-domain traffic matrix, enabling deeper accumulation of user assets and more efficient value realisation.

Membership System Upgrade

As at the end of 2025, the Group’s membership centre recorded a cumulative total of 384,080 registered users. Through the establishment of a refined user tagging system and the implementation of personalised service strategies, the Group significantly improved tiered user management efficiency, achieving notable growth in both member activity level and repeat purchase rate.

Deep Empowerment of the WeCom Ecosystem

Leveraging WeCom as a full life-cycle customer service channel, the Group positioned it as a core platform for precision marketing, value-added services and customer relationship management. This continuously activated the commercial value of private-domain traffic, delivering dual improvements in both operational efficiency and commercial returns.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Integration of Operations and Finance: From Process Integration to Intelligent Collaboration

With the objectives of “data consistency, process automation and intelligent decision-making”, the Group further deepened the global-domain integration of business and financial systems, establishing an all-scenario digital closed-loop management framework and driving the evolution of business–finance collaboration from “process linkage” to “intelligent interaction”.

Deepened Integration Across Business Systems

The Group achieved end-to-end integration between its entire business chain, including new vehicle sales, after-sales maintenance, parts supply chains and customer services, and its financial systems. Unified data standards and accounting methodologies enabled real-time synchronisation and accurate mapping between operational and financial data, thus significantly improving the efficiency of data flows and the accuracy of data matching.

Foundation for a Group-Level Finance Shared Services Centre

Supported by its integrated operational and financial data infrastructure, the Group laid a solid foundation for the phased construction of a group-level finance shared services centre. Core financial processes, including expense reimbursement, accounting, budget control and risk early warning, were progressively automated, facilitating the transformation of financial management from a traditional “accounting-focused” function to a modern “strategic support” function.

III. Intelligent Decision-Making System: From Data Support to Forward-Looking Insight

The Group initiated comprehensive data governance and the construction of an intelligent decision-making hub. With data assetisation as a core driver, this initiative elevated digital applications from business support to decision leadership, positioning data as a central pillar of forward-looking decision-making and scientific management.

Launch of a Unified Data Platform

By systematically dismantling data silos across business, finance, customer and supply chain systems, the Group steadily advanced the construction of a unified data platform. This enabled standardised data governance, real-time connectivity and efficient reuse of full-chain data, thereby laying a solid foundation for the deployment of intelligent application scenarios and fully unlocking the value of data.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2025 was RMB7,345.0 million, representing a decrease of RMB1,263.9 million or 14.7% as compared to that for the corresponding period in 2024, primarily due to the Group's proactive optimisation of its network footprint and downsizing of its inefficient stores. Notably, revenue from the sales of new automobiles was RMB6,048.0 million, representing a decrease of RMB975.2 million or 13.9% as compared to that for the corresponding period in 2024. Revenue from after-sales service business was RMB989.5 million, representing a decrease of RMB164.7 million or 14.3% as compared to that for the corresponding period in 2024; and revenue from the sales of used cars was RMB307.5 million, representing a decrease of RMB124.0 million or 28.7% as compared to that for the corresponding period in 2024.

A substantial portion of the revenue of the Group was generated from sales of new vehicles, accounting for 82.3% of our revenue for the year ended 31 December 2025 (2024: 81.6%). In addition, revenue generated from after-sales service business accounted for 13.5% of the revenue for the year ended 31 December 2025 (2024: 13.4%), and revenue from the sales of used cars accounted for 4.2% of the revenue for the year ended 31 December 2025 (2024: 5.0%). Revenue of the Group was mainly derived from our operations in the PRC.

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

	Year ended 31 December					
	2025	2025		2024	2024	
	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of new vehicles						
Luxury and ultra-luxury brands	5,093,185	18,089	281.6	5,845,626	19,155	305.2
Mid-end market brands	954,857	6,027	158.4	1,177,529	7,952	148.1
Sub-total/Average	6,048,042	24,116	250.8	7,023,155	27,107	259.1
Sales of used cars	307,522	4,114	74.8	431,485	3,751	115.0
After-sales services	989,484			1,154,250		
Total	7,345,048			8,608,890		

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2025 was RMB7,340.7 million, representing a decrease of RMB1,298.0 million or 15.0% as compared to that for the corresponding period in 2024. Among which, cost of sales of new automobiles for the year ended 31 December 2025 was RMB6,424.9 million, representing a decrease of RMB1,078.6 million or 14.4% as compared to that for the corresponding period in 2024. Cost of after-sales services business for the year ended 31 December 2025 was RMB626.6 million, representing a decrease of RMB97.8 million or 13.5% as compared to that for the corresponding period in 2024. Cost of sales of used cars for the year ended 31 December 2025 was RMB289.2 million, representing a decrease of RMB121.6 million or 29.6% as compared to that for the corresponding period in 2024.

Gross Profit

Gross profit for the year ended 31 December 2025 was RMB4.4 million, as compared to gross loss of RMB29.8 million for the corresponding period in 2024. The turnaround from gross loss to gross profit was mainly attributable to the Group's optimisation of its network footprint and downsizing of its inefficient stores, together with enhanced operational control and improved operating efficiency. Of which, gross loss of sales of new automobiles was RMB376.9 million, representing a decrease of RMB103.4 million as compared to that for the corresponding period in 2024. Gross profit of after-sales service business was RMB362.9 million, representing a decrease of RMB66.9 million or 15.6% as compared to that for the corresponding period in 2024. Gross profit of used car business was RMB18.3 million, representing a decrease of RMB2.4 million or 11.6% as compared to that for the corresponding period in 2024.

Gross profit margin for the year ended 31 December 2025 was 0.1% (2024: gross loss margin of 0.3%).

Other Income and Gains, Net

Other income and gains, net mainly consist of commission income from automobile sales agency services, insurance agency and automobile financing agency businesses, logistics and storage income, net gains from disposal of property, plant and equipment, fair value change in investment properties and interest income.

Other income and gains, net for the year ended 31 December 2025 amounted to RMB433.7 million, representing a decrease of 30.3% as compared with RMB622.3 million for the year ended 31 December 2024. The decrease was mainly attributable to the decline in new vehicle sales, coupled with a downward trend in commission rates in the automobile finance industry, which led to a contraction in the scale of commission income from financing-related business; and losses arising from the disposal of related assets during the year as a result of the downsizing of underperforming outlets.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2025 amounted to RMB374.3 million, representing a decrease of RMB71.1 million or 16.0% as compared with RMB445.4 million for the year ended 31 December 2024. Such decrease was mainly attributable to the Group's brand optimisation initiatives, under which certain loss-making stores the operating performance of which fell short of expectations were downsized, thus effectively reducing selling and administrative expenses. As a percentage of revenue, selling and distribution expenses decreased as compared with the corresponding period of last year, decreasing from 5.2% for the year ended 31 December 2024 to 5.1% for the year ended 31 December 2025, down by 0.1 percentage point.

Administrative Expenses

Administrative expenses for the year ended 31 December 2025 amounted to RMB221.0 million, representing a decrease of RMB17.5 million or 7.3% as compared with RMB238.5 million for the year ended 31 December 2024. The decrease was mainly attributable to a reduction in related expenses resulting from the Group's brand optimisation initiatives, as well as lower administrative staff remuneration expenses due to the optimisation of staffing through centralised business management. As a percentage of revenue, the administrative expenses increased from 2.8% for the year ended 31 December 2024 to 3.0% for the year ended 31 December 2025, up by 0.2 percentage point.

Finance Costs

Finance costs for the year ended 31 December 2025 amounted to RMB82.0 million, representing a decrease of 14.8% as compared with RMB96.2 million for the year ended 31 December 2024. Such decrease was mainly attributable to the Group's continued control over the scale of inventory procurement and improvement in capital utilisation efficiency, which in turn optimised the financing structure and reduced the scale of financing, thereby lowering finance costs accordingly.

Loss Before Tax

As a result of the foregoing, loss before tax for the year ended 31 December 2025 amounted to RMB239.2 million, as compared with loss before tax of RMB187.7 million for the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

Income tax expense for the year ended 31 December 2025 amounted to RMB6.1 million, representing a decrease of RMB19.2 million or 75.9% as compared with RMB25.3 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in taxable income for the year as compared with the corresponding period of last year.

Loss for the Year

As a result of the foregoing, loss for the year ended 31 December 2025 amounted to RMB245.4 million, as compared with a loss of RMB213.0 million for the year ended 31 December 2024.

Loss for the Year Attributable to Owners of the Company

For the year ended 31 December 2025, loss for the year attributable to owners of the Company amounted to RMB245.1 million, as compared with a loss of RMB213.0 million for the year ended 31 December 2024.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the year ended 31 December 2025, the Group's net cash inflow generated from operating activities was RMB193.0 million, as compared with RMB523.2 million of its net cash inflow generated from operating activities for the year ended 31 December 2024. Such decrease in net cash inflow from operating activities was mainly attributable to the Group's continued inventory optimisation efforts. As inventory levels had already been adjusted to a more optimal level during the current period as compared with the previous year, the pace of inventory reduction slowed during the period relative to the previous year, resulting in a narrower decline in inventories.

For the year ended 31 December 2025, the Group's net cash outflow from investing activities was RMB27.4 million, as compared with RMB152.4 million of its net cash outflow of investing activities for the year ended 31 December 2024. Such decrease in net cash outflow generated from investing activities was mainly due to the decrease in expenditures for the acquisition and construction of fixed assets, the decrease in time deposits with maturity over three months and the receipt of partial payment for the disposal of the equity interest of a subsidiary during the year.

For the year ended 31 December 2025, the Group's net cash outflow from financing activities was RMB396.0 million, as compared with RMB522.9 million of its net cash outflow of financing activities for the year ended 31 December 2024. Such decrease in net cash outflow from financing activities was mainly attributable to the reduction in financing scale during the year, with the decrease in cash outflows from debt repayment exceeding the decrease in cash inflows as a result of the contraction in borrowing scale.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Current Assets

As at 31 December 2025, the Group's net current assets amounted to RMB205.9 million, as compared with RMB353.3 million of its net current assets as at 31 December 2024.

Inventories

The Group's inventories primarily consist of new automobiles, used cars, spare parts and decoration accessories. As at 31 December 2025, the Group's inventories amounted to RMB874.7 million, representing a decrease of 13.5% as compared with RMB1,011.5 million as at 31 December 2024, which was mainly attributable to the combined effect of (1) the Group's reasonable control over the scale of inventory procurement; and (2) the reduction in inventories due to brand optimisation.

In 2025, the Group's average inventory turnover days (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that year and multiplied by 360 days) were 47.8 days, representing a slight decrease as compared with 49.1 days in 2024, which was primarily attributable to the Group's ongoing efforts in implementing refined inventory control and structural optimisation, thereby enhancing inventory turnover efficiency.

Bank Loans and Other Borrowings

As at 31 December 2025, the Group's bank loans and other borrowings were RMB1,761.6 million, representing a decrease of 14.6% as compared with RMB2,062.9 million as at 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 31 December			
	2025 Effective interest rate (%)	Amount RMB'000	2024 Effective interest rate (%)	Amount RMB'000
CURRENT				
Bank loans	2.35-4.80	1,166,630	2.85-5.80	1,337,664
Other borrowings	2.48-8.50	235,586	2.28-8.50	282,288
Sub-total		1,402,216		1,619,952
NON-CURRENT				
Bank loans	4.35-5.80	359,378	4.35-5.80	442,963
Sub-total		359,378		442,963
Total		1,761,594		2,062,915
Among which:				
Secured loans		1,357,116		1,315,493
Unsecured loans		404,478		747,422
Total		1,761,594		2,062,915

As at 31 December 2025, the Group's gearing ratio, which is net debt divided by the sum of total equity and net debt, was 46.1% (2024: 46.9%). Net debt includes bank loans and other borrowings, trade and bills payables and other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits.

Pledge of Assets

As at 31 December 2025, certain of the Group's bank loans were secured by charges or pledges over its assets. The Group's assets subject to these charges or pledges as at 31 December 2025 consisted of: (i) inventories amounting to RMB579.7 million; (ii) property, plant and equipment amounting to RMB858.4 million; (iii) land use rights amounting to RMB373.5 million; (iv) investment properties amounting to RMB166.0 million; and (v) pledged bank deposits amounting to RMB95.9 million.

As at 31 December 2025, certain of the Group's inventories amounting to RMB200.9 million and pledged bank deposits amounting to RMB784.0 million were pledged as securities for bills payable.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditures and Investment

The Group's capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. For the year ended 31 December 2025, the Group's total capital expenditures were RMB175.6 million, representing a decrease of RMB81.9 million as compared with the RMB257.5 million for the year ended 31 December 2024.

Contingent Liabilities

As at 31 December 2025, the Group did not have any material contingent liabilities or guarantees.

Staff Cost and Employee Remuneration Policy

As at 31 December 2025, the Group had 2,011 employees. Staff cost of the Group decreased by 7.0% from RMB319.8 million for the year ended 31 December 2024 to RMB297.4 million for the year ended 31 December 2025, mainly attributable to the Group's active adjustment of staffing and performance plans resulting in the improvement of human resource efficiency. The Group continuously optimised its human resources structure and effectively enhanced overall workforce efficiency through regular reviews of staffing levels and the implementation of performance-oriented incentive schemes. The Group offers competitive remuneration packages with reference to market salary levels, including fixed salaries and performance-based bonuses, in order to attract and retain outstanding talents. In terms of remuneration incentives, performance bonuses are granted to motor vehicle sales and after-sales service personnel based on performance indicators relating to their revenue contribution, professional skills, customer satisfaction and the nature of their work. The remuneration of the directors of the Company is determined by the Remuneration Committee of the Board with reference to their scope of duties, individual experience and market trends, so as to ensure that the remuneration mechanism is both fair and incentivising. To meet business development needs, the Group flexibly adjusted its staffing establishment and continuously built a reserve of high-calibre talent, thereby strengthening the flexibility and forward-looking nature of its human resources management. At the same time, we attached importance to talent pipeline development and regularly provided employees in key positions with training in business skills, professional knowledge and professional conduct, while paying close attention to their career development pathways, so as to provide sustained impetus for the Group's long-term and steady development.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 10 March 2025 and 25 April 2025, Shaanxi Sunfonda Huixiang Automobile Sale and Service Co., Ltd. (陝西新豐泰匯翔汽車銷售服務有限公司), Shaanxi Sunfonda Junmei Automobile Sale and Service Co., Ltd. (陝西新豐泰駿美汽車銷售服務有限公司), Beijing Sunfonda Boao Automobile Sale and Service Co., Ltd. (北京新豐泰博奧汽車銷售服務有限公司), Shaanxi Sunfonda Shangzhong Automobile Sale and Service Co., Ltd. (陝西新豐泰尚眾汽車銷售服務有限公司), Shaanxi Sunfonda Yingbin Automobile Sale and Service Co., Ltd. (陝西新豐泰迎賓汽車銷售服務有限公司), Yan'an Sunfonda Boao Automobile Co., Ltd. (延安新豐泰博奧汽車有限責任公司) and SUNFONDA (HONG KONG) LIMITED (新豐泰(香港)有限公司) (collectively the **"Vendors"**) (each being an indirect wholly-owned subsidiary of the Company), entered into an equity transfer agreement (the **"Equity Transfer Agreement"**) and a supplemental agreement (the **"Supplemental Agreement"**), together with the Equity Transfer Agreement, the **"Agreements"**) with Xi'an Zhongyu Real Estate Co., Ltd. (西安中嶼房地產有限公司) (the **"Purchaser"**), respectively, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell all the equity interests in Xi'an Sunfonda Jing River Logistics Development Co., Ltd. (西安新豐泰涇河物流開發有限公司) (the **"Target Company"**) (the **"Disposal"**). The Target Company owns a property located at Jinghe Industrial Park, Gaoling District, Xi'an City, Shaanxi Province (the **"Target Property"**).

Pursuant to such agreements, the total consideration payable by the Purchaser to the Vendors for the Disposal shall comprise (1) the initial transfer price of RMB71.1372 million; and (2) if the Target Company receives any compensation for the reduction of developable area from the government authority subsequent to the execution of the Supplemental Agreement, the Purchaser shall transfer all the compensation received by the Target Company to the Vendors within 10 days after the receipt of such compensation.

MANAGEMENT DISCUSSION AND ANALYSIS

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are more than 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules. Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreements and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Agreements and the transactions contemplated thereunder.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, and the Company has obtained a written approval from Top Wheel Limited, a controlling shareholder of the Company interested in 434,183,000 shares of the Company (representing approximately 72.36% of the issued share capital of the Company) as at the dates of the Agreements, no Shareholders' meeting was convened by the Company to approve the Disposal.

As at the date of this report, the Disposal is yet to be completed and the relevant government authority had not provided any confirmation regarding whether any compensation will be provided to the Target Company for the reduction in developable area of the Target Property. For details, please refer to the circular of the Company dated 26 May 2025 and the announcements of the Company dated 10 March 2025, 12 March 2025, 24 March 2025, 25 April 2025 and 6 May 2025.

Save as disclosed above, there was no other material acquisition and disposal of subsidiaries, associates and joint ventures during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS

Business Risk

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

Interest Rate Risk

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

Exchange Rate Risk

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGY AND PROSPECTS

Forecast of China's Economic Trend in 2026 – Sustained and Improving Economic Performance

In its first World Economic Outlook report for 2026, the International Monetary Fund (IMF) projected that global economic growth would reach 3.3% in 2026, representing an upward revision of 0.2 percentage point from its October forecast, with the bulk of the growth expected to be driven by the United States and China. The IMF also raised its 2026 growth forecast for China to 4.5%, representing an increase of 0.3 percentage point from last October's projection.

Guan Tao, Global Chief Economist at BOC Securities, noted that market consensus broadly expects China's actual GDP growth target for 2026 to be set within the range of 4.5% to 5%. At present, relatively low inflation and continued room for improvement in the labour market suggest that the economy remains below its potential level. Against this backdrop, it is essential to advance policy support in parallel with reform and innovation, and to implement a more proactive macroeconomic policy stance. China's efforts to expand domestic demand are expected to boost import demand, carrying positive implications for the global economy.

Kang Yi, Director of the National Bureau of Statistics, stated at a press conference held by the State Council Information Office that, viewed over the full year of 2026, the fundamental conditions and long-term positive trend underpinning China's economic development remain unchanged, and the momentum for high-quality growth continues, providing a solid foundation and favourable conditions for maintaining stable and improving economic performance. Kang Yi further noted that recent data point to positive developments in production, prices and expectations, with the economy continuing to make steady progress. In December 2025, the year-on-year growth rates of value-added of industrial enterprises above designated size and the service sector production index both accelerated compared with the previous month. The Consumer Price Index (CPI) rose by 0.8%, marking its highest increase since March 2023, while core CPI recorded increases of more than 1% for four consecutive months. Meanwhile, the year-on-year decline in the PPI narrowed, with month-on-month increases recorded for three consecutive months. Both the manufacturing PMI and the non-manufacturing business activity index returned to expansionary territory. From a policy perspective, the State Council executive meeting deployed a coordinated package of fiscal and financial measures aimed at boosting domestic demand, with relevant authorities accelerating implementation to support domestic consumption. The "Two New" policies continued to be refined, with the first tranche of funding allocated ahead of schedule. Together, these measures have created favourable conditions for a positive economic start in 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

Xi'an – Focusing on Industrial System Development, Expanding the Real Economy and Accelerating the Development of the Xi'an Metropolitan Area

Xi'an is the capital of Shaanxi Province, where the Group's main business is located, and is also the location of the Group's headquarters. With the convening of the 2026 Shaanxi Provincial "Two Sessions", the Provincial Government Work Report outlined the main expected targets for the province's economic and social development in 2026. These include GDP growth of approximately 5%; fixed-asset investment growth remaining above the national average; a 3% increase in general public budget revenue; growth in residents' income exceeding both economic growth and the national average; and an increase in the consumer price index (CPI) of approximately 2%. In terms of expanding effective investment, 640 provincial-level key projects are planned to be implemented, with total investment expected to exceed RMB350 billion. To stimulate consumption, a series of targeted initiatives will be rolled out, including special campaigns to boost consumption, the continued implementation of consumer goods trade-in programmes, and the introduction of policies to promote consumption during public holidays. These measures are expected to drive bulk consumption in sectors such as automobiles, home appliances and digital products, add approximately 1,000 new commercial enterprises above designated size, and advance initiatives to enhance digital consumption. In particular, the "online-to-offline" integrated retail model will be promoted, with online retail sales projected to grow by more than 10% and total retail sales of consumer goods expected to increase by approximately 6%.

China's Automobile Market in 2026

In 2026, China's automobile market will enter a stage of development characterised by strong policy support and the coexistence of challenges and opportunities. Supported by the macroeconomic policy tone of stabilising growth and a series of industry policies, the market as a whole is expected to continue the pattern of low-speed growth on top of a high base. At the same time, due to phased factors such as policy transition and intensifying industry competition, the market will still face certain pressures in its development.

At the beginning of 2026, China's domestic automobile market encountered multiple phased challenges. The Ministry of Finance, the State Taxation Administration and the Ministry of Industry and Information Technology made it clear that the purchase tax exemption for NEVs would be adjusted from full exemption to a 50% reduction. This, coupled with the pull-forward effect caused by consumers seeking to catch the last window of the 2025 policy incentives, had already brought forward demand from the beginning of the year. In addition, eight departments including the Ministry of Commerce changed the vehicle trade-in subsidy model to one linked to a proportion of the vehicle price. While this helped drive consumption upgrading, it also dampened the willingness of price-sensitive consumers to purchase vehicles. As a result, together with increasingly cautious vehicle purchasing decisions by consumers, the pace of market demand release slowed down. According to a survey conducted by the China Automobile Dealers Association, more than half of dealers adopted a cautious and conservative attitude towards the 2026 market, and expectations for industry recovery remained relatively weak.

MANAGEMENT DISCUSSION AND ANALYSIS

The Central Economic Work Conference held in 2025 clarified that economic work in 2026 will continue to adhere to the principle of “seeking progress while maintaining stability, and improving quality and efficiency”, with domestic demand remaining the primary driver of growth. The Ministry of Finance has made clear that it will continue to implement a more proactive fiscal policy, with ultra-long special treasury bonds continuing to be used in areas such as the “Two New” initiative. Stabilising consumption and expanding domestic demand have become key policy priorities, providing long-term policy support for automobiles as a major consumer goods category. Against this backdrop, China’s automobile market as a whole has entered a development cycle characterised by high sales volume but low growth.

In January 2026, nine departments including the Ministry of Commerce jointly issued the Notice on Implementing the Green Consumption Promotion Initiative (《關於實施綠色消費推進行動的通知》), aimed at accelerating the green transformation of development models and consumption patterns and fostering new growth drivers for green consumption during the 15th Five-Year Plan period. In September 2025, eight departments including the Ministry of Industry and Information Technology released the Work Plan for Stabilising Growth in the Automobile Industry (《汽車行業穩增長工作方案》), which includes measures such as expanding automobile service consumption, the effective implementation of which is expected to support the stable operation of the industry. Through concerted efforts by various stakeholders, tangible progress has been made in addressing “cut-throat” competition. The State Administration for Market Regulation has drafted the Guideline for Price Behaviour Compliance in the Automobile Industry (《汽車行業價格行為合規指南》), which is expected to significantly enhance price transparency. In 2026, efforts to further address such competition will continue, and as industry governance effectiveness improves, the automobile sector is expected to advance towards higher-quality development.

Chen Shihua, Deputy Secretary-General of CAAM, stated that strong macroeconomic fundamentals, precise and effective policy support, continuous improvement in industry governance and broad international market opportunities will constitute favourable factors for the development of China’s automobile market in 2026, thereby supporting the industry in maintaining steady development as a whole.

The Group Will Continue its Network Optimisation to Build a Healthier Brand Portfolio

Looking ahead, the Group will seize development opportunities and aggressively expand into competitive NEV brands, while placing strong emphasis on improving service quality and profitability. A more prudent approach will be adopted in brand selection to mitigate investment risks. In future store development, the Group will prioritise investment efficiency and maintain a lean and lightweight approach to network expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Based on the actual business capacity of individual brand outlets, the Group will continue to optimise its existing brand network, while deepening and expanding cooperation with leading NEV brands. These initiatives will continuously strengthen the Group's brand footprint in its core advantage regions, including Shaanxi and Gansu. Going forward, the Group will synchronously advance terminal network optimisation, strategically allocate resources to luxury vehicle brands in key cities, further accelerate the deployment of NEV businesses, and introduce leading new energy vehicle brands, so as to continuously enhance market penetration and lay a solid foundation for sustainable development.

The Group will continue to promote the "FUN TIME LANE" automobile theme fashion street zone projects. Brands such as Cadillac, Volkswagen Anhui and BYD-Dynasty have already moved into the "FUN TIME LANE" project, while the used car mall located on B2 of the shopping centre has officially opened for business, which is another important deployment of the Group in the automobile service sector, aiming to provide consumers with better, more convenient, and more professional used car trading services. The Group is also actively engaging with leading NEV brands and will progressively introduce various themed businesses including NEV vehicle business, along with the purpose-built businesses such as café and business catering to be introduced, which will drive regional consumption upgrading and become a new commercial landmark in the region. Currently, the "FUN TIME LANE" project in Lanzhou has already commenced operations, and BMW, GAC Toyota, DENZA, Audi as well as some other brands are open for business. Corporate offices, NEVs, catering facilities, education and other related business formats will be gradually introduced in subsequent phases, with the goal of achieving a 100% opening rate.

The Group Will Focus on Core Operations, Refine the Business Ecosystem and Drive High-Quality Development

As competition in the automobile market is expected to intensify further in 2026, the Group will build on its 2025 operational foundation and focus on core performance indicators to accurately capture profit growth opportunities. On the one hand, the Group will launch targeted "model campaigns" to capitalise on peak sales windows for new product launches and drive improvements in profitability. On the other hand, it will establish a new inventory ageing early-warning mechanism, promoting a transition in inventory management from a "reactive response" to "proactive prevention". This will help prevent the accumulation of long-aged inventory at the source, continuously optimise inventory structure and enhance inventory turnover efficiency.

Going forward, the Group will further deepen its digital transformation, refine its end-to-end new media operating system, and optimise its customer relationship management system to unlock the full lifecycle value of customers. At the same time, the Group will strengthen team development by comprehensively enhancing the professionalism and execution capabilities of its sales force. These efforts will enable the Group to respond effectively to market challenges, ensure the successful achievement of its 2026 sales targets, and promote steady and healthy growth across all business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

In the after-sales business segment, the Group will continue to advance the professionalisation of service processes, the refinement of customer operations and the platform-based development of technical capabilities. While steadily improving per-store profitability, the Group will further strengthen Sunfonda's differentiated brand advantages and comprehensive competitiveness in the aftermarket, ultimately achieving synergistic growth in both customer value and operating returns.

In the decoration business segment, the Group will leverage front-end product capability upgrades and back-end service experience optimisation to further build an operating system characterised by "clear value proposition, consistent experience and sustainable growth", thus providing solid support for overall profit enhancement and the long-term development of the customer ecosystem.

In the used car business segment, the Group will continue to focus on systematic upgrades and differentiated operations, driven by a three-dimensional strategy of "single-store branding, centre-store scale expansion and efficient wholesale operations", aiming to enhance quality and efficiency. At the single-store level, the Group will focus on building a closed-loop retail system for Audi-branded used vehicles, with the target of doubling Audi retail volumes; at the centre-store level, the Group will strengthen the scale of operations at its Xi'an store and upgrade the retail service experience at its Lanzhou store, enhancing regional market penetration and gross profit margins; and at the wholesale level, the Group will adhere to a data-driven procurement strategy, deepen multi-channel cooperation and strictly control wholesale inventory turnover days to no more than 7 days. Looking ahead, the Group will continue to strengthen the core competitiveness of its used car business, promote high-quality development and inject new growth momentum into the Group's overall expansion.

The Group Will Deepen Omnichannel Deployment to Precisely Reach Customers and Build Differentiated Competitive Advantages

The automobile consumer market is exhibiting increasingly pronounced generational characteristics. As the age of first-time car buyers continues to decline, younger consumers born in the 2000s have emerged as a new driving force in the market, with demand for personalised and diversified purchasing experiences becoming increasingly prominent. In response to such market changes, the Group has proactively adjusted its marketing strategy. Centred on integrated online and offline marketing, the Group is building a reputation-driven marketing system and differentiated competitive advantages through systematic new media matrix operations, precision-based private domain deployment and in-depth engagement with segmented communities.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2026, the Group will continue to focus on refined new media operations and brand-specific marketing initiatives tailored to differing customer needs, which will further enhance marketing effectiveness, consolidate and expand differentiated competitive advantages, and drive qualitative and efficiency improvements in marketing performance. With respect to new media operations, the Group will refine live streaming management by tailoring content and scheduling to vehicle models and customer profiles, with a focus on lead generation. At the same time, it will strengthen customer acquisition through short-form videos and build a dual-track collaborative system of “live streaming + short videos”. The Group will also continue to expand and deepen its presence on the Xiaohongshu platform, standardise the personal IP operations of sales consultants, advance key customer seeding initiatives, optimise lead follow-up mechanisms, sustain incremental channel advantages and continuously enhance the effectiveness of new media channels.

In terms of marketing activities, the Group will implement tiered campaigns based on brand positioning and specific marketing objectives. For luxury brands, the focus will be on cross-industry collaborations, premium community engagement and immersive test-drive experiences to accurately reach high-end consumers. For mass-market brands, emphasis will be placed on converting prospective customer invitations, encouraging referrals from existing customers and organising test-drive events to stabilise showroom traffic. For NEV brands, priority will be given to KOL experience programmes, test drives and new vehicle launch events to enhance customer recognition. In addition, the Group will continue to implement effective measures such as full-staff marketing to deepen differentiated competitive advantages and expand channel growth potential, thereby enhancing customer satisfaction and loyalty and supporting sales growth across the Group.

Digital Transformation: Advancing Towards “Global Domain Intelligence and Value Co-creation”

In 2026, guided by the principles of “data-driven operations, intelligent leadership and ecosystem collaboration”, the Group will focus on advancing three core initiatives to further deepen its digital transformation:

1. Intelligent Application Scenario Expansion Initiative

The Group will deeply embed intelligent models across all business scenarios, including marketing, services, supply chain and financial management, enabling full process intelligent upgrades from front-end customer acquisition to back-end operations. This will simultaneously enhance operational efficiency and customer experience, and establish an intelligent business operations system.

MANAGEMENT DISCUSSION AND ANALYSIS

2. **Data Security and Governance Enhancement Initiative**

The Group will refine its comprehensive data security control system, strengthen data compliance management capabilities, and continuously improve data quality and governance effectiveness, so as to ensure that data assets achieve maximum value under secure and controllable conditions, thereby supporting its digital transformation.

3. **Digital Ecosystem Collaboration Initiative**

The Group will promote deep data interoperability and system integration with upstream and downstream partners, building an industry-level digital collaboration ecosystem. Through resource sharing and value co-creation across the industrial chain, the Group will continue to consolidate and enhance its digital competitive edge within the industry.

Digital development is a critical pillar of the Group's core strategy and an essential pathway to achieving high-quality growth. Looking ahead, the Group will continue to take technological innovation as its driving force, data assets as its core lever and customer value as its fundamental orientation. By continuously deepening its digital transformation, the Group aims to enable technology to become the central force driving sustainable growth and leading industry transformation.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

DIRECTORS

Executive Directors

Mr. Wu Tak Lam (胡德林), aged 64, was appointed as the Chairman of the Board and an executive director of the Company on 13 January 2011. He is also the Chairman of both the Nomination Committee and the Finance and Investment Committee under the Board of the Company. Mr. Wu founded the Group with Ms. Chiu Man in November 2000 and has been primarily responsible for the strategic management, planning and business development of the Group as well as the development and maintenance of relationship with automobile suppliers of the Group. Mr. Wu serves as the chairman of the board and a director of each of the subsidiaries of the Company, and he has also been a director of Sunfonda (Hong Kong) Limited since April 1997. Prior to the establishment of the Group, Mr. Wu worked at China National Automotive Industry Sales Corp. (中國汽車工業銷售總公司) from July 1986 to December 1992. From August 1993 to March 1997, Mr. Wu was the managing director of Sunfonda Limited (新豐泰有限公司), which conducted import and export trade business and was dissolved in September 2002. He graduated from Wuhan Institute of Technology (武漢工學院) (currently known as Wuhan University of Technology (武漢理工大學)) in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. He is also the sole shareholder and director of Golden Speed Enterprises Limited ("**Golden Speed**", a controlling shareholder of the Company), a director of Top Wheel Limited ("**Top Wheel**", a controlled corporation of Golden Speed and a controlling shareholder of the Company), and the husband of Ms. Chiu Man (the Chief Executive Officer of the Group, an executive director and a controlling shareholder of the Company).

Ms. Chiu Man (趙敏), aged 62, was appointed as the Chief Executive Officer of the Group and an executive director of the Company on 13 January 2011. She is also a member of the Finance and Investment Committee under the Board of the Company. Ms. Chiu founded the Group with Mr. Wu Tak Lam in November 2000 and has been primarily responsible for the overall management and financial control of the Group. Ms. Chiu serves as a director in each of the subsidiaries of the Company and has also been a director of Sunfonda (Hong Kong) Limited (新豐泰(香港)有限公司) since April 1997. Ms. Chiu graduated from Wuhan Institute of Technology (武漢工學院) (currently known as Wuhan University of Technology (武漢理工大學)) in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. She is also the sole shareholder and director of Win Force Enterprises Limited ("**Win Force**", a controlling shareholder of the Company), a director of Top Wheel (a controlled corporation of Win Force and a controlling shareholder of the Company), and the wife of Mr. Wu Tak Lam (the Chairman of the Board, an executive director and a controlling shareholder of the Company).

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Ms. Chen Wei (陳瑋), aged 51, was appointed as an executive director of the Company on 23 November 2018. Ms. Chen was appointed as the financial controller of the Group since May 2015. Ms. Chen has over 26 years of experience in accounting and financial management. She joined the Group in March 2007, and successively served in the following positions in the subsidiaries of the Company: the finance manager of Shaanxi Sunfonda Automobile Technology Development Co., Ltd. and Shaanxi Kaisheng Automobile Sales Services Co., Ltd. (陝西凱盛汽車銷售服務有限公司) from March 2007 to February 2009; and the finance manager of Shaanxi Sunfonda Automobile Co., Ltd. from March 2009 to April 2015. Ms. Chen graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) (currently known as Xi'an Jiaotong University (西安交通大學)) in June 1996 with an associate degree in accounting.

Mr. Wang Hao (王皓), aged 38, was appointed as an executive director on 7 November 2025. He has over 15 years of experience and extensive expertise in the operation and management of automobile brands. Prior to joining the Group, Mr. Wang served as a supplier quality engineer of FAW Car Co., Ltd. (一汽轎車股份有限公司) from August 2011 to April 2014, and was a regional manager of SAIC Volkswagen Automotive Co., Ltd. (上汽大眾汽車有限公司) from May 2014 to April 2022. Mr. Wang joined the Group in June 2022, and has successively held the following managerial positions in the subsidiaries of the Company: the general manager of Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd. (陝西新豐泰駿美汽車銷售服務有限公司) from June 2022 to January 2023; the general manager of Yangzhou Sunfonda Junsheng Lexus Automobile Sales Service Co., Ltd. (揚州新豐泰鈞盛雷克薩斯汽車銷售服務有限公司) from February 2023 to January 2024; and the general manager of Suzhou Sunfonda Toyota Automobile Sales Services Co., Ltd. (蘇州新豐泰豐田汽車銷售服務有限公司) from February 2024 to July 2024. Mr. Wang was the personnel director of the Group from August 2024 to January 2025. Mr. Wang served as the director of the Group's integrated business from February 2025 to 6 November 2025. Mr. Wang was appointed as vice president of operations of the Group on 7 November 2025 and is primarily responsible for the operational management of the Group. Mr. Wang graduated from Jilin University in July 2011 with a bachelor's degree in vehicle engineering.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-executive Directors

Dr. Han Qinchun (韓秦春), aged 67, was appointed as an independent non-executive director of the Company on 18 May 2023. He is also the chairman of the Audit Committee, and a member of each of the Nomination Committee, the Remuneration Committee and the Finance and Investment Committee under the Board of the Company. Dr. Han obtained a bachelor's degree in planning in 1982 from Xi'an University of Architecture and Technology, and then obtained a doctorate degree in urban economics and management from The University of Hong Kong in 1998. Dr. Han worked for the government agencies of the Ministry of Chemical Industry and the Ministry of Forestry of the People's Republic of China from 1982 to 1993. Dr. Han has extensive experience in financial investment and has served the supervisory roles at a number of leading Hong Kong investment banks from 1998 to 2006, including Shun Hing China Investment Limited (Hong Kong), BOCI Securities Limited (Hong Kong), China Everbright Securities (HK) Limited and ABC International Holdings Limited (Hong Kong). From 2012 to 2014, Dr. Han acted as a chief executive director of Straits Development Holding Company Limited, where he was responsible for the company's development strategy, capital market operation, financial management and investment and financing management. Dr. Han was also appointed as a director and distinguished professor of the Real Estate Research Centre at Peking University HSBC Business School from 2011 to 2015. Since 2014, Dr. Han has been acting as the founder and chairman of a Hong Kong fintech company – Hong Kong Private Markets Limited. Dr. Han has extensive experience in investment, financial management and management of listed companies. Dr. Han has served as an independent non-executive director of a number of companies listed on the Stock Exchange. He has been an independent non-executive director of Xinda Investment Holdings Limited (Stock Code: 1281) since April 2015, an independent non-executive director of Guangdong - Hong Kong Greater Bay Area Holdings Limited (Stock Code: 1396) since June 2022 and an independent non-executive director of Country Garden Holdings Company Limited (Stock Code: 2007) since March 2024.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Liu Qiming (劉啟明), aged 65, was appointed as an independent non-executive director of the Company on 22 November 2024. He is also the Chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee under the Board of the Company. Mr. Liu graduated from Wuhan University of Technology* (武漢理工大學) in 1986 with a bachelor's degree in automobile engineering and is a professor-level senior engineer. From July 1986 to 1997, he served as a department head at Shanghai Automobile Technology Center* (上海汽車技術中心). From 1997 to 2003, he worked at Shanghai General Motors Co., Ltd.* (上海通用汽車有限公司) (currently known as SAIC GENERAL MOTORS Corp. Ltd.* (上汽通用汽車有限公司)) as the head of the product engineering department. Since 2003, he had worked in Pan Asia Technical Automotive Center Co., Ltd.* (泛亞汽車技術中心有限公司) ("PATAAC") and successively served as executive director of the project management department, deputy general manager, executive vice president and director of PATAAC. He retired from PATAAC in March 2021. From 2016 to 2021, he served as vice chairman of Shanghai Pudong New District Association for Science and Technology* (上海市浦東新區科學技術協會), vice president of Shanghai Society of Automotive Engineers* (上海汽車工程學會), executive director of China Society of Automotive Engineers* (中國汽車工程學會), director of the Council for China Automotive Industry Awards for Science and Technology* (中國汽車工業科學技術獎理事會), and other social positions. In 2007, he was awarded the title of "Winner of the 10th Shanghai Science and Technology Elite Nomination Award" by the Shanghai Association for Science and Technology* (上海市科學技術協會). In 2011, the independent development project of Chevrolet's new Sail product he participated in and led won the first prize for scientific and technological progress in China's automobile industry. In 2014, he won the Special Contribution Award for Quality and Technology of China Association for Quality* (中國質量協會). In 2016, he was recognized as a manager trusted by Shanghai employees. In 2018, he was awarded the titles of "Outstanding Figure in China's Automobile Industry in the 40th Anniversary of Reform and Opening-up" and "Outstanding Scientific and Technological Talent in China's Automobile Industry". He has been an independent director of Shanghai Baolong Automotive Corporation* (上海保隆汽車科技股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange, stock code: 603197) since December 2022, an independent director of Shanghai Vico Precision Mold & Plastics Co., Ltd.* (上海維科精密模塑股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange, stock code: 301499) since May 2021, an independent director of Shanghai Mobitech Technology Co., Ltd.* (上海毓恬冠佳科技股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange, stock code: 301173) since August 2021. From December 2021 to August 2025, he was served as an independent director of Semiment Technology Co., Ltd.* (賽卓電子科技(上海)有限公司).

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Mou Junfa (牟均發先生), aged 61, was appointed as an independent non-executive director on 31 December 2025. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee under the Board of the Company. Mr. Mou is a senior expert in the fields of mining machinery and unmanned driving technology in China, with more than 40 years of experience and extensive professional knowledge. Mr. Mou served as a product design engineer and section head at the Research Institute of Shaanxi Heavy Duty Automobile Co., Ltd (陝西重型汽車有限公司) from July 1987 to September 1996. Mr. Mou served as the director and chief engineer of Xi'an Sanming Auto Parts Co., Ltd. (西安三鳴汽車零部件有限責任公司) from October 1996 to September 2004. Mr. Mou is a co-founder of Shaanxi Tonly Heavy Industries Co., Ltd. (陝西同力重工股份有限公司) ("**Tonly Heavy Industries**") (formerly known as Shaanxi Tonly Heavy Industries Limited (陝西同力重工有限公司)) (the shares of which are listed on the Beijing Stock Exchange, stock code: 920599), and participated in the establishment of the company from February 2005 to May 2010, serving as a director and chief engineer. Subsequently, Mr. Mou held the following positions at Tonly Heavy Industries: from May 2010 to March 2015, served as a director and technology director; from March 2015 to May 2019, served as a non-staff representative supervisor; from May 2019 to May 2022, served as a director; and from May 2022 to December 2023, served as a non-staff representative supervisor. Mr. Mou has been serving as the executive director and general manager of Xi'an Main Function Intelligence Technology Co., Ltd. (西安主函數智能科技有限公司) since its establishment in October 2018. Mr. Mou graduated from Wuhan University of Technology (武漢理工大學) in June 1987, and obtained the title of senior engineer in November 2021.

SENIOR MANAGEMENT

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

Mr. Wang Hao (王皓) has been appointed as the vice president of operations of the Group with effect from 7 November 2025. He is mainly responsible for the management of the operations of the Group. See "DIRECTORS – Executive Directors" of this section for profile of Mr. Wang.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Deng Ning (鄧寧), aged 48, has over 24 years of experience in automobile brand operation and management and extensive expertise and knowledge. Mr. Deng joined the Group in November 2011 and successively held the following management positions in the subsidiaries of the Company: sales manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from November 2011 to June 2012; assistant to the general manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from July 2012 to March 2015; general manager of Weinan Sunfonda Boao Automobile Sales Service Co., Ltd. (渭南新豐泰博奧汽車銷售服務有限公司) from April 2015 to October 2017; general manager of Weinan Zongshen Baotai Automobile Sales Service Co., Ltd. (渭南宗申寶泰汽車銷售服務有限公司) from November 2017 to September 2019; general manager of Xi'an Sunfonda Haibao Automobile Sales and Service Co., Ltd. (西安新豐泰海寶汽車銷售服務有限公司) from October 2019 to November 2022; vice president of operations of the Group from 18 November 2022 to 6 November 2025; and an executive director of the Company from 9 November 2022 to 6 November 2025. Mr. Deng has served as general manager of Xi'an Sunfonda Haibao Automobile Sales and Service Co., Ltd. (西安新豐泰海寶汽車銷售服務有限公司) since 7 November 2025. Mr. Deng graduated from Xi'an Institute of Technology (西安工業學院) (now known as Xi'an Technological University (西安工業大學)) with a bachelor's degree in trade and economics in July 2000.

Mr. Gou Xinfeng (苟新峰), aged 52, has over 26 years of experience in the operation and management of automobile brands. Mr. Gou joined the Group in July 2002, and was successively responsible for the management of several major brands of the Group. Mr. Gou successively served in the following positions in the subsidiaries of the Company: the sales deputy manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from July 2002 to February 2006 and the sales director of Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd. (西安新銘洋豐田汽車銷售服務有限公司) from March 2006 to March 2009. Mr. Gou served as the general manager of Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (陝西新豐泰汽車技術開發有限責任公司) from April 2009 to September 2014, during which the store and the team were awarded a number of honors from Volkswagen Group under his leadership, including World Diamond Dealers 2014 (2014年度全球鑽石經銷商), Five-starred Management Team Award 2014 (2014年度五星級管理團隊獎) and Sales Excellence Award 2014 (2014年度卓越銷售獎). From October 2014 to July 2017, he served as the general manager of Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司); he was the general manager of Shaanxi Sunfonda Automobile Co., Ltd. from November 2020 to August 2023; and he has been the general manager of Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司) since September 2023. Mr. Gou served as the vice president of operations of the Group from August 2017 to November 2020; and served as an executive director of the Company from 9 November 2016 to 8 November 2022. Mr. Gou has been a director of Grand Forever Enterprises Limited since July 2018. Mr. Gou graduated from Wuhan Automotive Industry University (武漢汽車工業大學) (currently known as Wuhan University of Technology (武漢理工大學)) and obtained a bachelor's degree in automotive applied engineering in July 1998.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

COMPANY SECRETARY

Ms. Chan Sze Ting (陳詩婷), was appointed as the company secretary of the Company on 18 June 2019. Ms. Chan is a director of the Company Secretarial Services of Tricor Services Limited, a member of Vistra Group. Ms. Chan has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom. Ms. Chan holds a bachelor of arts from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE OF THE COMPANY

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

The Board is of the view that the Company has complied with all the code provisions set out in the CG Code during the period from 1 January 2025 to 31 December 2025 (the “**Reporting Period**”).

Corporate Governance Culture

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. In achieving its long-term goals, the Company must act in a clean, transparent and accountable manner. The Company believes that these practices will create sustainable value for shareholders, employees and business partners in the long run.

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

- Delivery of satisfactory and sustainable returns to shareholders;
- Understanding and management of overall business risks in a proper manner; and
- Maintenance of high ethical standards.

CORPORATE GOVERNANCE REPORT

BOARD

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

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

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

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

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

BOARD COMPOSITION

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

Executive Directors:

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

Ms. Chiu Man (*Chief Executive Officer, a member of the Nomination Committee (appointed on 26 March 2025) and a member of the Finance and Investment Committee*)

Ms. Chen Wei

Mr. Wang Hao (*appointed on 7 November 2025*)

Mr. Deng Ning (*former executive director, resigned on 7 November 2025*)

Independent Non-executive Directors:

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

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

Mr. Mou Junfa (*member of the Audit Committee, the Nomination Committee and the Remuneration Committee, appointed on 31 December 2025*)

Dr. Liu Xiaofeng (*former member of the Audit Committee, the Nomination Committee and the Remuneration Committee, resigned on 31 December 2025*)

Mr. Wang Hao obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 4 November 2025 in respect of the requirements of the Listing Rules applicable to him as a director of the Company, and Mr. Wang Hao has confirmed that he understood his obligations as a director of the Company.

Mr. Mou Junfa obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 25 December 2025 in respect of the requirements of the Listing Rules applicable to him as a director of the Company, and Mr. Mou Junfa has confirmed that he understood his obligations as a director of the Company.

The biographical details of the current directors and the relationship among them, if any, are set out on pages 36 to 40 of this annual report.

CORPORATE GOVERNANCE REPORT

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

BOARD MEETINGS

During the Reporting Period, the Board has convened 4 meetings. The Board has, by means of meetings and written resolutions, discussed and approved the overall strategies and policies of the Company, reviewed and approved the audited annual results of the Group for the year ended 31 December 2024, reviewed and approved the unaudited interim results of the Group for the six months ended 30 June 2025, discussed/approved the reporting and proposals of all Board committees, considered whether the continuing connected transactions for the year 2025 exceeded the annual caps set, reviewed the risk management and internal control systems of the Group, reviewed and approved the publication of the Company's Environmental, Social and Governance Report for the year ended 31 December 2024, etc. during the Reporting Period.

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

Name of Director	Attendance/ No. of meetings held	Attendance rate (%)
Executive Directors:		
Mr. Wu Tak Lam	4/4	100
Ms. Chiu Man	4/4	100
Ms. Chen Wei	4/4	100
Mr. Wang Hao (Note 1)	–	–
Mr. Deng Ning (Note 2)	4/4	100
Independent Non-executive Directors:		
Mr. Mou Junfa (Note 3)	–	–
Dr. Han Qinchun	4/4	100
Mr. Liu Qiming	4/4	100
Dr. Liu Xiaofeng (Note 4)	4/4	100

CORPORATE GOVERNANCE REPORT

Notes:

1. Mr. Wang Hao was appointed as an executive director on 7 November 2025. Following his appointment, the Company did not hold any Board meeting during the Reporting Period.
2. Mr. Deng Ning resigned as an executive director with effect from 7 November 2025. Prior to his resignation, the Company held four Board meetings during the Reporting Period.
3. Mr. Mou Junfa was appointed as an independent non-executive director on 31 December 2025. Following his appointment, the Company did not hold any Board meetings during the Reporting Period.
4. Dr. Liu Xiaofeng resigned as an independent non-executive director with effect from 31 December 2025. Prior to his resignation, the Company held 4 Board meetings during the Reporting Period.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

CORPORATE GOVERNANCE REPORT

Pursuant to the provisions of the Articles of Association of the Company, Mr. Wu Tak Lam, Ms. Chen Wei, Mr. Wang Hao and Mr. Mou Junfa shall retire at the 2026 annual general meeting of the Company (the “**2026 AGM**”). All of the above four directors are eligible for re-election at the 2026 AGM, and have indicated that they will offer themselves for re-election at the 2026 AGM. The Board and the Nomination Committee recommended the re-appointment of the said four retiring directors standing for re-election at the 2026 AGM. The Company’s circular, to be published together with this annual report, contains detailed information of these four directors pursuant to the requirements of the Listing Rules.

TRAINING FOR DIRECTORS

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

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

- All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Ms. Chen Wei, Mr. Deng Ning (resigned as an executive director with effect from 7 November 2025), Mr. Wang Hao (appointed as an executive director with effect from 7 November 2025), Dr. Liu Xiaofeng (resigned as an independent non-executive director with effect from 31 December 2025), Dr. Han Qinchun, Mr. Liu Qiming and Mr. Mou Junfa (appointed as independent non-executive directors with effect from 31 December 2025) received regular briefings and updates from the senior management on the Group’s business, operating position and corporate governance matters.
- All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Ms. Chen Wei, Mr. Deng Ning (resigned as an executive director with effect from 7 November 2025), Mr. Wang Hao (appointed as an executive director with effect from 7 November 2025), Dr. Liu Xiaofeng (resigned as an independent non-executive director with effect from 31 December 2025), Dr. Han Qinchun, Mr. Liu Qiming and Mr. Mou Junfa (appointed as independent non-executive directors with effect from 31 December 2025) read technical bulletins, periodicals and other publications in relation to the Group and those in relation to directors’ responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2025. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

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

DIRECTORS' LIABILITY INSURANCE

The Company has purchased directors' liability insurance for all directors.

BOARD DIVERSITY POLICY

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

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

CORPORATE GOVERNANCE REPORT

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

Gender

Male: 5 directors

Female: 2 directors

Age Group

31-40: 1 director

51-60: 1 director

61-70: 5 directors

Designation

Executive directors: 4 directors

Independent non-executive directors: 3 directors

Educational Background

Economics: 1 director

Account and Finance: 1 director

Engineering: 5 directors

Business Experience

Accounting & Finance: 2 directors

Experience related to the Company's business:

5 directors

Gender Diversity

Currently, the Board has 2 female directors, accounting for 28.57% of all the directors of the Company, 1 female senior management member (i.e. Ms. Chen Wei, who is also an executive director of the Company), accounting for 25% of the senior management of the Company, and a total of 779 female employees, accounting for 38.74% of all the employees of the Group, and the Company considers that the current circumstances of gender diversity above are satisfactory. During the Reporting Period, there were no mitigating factors or circumstances which make achieving gender diversity across the workforce (including the Board, senior management and other employees) more challenging or less relevant.

The Company has formulated its employee diversity policy.

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

DIRECTOR NOMINATION POLICY

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Currently, the Company has appointed three independent non-executive Directors, namely Dr. Han Qinchun, Mr. Liu Qiming and Mr. Mou Junfa.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

Members of the Audit Committee	Attendance/ No. of meetings held	Attendance rate (%)
Dr. Han Qinchun	3/3	100
Mr. Liu Qiming	–	–
Mr. Mou Junfa (Note 1)	3/3	100
Dr. Liu Xiaofeng (Note 2)	3/3	100

Notes:

1. Mr. Mou Junfa was appointed as a member of the Audit Committee on 31 December 2025. Following his appointment, the Company did not hold any Audit Committee meeting during the Reporting Period.
2. Dr. Liu Xiaofeng resigned as a member of the Audit Committee on 31 December 2025. Prior to his resignation, the Company held 3 Audit Committee meetings during the Reporting Period.

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

CORPORATE GOVERNANCE REPORT

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

- Reviewed and discussed the annual financial statements, results announcement and report for the year ended 31 December 2024, relevant accounting principles and practices adopted by the Group and internal controls related matters, and the proposed re-appointment of the external auditors;
- Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2025, and relevant accounting principles and practices adopted by the Group;
- Reviewed the Group's continuing connected transactions;
- Reviewed and inspected the performance and effectiveness of risk management and internal control systems;
- Listened to and discussed the internal audit situation and proposed remedial measures of the Company reported by the internal audit department; and
- Reviewed the annual audit plan, including the nature and scope of audit, fees payable to the auditors, their reporting obligations and working plans.

REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE REPORT

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

Members of the Remuneration Committee	Attendance/ No. of meetings held	Attendance rate (%)
Dr. Liu Xiaofeng (Note 1)	3/3	100
Mr. Mou Junfa (Note 2)	–	–
Mr. Liu Qiming	3/3	100
Dr. Han Qinchun	3/3	100

Notes:

1. Dr. Liu Xiaofeng resigned as a member of the Remuneration Committee on 31 December 2025. Prior to his resignation, the Company held 3 Remuneration Committee meetings during the Reporting Period.
2. Mr. Mou Junfa was appointed as the Chairman of the Remuneration Committee with effect from 31 December 2025. Following his appointment, the Company did not hold any Remuneration Committee meeting during the Reporting Period.

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

- Generally reviewed and discussed the remuneration packages and benefits policies for the directors and senior management of the Group;
- Made recommendation on the remuneration package and the terms of service contract for appointment of Mr. Wang Hao as an executive director of the Company;
- Made recommendation on the remuneration package and the terms of service contract for appointment of Mr. Mou Junfa as an independent non-executive director of the Company.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2025 is set out below:

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

Details of the remuneration of all directors of the Company for the year ended 31 December 2025 are set out in Note 8 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

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

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

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

Members of the Nomination Committee	Attendance/ No. of meetings held	Attendance rate (%)
Mr. Wu Tak Lam	3/3	100
Mr. Mou Junfa (Note 1)	–	–
Dr. Liu Xiaofeng (Note 2)	3/3	100
Ms. Zhao Min	3/3	100
Dr. Han Qinchun	3/3	100
Mr. Liu Qiming	3/3	100

Notes:

1. Mr. Mou Junfa was appointed as a member of the Nomination Committee with effect from 31 December 2025. Following his appointment, the Company did not hold any Remuneration Committee meeting during the Reporting Period.
2. Dr. Liu Xiaofeng resigned as a member of the Nomination Committee with effect from 31 December 2025. Prior to his resignation, the Company held 3 Nomination Committee meetings during the Reporting Period.

CORPORATE GOVERNANCE REPORT

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

- Reviewed the structure, size, composition and diversity of the Board;
- Considered and made recommendation to the Board on the re-election of the retiring directors at the 2025 annual general meeting;
- Assessed the independence of the independent non-executive directors;
- Considered and made recommendation on appointment of Mr. Wang Hao as an executive director of the Company; and
- Considered and made recommendation on appointment of Mr. Mou Junfa as an independent non-executive director of the Company.

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

FINANCE AND INVESTMENT COMMITTEE

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries to all Directors, all of the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2025.

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

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

TRAINING FOR COMPANY SECRETARY

Ms. Chan Sze Ting was engaged and appointed by the Company as the company secretary of the external service provider, and she has met the qualifications as required by the Listing Rules. The biography of Ms. Chan Sze Ting is set out in the section headed “Biographies of Directors, Senior Management and Company Secretary” of this annual report. The main contact person of Ms. Chan Sze Ting in the Company is Ms. Chiu Man (the Company’s executive director).

During the year ended 31 December 2025, Ms. Chan Sze Ting has received relevant professional training of no less than 15 hours in accordance with the Listing Rules.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 121 to 126. The external auditors of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, and auditors' independence.

The fees to BDO Limited, the Company's auditors, and Ernst & Young, the Company's former auditors, in respect of audit services and non-audit services provided for the year ended 31 December 2025 are analysed below:

Types of service provided by the external auditors	Fees paid/payable
Audit services (RMB'000)	
– audit fee for the year ended 31 December 2025 (Note 1)	1,400
Non-audit services (RMB'000) (Note 2)	680

Notes:

1. The audit service fee of RMB1,400 thousand was incurred for the audit services in respect of the 2025 financial statements provided by BDO Limited.
2. The non-audit services were provided by the former auditor, Ernst & Young, comprising non-audit services in relation to the interim report of RMB400 thousand and debt statement services relating to the equity transfer of a subsidiary of RMB280 thousand.

RISK MANAGEMENT AND INTERNAL CONTROL

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

CORPORATE GOVERNANCE REPORT

1. Introducing the “Measures for Bidding and Tendering of the Group and Companies” (《集團公司招投標辦法》) to process tender management on the projects with qualified capital;
2. Developing appraisal rules of suppliers and carrying out management and control to admittance qualification of suppliers to maintain a strict standard of quality and price;
3. Optimising assets management practices by thoroughly monitoring assets safety from approval of their purchases until their disposals;
4. Enhancing the management and auditing of operation system. During the year, the Group redeveloped and improved report extraction of the ERP, OA and EAS operation systems operated by the Group’s subsidiaries to ensure the accuracy, completeness and timeliness of corporate operation data; and
5. Controlling risks within a tolerable level by adopting a series of risk management measures, including property protection control, authorization and approval control, operation analysis control, performance appraisal control and budget control.

During the Reporting Period, the Board had conducted a review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2025. The review covered the financial, operational, compliance and risk management aspects of the Group.

According to the findings of the internal audit department, the conclusions made by the Board and the Audit Committee on risk management and internal control of the Group for the year ended 31 December 2025 are as follows: (i) the Group’s risk management and internal control systems have been highly efficient and adequate; (ii) the Group has necessary control system in place for monitoring and rectifying any non-compliance incidents; and (iii) the Group has complied with the requirements as set out in the CG Code in respect of risk management and internal control.

There were no major breaches in the risk management and internal control systems of the Group that may have had an impact on shareholders’ interests for the year ended 31 December 2025.

CORPORATE GOVERNANCE REPORT

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2025, the Company held one shareholders' general meeting, being the 2025 annual general meeting held on 28 May 2025. Details of individual attendance of each director at the aforesaid shareholders' general meeting are set out below:

Name of Director	Attendance/ No. of meeting held	Attendance rate (%)
Executive Directors		
Mr. Wu Tak Lam	1/1	100
Ms. Chiu Man	1/1	100
Ms. Chen Wei	1/1	100
Mr. Wang Hao (Note 1)	–	–
Mr. Deng Ning (Note 2)	1/1	100
Independent Non-executive Directors		
Mr. Mou Junfa (Note 3)	–	–
Dr. Han Qinchun	1/1	100
Mr. Liu Qiming	1/1	100
Dr. Liu Xiaofeng (Note 4)	1/1	100

Notes:

1. Mr. Wang Hao was appointed as an executive director on 7 November 2025.
2. Mr. Deng Ning resigned as an executive director on 7 November 2025.
3. Mr. Mou Junfa was appointed as an independent non-executive director on 31 December 2025.
4. Dr. Liu Xiaofeng resigned as an independent non-executive director on 31 December 2025.

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

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel: (852)2862-8628

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CORPORATE GOVERNANCE REPORT

RIGHTS OF SHAREHOLDERS

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

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

1. Pursuant to Article 12.3 of the Articles of Association of the Company, shareholders holding no less than one-tenth of the paid up capital of the Company as at the date of lodgement of the requisition may lodge a written requisition to the Board or the company secretary at the head office/principal place of business in Hong Kong of the Company to request the Board to convene an extraordinary general meeting. The written requisition must state the purposes of the meeting.
2. If a shareholder wishes to propose a person other than a retiring director for election as a director at the general meeting, pursuant to Article 16.4 of the Articles of Association of the Company, the shareholder (other than the person to be proposed) eligible for attending and voting at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong to the company secretary. The period for lodgement of such proposal notices shall be 7 days from the day after the despatch of the notice of such general meeting (or such other period being a period commencing on the day after the despatch of the notice of such general meeting as determined by the Board from time to time) and end no later than 7 days prior to the date of such general meeting.

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

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

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

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

DIVIDEND POLICY

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

SHAREHOLDERS' COMMUNICATION POLICY

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

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

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

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

(b) **Corporate Website**

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

(c) **Shareholders' Meeting**

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

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025 (the “**Financial Statements**”).

PRINCIPAL ACTIVITIES

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

- (i) sale of automobiles, both imported and domestically manufactured;
- (ii) after-sales services, including:
 - a. maintenance and repair services;
 - b. sales of spare parts;
 - c. automobile detailing services; and
- (iii) other value-added services, including:
 - a. automobile insurance agency services;
 - b. automobile financing agency services;
 - c. automobile licensing services; and
 - d. automobile survey services.

There was no significant change in the nature of the principal businesses of the Group during the year ended 31 December 2025.

BUSINESS REVIEW

Analysis on Results and Financial Key Performance Indicators

The Group’s profits for the year ended 31 December 2025 and the financial position of the Company and the Group as at 31 December 2025 are set out in the Financial Statements on pages 127 to 128 and pages 129 to 130 of this annual report.

A review of the Group’s business during the year, which includes a discussion on the principal risks and uncertainties faced by the Group, an analysis on the Group’s performance using financial key performance indicators, particulars of important events affecting the Group during the year, significant events after the financial year end date, important relationships with its employees, customers and suppliers, and an indication of likely future developments in the Group’s business, can be found in this Report of the Directors and the Management Discussion and Analysis as set out on pages 7 to 35 of this annual report.

Environmental Policies and Performance

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

Please refer to the Environmental, Social and Governance Report as set out on pages 82 to 120 of this annual report for the details of environmental policies and performance of the Company.

Compliance with Laws and Regulations

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

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

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

For the year ended 31 December 2025, as far as the Board is aware, there was no material breach of the laws or regulations that had a significant impact on the Group's business and operation by the Group.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2026 AGM of the Company will be held on Tuesday, 9 June 2026. In order to determine shareholders' entitlement to attend and vote at the 2026 AGM, the register of members of the Company will be closed from Thursday, 4 June 2026 to Tuesday, 9 June 2026, both days inclusive. In order to be entitled to attend and vote at the 2026 AGM, unregistered holders of shares of the Company should ensure that all transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 3 June 2026. The record date for determining shareholders' entitlement to attend and vote at the AGM will be 9 June 2026.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended 31 December 2025 to shareholders of the Company.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

As at the date of this report, the authorised share capital of the Company was US\$100,000.00, divided into 1,000,000,000 shares of a par value of US\$0.0001 each. There were no movements in the issued shares of the Company during the year. Details of the Company's share capital are set out in Note 31 to the Financial Statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the year are set out in Notes 44 and 33 to the Financial Statements and in the consolidated statement of changes in equity, respectively. Of which, details of reserves available for distribution to shareholders are set out in Notes 44 and 33 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the distributable reserves of the Company available for distribution, calculated based on the Companies Act of the Cayman Islands (as revised), amounted to RMB87.3 million in aggregate. The Board resolved not to recommend the payment of any final dividend for the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares (the "**Treasury Shares**") within the meaning under the Listing Rules) during the year ended 31 December 2025. As at 31 December 2025, the Company did not hold any Treasury Shares.

MAJOR CUSTOMERS AND SUPPLIERS

Transaction amounts with five largest customers of the Group for 2025 accounted for less than 30% of the operating income of the Company for 2025. None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year. The Group's business is of retail nature with customers being relatively dispersed.

The purchase attributable to the Group's five largest suppliers and the largest supplier accounted for approximately 65% and 26% respectively of the Group's total purchase for the year ended 31 December 2025. The Group has established long-term cooperation relationships with automobile suppliers. The Group believes that its strong performance record demonstrates its excellent capability and in-depth market knowledge of the automobile distribution business in Northwestern China. The Group is confident that its operating capability and professional knowledge is conducive for the automobile suppliers to gain market shares in China and win customer loyalty. Therefore, the automobile suppliers have maintained close communication with the Group and sought out recommendations in respect of their development strategies in Northwestern China and Jiangsu region.

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

REPORT OF THE DIRECTORS

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2025 are set out in Note 27 to the Financial Statements.

DIRECTORS

The directors of the Company during the year ended 31 December 2025 and up to the date of this report were:

Executive Directors

Mr. Wu Tak Lam

Ms. Chiu Man

Ms. Chen Wei

Mr. Wang Hao (*appointed on 7 November 2025*)

Mr. Deng Ning (*resigned on 7 November 2025*)

Independent Non-executive Directors:

Dr. Han Qinchun

Mr. Liu Qiming

Mr. Mou Junfa (*appointed on 31 December 2025*)

Dr. Liu Xiaofeng (*resigned on 31 December 2025*)

BIOGRAPHIES OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the directors and the senior management are set out on pages 36 and 41 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of the directors, the major particulars of which are as follows: (1) the service contract entered into between Mr. Wang Hao and the Company is for a term from 7 November 2025 to 31 December 2027; (2) the letter of appointment entered into between Mr. Mou Junfa and the Company is for a term from 31 December 2025 to 31 December 2027; (3) the renewed service contract entered into between Mr. Hu Delin and the Company is for a term from 31 December 2025 to 31 December 2028; (4) the renewed service contract entered into between Ms. Zhao Min and the Company is for a term from 31 December 2025 to 31 December 2027; (5) the letter of appointment entered into between Dr. Han Qinchun and the Company is for a term from 31 December 2025 to 31 December 2028; (6) the renewed service contract entered into between Ms. Chen Wei and the Company is for a term of three years starting from 22 November 2024; (7) the letter of appointment entered into between Mr. Liu Qiming and the Company is for a term of three years starting from 22 November 2024; and (8) being terminable in accordance with the terms of the respective contracts.

None of the directors of the Company who are proposed for re-election at the 2026 AGM has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

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

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

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

PERMITTED INDEMNITY PROVISION

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

REPORT OF THE DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries or parent companies, or any subsidiaries of the parent companies of the Company was a party and in which any director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2025.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2025, none of the directors of the Company nor their associates has competing interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries or its parent companies or its fellow subsidiaries was a party and the objectives of or one of the objectives of such arrangement are/is to enable the Company's directors, their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2025, the interests and short positions of the directors of the Company and the chief executives of the Company in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

REPORT OF THE DIRECTORS

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

Name of Director	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1	434,183,000 (L)	72.36%
Ms. Chiu Man	Interest held by controlled corporations	1	434,183,000 (L)	72.36%
Ms. Chen Wei	Beneficial owner		864,000 (L)	0.14%
Mr. Mou Junfa	Beneficial owner		3,005,000(L)	0.50%

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

Notes:

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

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

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2025.

REPORT OF THE DIRECTORS

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

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

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

* The percentage represents the number of ordinary shares involved divided by the number of issued shares of the associated corporation as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, none of the directors or chief executives of the Company had an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

As at 31 December 2025, the following persons (other than the directors or chief executives of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 366 of the SFO:

Interests and short positions in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Top Wheel Limited	Beneficial owner	1	434,183,000 (L)	72.36%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	434,183,000 (L)	72.36%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	434,183,000 (L)	72.36%

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

Notes:

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

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2025.

Save as disclosed above, as at 31 December 2025, no person, other than the directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

During the year ended 31 December 2025, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed.

REPORT OF THE DIRECTORS

ISSUED DEBENTURES

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries issued any debentures.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted as at the end of the year.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company, or any of its subsidiaries and the controlling shareholder or any of its subsidiaries during the year ended 31 December 2025.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 36.

CORPORATE GOVERNANCE

Please refer to the Corporate Governance Report on pages 43 to 65 of this annual report for details.

PUBLIC FLOAT

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

MATERIAL LITIGATION

During the year ended 31 December 2025, the Group was neither involved in any material litigation or arbitration, nor was it subject to any pending or threatened material litigation or claims.

AUDIT COMMITTEE

The Board has established the audit committee of the Company (the “**Audit Committee**”) which comprises three independent non-executive Directors, namely Dr. Han Qinchun (chairman), Mr. Liu Qiming and Mr. Mou Junfa.

The Audit Committee has, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the consolidated financial results of the Group for the year ended 31 December 2025. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Group, and considers the risk management and internal control systems to be effective and adequate.

CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2025 and up to the date of this annual report, the controlling shareholders of the Company, namely Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed, Win Force and Top Wheel (collectively referred to as the “**Controlling Shareholders**”), have no interests in any business which competes with or is likely to compete with the businesses of the Group.

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

Based on the information and confirmations provided by or obtained from the Controlling Shareholders, the independent non-executive directors of the Company reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 December 2025 and up to the date of this annual report, and believed that the Controlling Shareholders had fully complied with the Deed of Non-Competition.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 41 to the Financial Statements, the following transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are required to be disclosed in this annual report in accordance with the requirements set out in Chapter 14A of the Listing Rules. Please see the below information disclosed in compliance with Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

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

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

For the year ended 31 December 2025, the total actual transaction amount and annual cap of sales of imported Volkswagen automobiles and related spare parts to Yangzhou Sunfonda by the Group under the MSP Framework Agreement were RMB12.2 thousand and RMB13,000 thousand, respectively; the total actual transaction amount and annual cap of purchase of imported Volkswagen automobiles and related spare parts from Yangzhou Sunfonda by the Group were RMB Nil and RMB10,000 thousand, respectively. For more information, please also see Note 41 to the Financial Statements.

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

REPORT OF THE DIRECTORS

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

As for the Group's connected transactions, save as disclosed above, the other connected transactions set out in note 41 to the consolidated financial statements in the 2025 annual report do not constitute connected transactions which are required to be disclosed under Chapter 14A of the Listing Rules.

AUDITORS

BDO Limited has audited the consolidated financial statements of the Company for the year ended 31 December 2025.

Reference is made to the announcement of the Company dated 31 October 2025. As the Company and Ernst & Young ("**EY**") were unable to reach an agreement on the audit fees for the financial year ended 31 December 2025, EY resigned as the auditor of the Company with effect from 31 October 2025. EY has confirmed in its letter of resignation dated 31 October 2025 that save as disclosed above, there are no circumstances connected with its resignation that should be brought to the attention of the shareholders or creditors of the Company. The Board and the Audit Committee have also confirmed that, save for the audit fees, there are no other disagreements or unresolved matters between the Company and EY or other circumstances in respect of the above resignation that need to be brought to the attention of the shareholders and investors of the Company.

In accordance with the articles of association of the Company, with the recommendation of the Audit Committee, the Board approved on 31 October 2025 the appointment of BDO Limited ("**BDO**") as the new auditor of the Company with effect from 31 October 2025 to fill the casual vacancy following the resignation of EY and to hold office. For details, please refer to the announcement of the Company dated 31 October 2025. BDO will retire at the 2026 AGM and, being eligible, will offer itself for re-appointment at the meeting. A resolution for the re-appointment of BDO as the auditor of the Company will be proposed at the 2026 AGM.

Save as disclosed above, there has been no other change in the auditor of the Company in the past three years.

REPORT OF THE DIRECTORS

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END DATE

Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (the “**Subsidiary**”), an indirect wholly-owned subsidiary of the Company, intends to enter into a master credit facility agreement (the “**Master Credit Facility Agreement**”) with Bank of China Limited Shaanxi Branch (the “**Lender**”) on or before 30 April 2026. Pursuant to the Master Credit Facility Agreement, the Subsidiary and the Lender will further enter into separate credit agreements for individual credit facilities (together with the Master Credit Facility Agreement, the “**Credit Agreements**”), and the Lender has agreed to provide a loan facility with a principal amount of up to RMB262,500,000 (the “**Loan Facility**”) for a term commencing from the effective date of the Master Credit Facility Agreement until the maturity date of the credit facilities between the Subsidiary and the Lender.

In view of the Master Credit Facility Agreement and the Loan Facility to be provided thereunder by the Lender, the Company intends to enter into a maximum guarantee contract (the “**Guarantee Contract**”) with the Lender on or before 30 April 2026, pursuant to which the Company agrees to provide a corporate guarantee (the “**Corporate Guarantee**”) in favour of the Lender in respect of the due performance by the Subsidiary of its obligations under the Credit Agreements, including, among other things, the repayment of the loan principal of up to RMB262,500,000 and all accrued interest, default interest, liquidated damages, damages, costs incurred in enforcing the Lender’s rights, losses suffered by the Lender as a result of the Subsidiary’s default, and all other amounts payable by the Subsidiary under the Credit Agreements.

The Board considers that the entering into of the Master Credit Facility Agreement and the Guarantee Contract is beneficial to the Group as it will provide additional financing resources for the business operations of the Subsidiary. The Board is of the view that the terms of the Master Credit Facility Agreement and the Guarantee Contract were determined after arm’s length negotiations between the parties, are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

REPORT OF THE DIRECTORS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Lender and its ultimate beneficial owner are independent third parties of the Company and its connected persons (as defined under the Listing Rules). Under Chapters 14 and 14A of the Listing Rules, the entering into of the Master Credit Facility Agreement and the Guarantee Contract does not constitute any notifiable transaction and/or connected transaction.

Save as disclosed above, there were no significant subsequent events that had occurred from 1 January 2026 up to the date of this annual report.

By order of the Board

Sunfonda Group Holdings Limited

Mr. Wu Tak Lam

Chairman

Hong Kong, 31 March 2026

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

The board of directors (the “**Board**”) hereby presents the environmental, social and governance (“**ESG**”) report (the “**Report**”) of Sunfonda Group Holdings Limited (the “**Company**”) together with its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2025. The Report has been prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Code to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It sets out the policies, measures and performance in relation to environmental, social and governance matters of the Group during the Reporting Period.

The Board confirms that it has ultimate responsibility for the Group’s ESG governance and has integrated ESG-related considerations into the overall strategic planning, risk management and internal control framework of the Group. The Board regularly reviews ESG matters relevant to the Group’s business, including, but not limited to, environmental management, climate-related risks and opportunities, employee management, supply chain management and corporate governance arrangements, and provides guidance on the relevant policies and management direction.

The Board oversees the coordination and advancement of Group-level ESG management through an ESG working group comprising senior management, which is responsible for, amongst others, data collection, policy implementation, performance monitoring and report preparation. The Board regularly receives reports from the ESG working group, reviews the implementation of ESG-related measures and their relevance to the Group’s business operations, and makes adjustments where appropriate.

During the Reporting Period, the Group voluntarily adopted the dual materiality principle for the first time to conduct its materiality assessment, identifying and assessing ESG issues relevant to the Group’s business and stakeholders from both impact materiality and financial materiality perspectives. The Board has reviewed and confirmed the assessment results and adopted them as a reference for determining the focus of ESG disclosures for the year and the allocation of management resources.

In relation to climate-related management, the Board has incorporated climate-related risks and opportunities into the Group’s enterprise risk management process and conducts regular overall assessments of such risks, taking into account the nature of the Group’s business and the circumstances of regions in which it operates. The Board uses greenhouse gas emission trends and emission intensity as its primary monitoring indicators and adopts the management approach that “energy consumption and emissions growth shall not exceed business growth”. Potential climate-related impacts are addressed through the promotion of energy-saving measures, enhancement of operational efficiency and support for low-carbon transition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board also continues to focus on human capital management, occupational health and safety, integrity in operations and compliance culture so as to ensure that the Group complies with relevant laws and regulations and maintains appropriate and effective internal control and monitoring mechanisms. At the same time, the Group maintains engagement with stakeholders through established communication channels to understand their concerns, which serve as a reference for enhancing management measures and disclosure content.

The Board will continue to oversee the progress of the Group's ESG and climate-related management efforts and will, as appropriate, review relevant policies, targets and disclosure approaches in response to business development, regulatory requirements and changes in the external environment. The Board believes that the continued enhancement of the ESG governance structure and management processes will support the Group's sound operations and long-term development.

ABOUT THIS REPORT

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

Reporting Scope

The Report presents the environmental, social and governance performance of the Group for the financial year from 1 January 2025 to 31 December 2025 (the "**Reporting Period**"), with a focus on the Group's environmental, social and governance performance of the principal operations in the PRC, including the sales and after-sales services, automobile aftermarket business and supply chain of luxury and ultra-luxury brand automobiles as well as other mid-end brand automobiles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Basis of Preparation

The Report has been prepared in accordance with Appendix C2 "Environmental, Social and Governance Reporting Code" to the Listing Rules issued by the Stock Exchange. The principles of preparation are as follow:

1. **Materiality:** This Report relates to environmental, social and governance matters that have a significant impact on investors and other related parties.
2. **Quantitative:** If there are key performance indicators ("KPI"), the indicators should be measurable and be compared effectively where appropriate. Purposes and impact shall also be stated for the indicators.
3. **Balance:** This Report should impartially present the Group's environmental, social and governance performance and avoids the inappropriate misleading of readers and omission of important data.
4. **Consistency:** This Report adopts a consistent method of statistics disclosure so that meaningful comparisons of information regarding environment, society and governance may be made in the future. Any future changes in methodology should be indicated in the Report.

STAKEHOLDER ENGAGEMENT

Communication with Stakeholders

The Group places great emphasis on stakeholder communication and strives to understand their concerns on the expectations, opinions and suggestions regarding environmental, social and governance issues. Such concerns are incorporated into the Group's operations and decision-making processes, with the ongoing goal of maximising shared value with all stakeholders. The Group's key stakeholders include directors, customers, employees, shareholders and investors, regulators, suppliers and local communities. The communication channels are set out below:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Group of stakeholders	Communication channels
Directors	<ul style="list-style-type: none"> ❖ Board Meetings ❖ Questionnaire Survey Suggestion Box/Mailbox/Email ❖ Internal Management Communication ❖ Site Visits
Customers	<ul style="list-style-type: none"> ❖ Annual and Interim Reports ❖ Special Meetings ❖ Directors' Training/Study
Employees	<ul style="list-style-type: none"> ❖ Customer Review Forms ❖ Phone Calls/Emails ❖ Customer Visits
Shareholders and Investors	<ul style="list-style-type: none"> ❖ Regular Meetings ❖ Training for Occupational Health and Safety ❖ Internal Notice Boards
Regulatory Authorities	<ul style="list-style-type: none"> ❖ Questionnaire Survey Suggestion Box/Mailbox/Email ❖ Job Performance Assessment
Suppliers	<ul style="list-style-type: none"> ❖ Annual and Interim Reports ❖ Annual Results and Interim Results Announcements
Local Community	<ul style="list-style-type: none"> ❖ Official Documents/Meetings ❖ Government Websites
	<ul style="list-style-type: none"> ❖ Monitoring/Inspections and Assessments ❖ Written Reports/Visits
	<ul style="list-style-type: none"> ❖ Annual Audits for Suppliers ❖ Phone Calls/Emails
	<ul style="list-style-type: none"> ❖ Questionnaire Survey ❖ Site Visits
	<ul style="list-style-type: none"> ❖ Participation in Community Activities ❖ Donation/Sponsorship

Dual Materiality Assessment

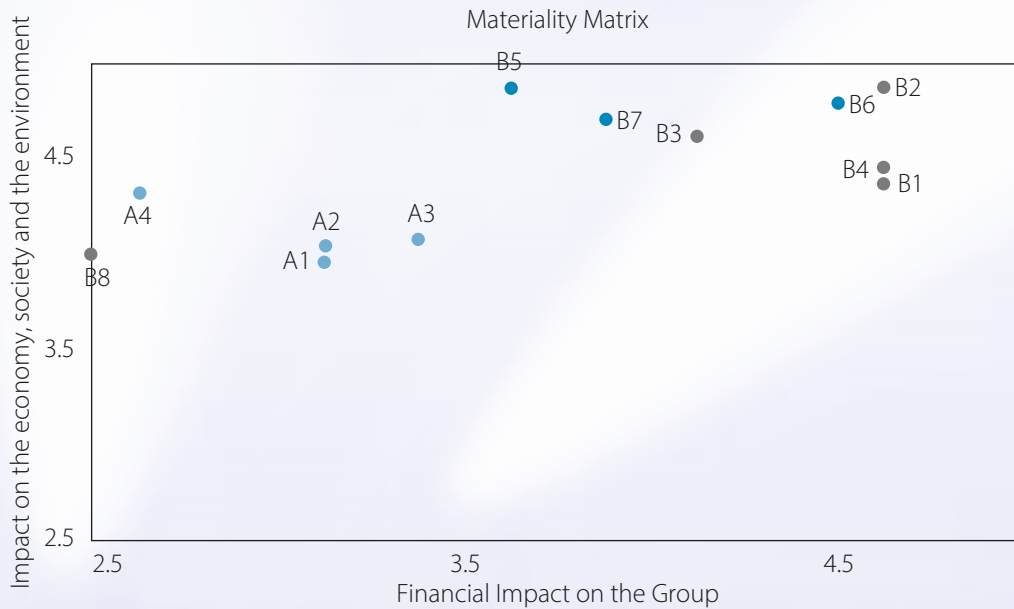
To support the Group's sustainable business practices, the Group engages with stakeholders on an annual basis to gather feedback and conducts a comprehensive materiality assessment, so as to ensure alignment with its ESG strategic priorities. During the reporting year, the Group voluntarily adopted the dual materiality principle for the first time as part of its stakeholder engagement and materiality assessment process. In the course of the assessment, the Group evaluated, on the one hand, the impacts of its operational activities on the economy, society and the environment, and, on the other hand, the financial impacts of various ESG issues on the Group's operations. This approach enables the Group to comprehensively address ESG concerns raised by different stakeholders while disclosing the Group's ESG development direction. To effectively disclose sustainability issues that are closely relevant to key stakeholders, the Group's directors and its ESG working group first conducted an internal assessment to screen issues that were highly relevant to the Group's business operations and to identify key stakeholders. Subsequently, key stakeholders were invited to participate in the materiality assessment, with feedback collected through questionnaire surveys. The questionnaires covered a total of 12 ESG-related issues. Respondents were asked to rate each issue on a scale of 1 to 5 based on its impact on the Group's operations, its relative importance, and the level of concern among relevant stakeholders. This materiality assessment was designed to collect both qualitative and quantitative inputs, providing a reasonable basis for the Group to prioritise the relative importance of the relevant sustainability issues. The diagram below illustrates the specific assessment steps undertaken by the Group:

1. Identification of ESG Material Issues
 - Determination of relevant stakeholder groups
 - Review of issues previously prioritised by different stakeholders
 - Establishment of issues with reference to industry characteristics and relevant standards
 - Identification of 12 ESG issues most relevant and material to the Group's business and stakeholders
2. Relevant Stakeholder Engagement
 - Collection of feedback through questionnaires distributed to stakeholders, including the Board, employees, suppliers and customers
 - Stakeholders' assessment on the 12 ESG issues from both "financial materiality" and "impact materiality" perspectives
3. Dual Materiality Assessment
 - Compilation and analysis of survey results and preparation of a dual materiality assessment matrix
 - Identification and prioritisation of material issues
4. Confirmation and Materiality Response
 - Final assessment results reviewed and confirmed by the ESG working group and reported to the Board
 - Determination of key disclosure focuses for the annual ESG report
 - The Board will make reference to the assessment results in planning future ESG initiatives and responding to stakeholder concerns

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THE GROUP'S INAUGURAL "DUAL MATERIALITY MATRIX"

The "Dual Materiality Matrix" of the Group presents the relative prioritisation of the 12 material ESG issues based on their financial impact on the Group (X-axis) and their impact on the economy, society and environment (Y-axis). The issues positioned in the upper-right quadrant of the matrix are regarded as material by both the Group and its stakeholders.



Mark:

Environment

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

Society

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

Governance

- B5 Supply Chain Management
- B6 Product Responsibility
- B7 Integrity Operations

Note: The scores of all the issues shown above are 2.5 or above according to the survey results. In order to show the relative distribution of each issue in a clearer manner, no issues with the score below 2.5 are shown in the chart above.

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Among the identified issues, B2 Health and Safety was recognised as the most material issue through both stakeholder engagement and the materiality assessment process, while B6 Product Responsibility was assessed as the least material issue. However, all issues are above the critical threshold of materiality, and therefore shall be disclosed in the forthcoming environmental, social and governance report. However, all issues are above the critical threshold of materiality (i.e., the materiality to the Group and its stakeholders is above 2.5), and therefore shall be disclosed in the forthcoming environmental, social and governance report.

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

Stakeholder Category	Most Important Issue
Directors	Most issues are of roughly equal importance
Middle-level Management Personnel and Supervisors	Most issues are of roughly equal importance
Laborial Staff	B2 Health and Safety
Customers	B5 Supply Chain Management B6 Product Responsibility

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

A ENVIRONMENTAL

A1 Emission and Carbon Reduction

The Group is committed to reducing the environmental impact of carbon emissions and other emissions. Through the formulation of comprehensive emissions management policies and the implementation of specific measures, the Group proactively addresses climate change-related challenges. In 2025, we continued to optimise our emissions management framework, with a focus on carbon emissions, air emissions, waste management and green procurement, so as to ensure compliance with relevant laws and regulations while promoting sustainable development. Details of our emissions-related policies and measures are set out below.

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The Group's waste primarily comprises non-hazardous office waste (such as paper and office refuse), metal parts generated during maintenance processes, obsolete accessories, used ink cartridges and hazardous waste (including waste engine oil, paint residues and VOCs-related waste). The Group emphasises the principles of "segregated collection, recycling and compliant disposal" in order to minimise the environmental impact of waste.

Waste Management Policies

- **Waste management policy:** Prioritising the use of recyclable and reusable resources in office areas and staff canteens to reduce the use of single-use items; adopting reusable tableware in staff canteens; reducing the use of plastic products in construction-related activities; minimising paper wastage in daily operations; collecting discarded or surplus metal parts and accessories for reuse in other production processes; and Implementing ink cartridge recycling programmes.
- **Green procurement policy:** Giving priority to local suppliers to reduce transportation-related waste; and requiring cooperative suppliers to possess relevant environmental certification and recycling qualifications.

Waste Management Measures

- **Hazardous waste management:** Dedicated hazardous waste storage areas are established, with hazardous waste classified and stored in accordance with national standards; at the beginning of each year, hazardous waste disposal plans are submitted to local environmental protection authorities; the Group maintains long-term cooperation with qualified collectors for recycling and online reporting; and VOCs online monitoring systems are installed in paint spray booths at selected stores.
- **Hazardous waste reduction targets and evaluation:** Annual plans are formulated; and effectiveness is assessed through monthly and annual comparative analysis against the previous period and the corresponding period of the previous year.
- **Non-hazardous waste management:** Waste sorting bins compliant with national waste classification standards are procured and placed in designated areas to cultivate waste segregation habits; reusable workshop waste components are recycled through specialist companies to generate additional income; and monthly and annual comparative analysis are conducted to assess effectiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- **Additional circular measures:** Suppliers regularly collect used printer cartridges; reusable carrier bags are provided to customers to replace single-use packaging; and dedicated hazardous waste collection points are established and maintained in a clean and orderly condition to reduce secondary pollution.
- **Environmental monitoring:** Environmental impact monitoring reports are issued annually by qualified third-party audit firms; and environmentally friendly materials are adopted for certain components.

Achievements and Outlook

In 2025, through stringent waste segregation, recycling initiatives and third-party monitoring, the Group effectively controlled and reduced the generation of both hazardous and non-hazardous waste, while achieving resource recovery and value enhancement for certain obsolete components. Looking ahead, the Group will continue to strengthen quantified waste reduction targets, expand circular economy practices, strive for further reductions in hazardous waste generation, and explore additional reuse pathways for maintenance-related waste. As the Group has increased efforts in the management of non-hazardous and hazardous waste discharge, the discharge of both types of waste for the Reporting Period reduced as compared with the previous year. With the growth of the Group’s business, the Group will continue to strengthen the management of various types of waste emissions in the future, striving to achieve the goal of the growth of hazardous waste discharge not exceeding its business growth. The Group strictly complies with various environmental regulations of the PRC, such as Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, to keep in line with the standards. There was no relevant non-compliance that had a significant impact on the Group during the Reporting Period.

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

Type of waste	Wastes Generated	
	2025	2024
Non-hazardous waste (tonnes)	427	462
Non-hazardous waste intensity (tonnes per employee)	0.21	0.19
Hazardous waste (tonnes)	445	623
Hazardous waste intensity (tonnes per employee)	0.22	0.26

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2 Use of Resources

The Group's resource usage primarily involves electricity, air conditioning, lighting, water resources, paper and other office consumables, as well as paints, materials and other inputs used in maintenance operations. Adhering to the principles of "conservation first, efficiency enhancement and green substitution", the Group has established resource use policies and implemented specific management measures to continuously reduce resource consumption intensity and enhance resource utilisation efficiency, thereby achieving green and low-carbon operations.

The Group's energy efficiency objective is to strive for annual energy consumption growth not exceeding its main business growth. This objective is centred on intensity metrics (such as energy consumption per unit of revenue or per store), so as to ensure that the growth of energy consumption remains lower than or equal to the pace of business expansion, thereby achieving relative emissions reduction and efficiency improvement. To this end, the Group has taken the following key measures in its daily main business operations to minimise energy consumption:

Energy Efficiency Policies

- **Energy efficiency policy:** Priority is given to the selection of products and equipment with higher energy efficiency in order to reduce overall energy consumption.
- **Green office policy:** The Group seeks to minimise resource consumption in office operations through measures including electricity conservation; and to reduce unnecessary power usage through promotion of electronic document management.
- **Packaging and materials control policy (applicable to maintenance operations):** The Group prioritise to select products and services provided by green organisations, as well as environmentally friendly paints and materials, thereby indirectly reducing the use of energy-intensive materials.

Energy Efficiency Measures

- **Establishment of quantifiable electricity-saving targets:** Lighting and air conditioning are promptly switched off in unoccupied office areas during working hours, and fully shut down when off duty.
- **Regular assessment of electricity-saving effectiveness:** Monthly comparative analysis is conducted against electricity consumption in the corresponding period of the previous year, with periodic evaluation of energy-saving outcomes and adjustment of management measures where appropriate.
- **Use of LED lighting systems:** LED light sources are prioritised during lighting equipment maintenance or replacement in order to enhance lighting efficiency.
- **Maintaining air-conditioning systems at 25°C:** Clear temperature indicators are displayed at control points, with air-conditioning systems set at 25°C throughout the year to avoid excessive cooling or heating.
- **Switching off equipment during non-working hours:** Lighting and air conditioning are promptly switched off in unoccupied office areas.
- **Procurement of energy-labelled products:** Priority is given to the procurement of Grade 1 energy efficiency equipment to enhance overall energy usage efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Achievements and Outlook

In 2025, through the rigorous implementation of electricity-saving measures and monthly data monitoring, the Group effectively controlled energy consumption per unit of business activity. The gradual popularisation of LED lighting and high-efficiency equipment further enhanced its overall energy efficiency. Both total energy consumption and energy consumption intensity in 2025 decreased compared with 2024, demonstrating that energy efficiency was maintained and improved alongside the continued operation of the Group's business. This reflected the tangible effectiveness of the Group's energy management and energy conservation measures. Looking ahead, the Group will continue to strengthen its energy management system, explore intelligent energy monitoring technologies (such as smart air-conditioning control systems), and prioritise high-efficiency designs in new store construction and renovation projects. The Group will endeavour to consistently achieve the objective that "energy consumption growth does not exceed business growth", thereby promoting a transition towards low-carbon and high-efficiency operations.

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

Type of energy	Energy consumption	2025	2024
Unleaded gasoline (thousand kWh)		2,540	3,915
Diesel (thousand kWh)		40	40
Natural gas (thousand kWh)		701	2,095
Electricity (thousand kWh)		14,125	20,342
Total energy consumption (thousand kWh)		17,406	26,392
Energy consumption intensity (thousand kWh per employee)		8.66	10.82

Notes:

- Energy conversion was based on CDP Technical Note: Conversion of fuel data to MWh. The physical density of natural gas converted from volume to weight adopted the density at room temperature and pressure.
- Based on past statistics, gas accounted for very little of the Group's total energy consumption and was not disclosed in line with the materiality principle.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water consumption primarily arises from routine cleaning in our stores and office areas, staff domestic water use, and limited water usage associated with maintenance activities. The Group adheres to the principle of “conservation first, efficiency foremost”, continuously optimises water use through fostering daily conservation habits, setting quantified targets, and ensures compliant discharge, thereby reducing waste and maintaining lawful operations. It is the Group’s objective to ensure that the rate of growth in the use of resources will not exceed the rate of growth in its business, especially in terms of water consumption. Each of our stores has taken water-saving measures based on its actual circumstances, striving to maintain or reduce water intensity per unit of business activity to achieve the sustainable use of water resources. To this end, the Group has taken the following key measures in its daily main business operations to minimise water consumption:

Water Resource Management Policies

- **Water resource management policy:** The Group strictly enforces the requirement that “taps shall be turned off when not in use” to eliminate unnecessary running water and cultivate water conservation awareness among all employees.
- **Green office policy:** The Group seeks to reduce the consumption of office resources including water; and to promote electronic documentation to indirectly lower cleaning and related water demand.
- **Packaging and materials control policy** (applicable to maintenance operations): The Group prioritise to select environmentally friendly products and sustainable materials to reduce water usage associated with cleaning processes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Resource Management Measures

- **Establishment of quantifiable water-saving targets:** Each store sets an internal annual target of reducing water consumption by 20% based on actual usage conditions.
- **Regular assessment of water-saving performance:** The Group conducts monthly and annual comparative analysis against data from the previous month and the corresponding period of the previous year to continuously enhance water-use efficiency.
- **Compliant wastewater discharge:** The Group maintains valid wastewater discharge permits issued by local environmental authorities to ensure lawful and compliant discharge, and conduct annual wastewater discharge monitoring.
- **Daily water conservation practices:** The Group ensures taps are turned off immediately when unattended; display energy-saving and environmental protection signage in office areas to remind employees to conserve water; and adopts appropriate irrigation methods for greenery to avoid excessive water use.

Achievements and Outlook

In 2025, through the implementation of quantified targets and regular data comparisons, the Group effectively curtailed the growth of water consumption, with certain stores achieving reductions in water intensity. Looking ahead, we will further explore water-saving technologies, (such as sensor-activated taps and greywater recycling systems, and prioritise water-efficient designs in future store expansions, ensuring that the growth in water usage remains consistently below business growth and supporting the Group's long-term green operations. Total water consumption and water consumption intensity both decreased as compared with the corresponding period of last year, demonstrating the effectiveness of the Group's water-saving measures implemented in 2025.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Water consumption		
	2025	2024
Water consumption (m ³)	138,689	223,525
Water consumption intensity (m ³ per employee)	69	92

In addition, we endeavour to reduce the use of resources in our office operation, such as saving water, electricity and paper. We use computerised filing to replace printed original document filing, and have established an electronic application system and an electronic filing system to reduce unnecessary paper printing. Furthermore, we encourage our employees to recycle office stationery and paper products. For example, single-sided printed documents can be used as draft paper or printed on the back side for other purposes, and we promote the use of refillable pen cartridges and inked fountain pens.

We have also taken a number of other measures to further promote environmental protection. For example, we provide customers with recyclable carrier bags instead of single-use carrier bags and regularly recycle printer cartridges. In addition, we have planted plants in the office area to green the workplace and posted environmental signs at conspicuous locations to remind our employees to conserve energy and resources. The Group actively cooperates with environmental authorities in organising various activities to educate and guide staff on environmental protection practices in their daily life and at work. The implementation of the above measures has helped the Group continue to achieve good results in the use of resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3 Environment and Natural Resources

The Group is committed to minimising the environmental impact of its operations and continuously improving its environmental management practices. We promote the concept of environmental protection, advocate green office practices and encourage our employees to value every kilowatt-hour, every drop of water, every piece of paper and every litre of fuel. In terms of environmental education, we promote green travelling, use staff shuttle buses to reduce the use of private cars, and collaborate with the environmental protection department to educate our employees. As for animal conservation, we promote animal care and ecological protection. In respect of plant conservation, we replant plants every spring and regularly prune and maintain them. In the area of supporting sustainable diets, we provide our employees with three healthy meals a day. During the Reporting Period, the Group did not have any incidents which had a significant impact on the environment and natural resources. Such measures demonstrate our commitment to environmental protection and our market leadership.

A4 Climate Change

The Group recognises the long-term impact of climate change on its automobile sales, maintenance and related service businesses and regards effective management of climate risks as a key element in maintaining business resilience and sustainable growth. The Group has integrated climate considerations into its environmental policies and risk management framework, systematically identifying, assessing and monitoring physical and transition risks. By proactively anticipating and responding to climate-related challenges, the Group enhances its overall resilience and supports national “dual carbon” goals and the transition to a low-carbon economy.

Governance

Climate-related matters are managed under the Group’s established sustainability governance framework. The Board has ultimate oversight responsibility for climate-related strategies, targets and disclosures, with the ESG working group assisting in coordinating climate-related opportunities and risk management at the Group level. This governance structure ensures that climate considerations are incorporated into strategic planning, operational decision-making, target setting and performance monitoring. The Board regularly reviews the Group’s environmental policies, emission reduction initiatives and related investment arrangements.

Risk Management

Climate-related risks have been incorporated into the Group's enterprise risk management system to identify, assess and monitor potential impacts on operations. Each business unit conducts annual risk assessments, with results consolidated by management and the Audit Committee before being reported to the Board. At present, the Group's overall climate risk exposure is assessed as low.

Strategy

To better understand the potential impacts of climate change on its business, the Group assesses physical and transition risks with reference to the characteristics of its major operating regions (including stores and office locations across multiple provinces and municipalities in Chinese mainland). The physical risk assessment focuses on the potential impact of extreme weather events, such as floods, typhoons and torrential rainfall, on stores and paint booth facilities; transition risks are analysed through desk-based research on developments in carbon emission policies, updates to energy regulations, trends in the electric vehicle market and changes in consumer green preferences.

The assessment indicates that, as the Group operates in the automobile distribution industry, its overall exposure to climate risk is relatively low. Key physical risks arise from possible short-term business disruptions caused by summer heavy rainfall and typhoons, particularly affecting its stores located in coastal or low-lying areas. Transition risks include stricter national carbon emission regulations, policies promoting electric vehicle sales and heightened green requirements across the supply chain, which may gradually influence the structure of automobile sales and the maintenance business model. With respect to the supply chain, major procurement materials, such as automotive components, paints and accessories, are subject to limited climate impacts; however, new material demands arising from electrification warrant ongoing attention.

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Accordingly, the Group has incorporated adaptation and mitigation strategies into its business planning and investment decisions:

- For physical risks, each store maintains flood prevention supplies and implements summer flood preparedness arrangements; conducts daily inspections of doors, windows and facilities to ensure timely closure before extreme weather and prompt replacement of damaged components; and establishes contingency plans and evacuation routes to safeguard operational continuity.
- For transition risks and mitigation, the Group actively promotes the sales of battery electric vehicle brands; advocates the replacement of office and store vehicles with electric models; installs volatile organic compounds (VOCs) online monitoring systems in selected paint booths to control emissions in real time; prioritises environmentally friendly paints and materials to reduce reliance on high-carbon processes; and implements green office practices to reduce carbon emissions from business travel.
- For resource efficiency enhancement, the Group continues to implement energy- and water-saving initiatives, including the use of LED lighting, prioritised procurement of Grade 1 energy-efficient equipment, setting air-conditioning temperatures at 25°C, electronic document management, and waste sorting and recycling, thereby reducing energy and water consumption.

Indicators and Targets

The Group has established climate-related indicators and targets to track progress in emissions reduction and decarbonisation, covering both short-term measures and medium- to long-term directions, the implementation of which is ensured through an annual review mechanism.

Short-Term Measures and Targets

- To continue promoting growth in electric vehicle sales as a primary approach to mitigating transport-related emissions;
- To conduct annual exhaust emissions monitoring to ensure compliance with national and local regulations;
- To perform monthly comparative analysis of energy and water use efficiency across all stores.

Long-Term Direction

- The Group is committed to progressively reducing its operational carbon footprint in support of national carbon peaking and carbon neutrality goals;
- To prioritise green procurement and environmentally friendly materials to facilitate low-carbon transformation across the supply chain;
- To explore additional applications of energy-saving technologies (such as smart lighting and energy-efficient air-conditioning controls) with a view to achieving sustained reductions in energy and resource consumption intensity per unit of business activity.

The Group has allocated resources to climate-related initiatives, including the promotion of electric vehicles, installation of VOCs monitoring systems, and upgrades of energy-efficient equipment. The management regularly reviews implementation progress to ensure effective execution of these measures. The Group will continue to strengthen climate risk monitoring and enhance its adaptive capacity. Through the promotion of low-carbon products, improvement in operational efficiency and management of the green supply chain, it seeks to enhance business resilience to climate change and achieve long-term sustainable development.

The Group's carbon emissions primarily arise from energy consumption in office and store operations, transportation activities, and certain processes such as paint baking. The Group aims to ensure that the annual growth in emissions will not exceed the growth in its main business. We regularly assess the effectiveness of our measures and conduct annual summaries to ensure the accomplishment of our environmental goals. To this end, we are committed to continuously reducing our carbon footprint through low-carbon office practices, green transportation transition and exhaust emission control, in response to national "dual carbon" goals and climate change challenges. The following key measures were implemented during the year to minimise emissions:

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Carbon Emissions Management Policies

- **Carbon emissions management policy:** The Group prioritises telephone or video conferencing over long-distance in-person meetings to significantly reduce carbon emissions from business travel and promote a low-carbon office model.
- **Exhaust gas management policy:** The Group strictly prohibits smoking in all Group office areas to reduce air pollution; and advocates green mobility by progressively replacing office and store vehicles with electric models to reduce tailpipe emissions.
- **Green procurement policy:** Where conditions permit, the Group prioritises local suppliers to shorten transportation distances, thereby indirectly reducing carbon emissions across the supply chain.

Carbon Emissions Management Measures

- **Identification of carbon emission sources:** The Group primarily uses liquefied petroleum gas and natural gas as energy sources and does not utilise high-carbon fuels such as coal, resulting in relatively manageable carbon emission sources.
- **Adoption of electric vehicles:** The Group actively increases sales of battery electric vehicle brands and encourages the replacement of store operational vehicles with electric models to reduce transport-related carbon emissions.
- **Exhaust emission reduction measures:** The Group strictly complies with national and local emission regulations to control exhaust emissions; installs air filtration equipment in paint booths as required by environmental authorities; and deploys volatile organic compounds (VOCs) online monitoring systems in selected stores to enable real-time monitoring and emission reduction.
- **Regular monitoring and evaluation:** The Group conducts annual exhaust emission monitoring to ensure compliance; and promotes the replacement with electric vehicles as a quantifiable direction for reducing exhaust emissions.

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Achievements and Outlook

In 2025, the Group effectively controlled carbon emissions associated with transportation and paint baking processes through the promotion of electric vehicles and the application of VOCs online monitoring systems. Total greenhouse gas emissions and emission intensity for 2025 decreased compared with 2024, reflecting that the relevant emission reduction and energy management measures have been effective under the current scale of operations. This also provides a data foundation for subsequent climate risk management and emission reduction strategies. Looking ahead, we will explore the introduction of carbon accounting tools to establish more precise and quantifiable carbon reduction targets, and we will further increase the proportion of electric vehicle sales to support the Group's transition toward low-carbon operations. During the Reporting Period, the levels of greenhouse gas (GHG) emissions in the operation process are as follows:

GHG Emissions	2025	2024
Direct GHG emissions (t CO _{2-e})	788	1,333
Energy indirect GHG emissions (t CO _{2-e})	7,495	12,623
Other indirect GHG emissions (t CO _{2-e})	120	211
Total GHG emissions (t CO _{2-e})	8,403	14,167
Total GHG emission intensity (tonnes of CO _{2-e} per employee)	4.2	5.8

Notes:

- The calculations were based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Sixth Assessment Report, latest emission factor of the National Grid of China published by the Ministry of Ecology and Environment of the People's Republic of China (MEE).
- Direct emissions refer to the emissions from the Group's use of unleaded gasoline and diesel as well as natural gas, while the physical density of natural gas converted from volume to weight is the density at room temperature and pressure. Energy indirect emissions refer to emissions from purchased electricity. Other indirect emissions refer to emissions from the employees' air travels for business purposes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B CHERISHING TALENTS

B1 Employment

B1 Employment and Labour Practices

Human capital is the core driver of sustainable development. An outstanding workforce underpins the Group's ability to maintain a leading position amid intense market competition. We recognise that attracting, motivating and retaining industry talent requires not only a fair and competitive platform, but also a harmonious, respectful and growth-oriented working environment in which employees can realise their personal value while contributing meaningfully to the Group's development.

The following outlines the Group's key measures and achievements in employment and labour practices management:

- **Market-competitive remuneration system:** We have established salary bands for different grades based on position level, regional differences, market benchmarks, store scale and individual capabilities, in alignment with the Group's remuneration framework. This ensures that our compensation packages remain competitive within the industry and respective regions. Guided by external market benchmarks, we conduct regular internal reviews of remuneration competitiveness. Employees demonstrating outstanding performance are rewarded with higher remuneration based on role value, contribution and performance results, thereby encouraging their continuous improvement and long-term commitment.
- **Centralised recruitment management and internal priority principle;** The Group implements a centralised recruitment management system, under which requests from stores for additional headcount or replacements shall be submitted for comprehensive Group-level assessment. Approvals are granted prudently based on workforce efficiency analysis and existing staffing levels. Upon approval, the "internal priority" principle is consistently upheld. The Group first leverages internal talent mobility mechanisms to unlock employee potential through job sharing, cross-store transfers and other arrangements to optimise internal human resource allocation. External recruitment is initiated only when internal resources are insufficient. External hiring follows fair and transparent procedures to select candidates who meet role requirements and align with the Group's values, thereby injecting new vitality into the organisation.

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- **Comprehensive protection of employees' basic rights and benefits:** The Group strictly complies with relevant laws and regulations, including the Labour Law of the People's Republic of China, the Labour Contract Law and the Social Insurance Law. We provide statutory leave entitlements such as annual leave, marriage leave, maternity leave and breastfeeding leave, together with comprehensive benefits including the five social insurances and one housing fund, supplementary medical insurance and maternity protection. We also organise recreational gatherings, festive activities and team-building events from time to time to enrich employees' personal lives and enhance their sense of belonging and well-being.
- **Standardised employment and exit management:** All employees have entered into standardised labour contracts specifying employment terms, rights and obligations, and conditions for contract termination or expiry. The Group has established structured employment management policies governing recruitment, promotion, labour relations, equal treatment, anti-discrimination and workforce diversity. Exit interviews are conducted for all departing employees to understand their reasons for leaving and collect feedback, enabling continuous improvement of management practices and corporate culture.
- **Fostering an equal and inclusive working environment:** The Group actively promotes equal opportunities, work-life balance, anti-discrimination and a culture of workforce diversity. We strictly prohibit any form of discrimination and strive to create a workplace free from discrimination where employees of different backgrounds, genders and age groups can realise their potential in an atmosphere of fairness and respect.

During the Reporting Period, the Group was not subject to any administrative penalties or prosecutions for violations of labour regulations or employment-related laws, nor were there any material labour disputes. Overall employee turnover remained at a reasonable level, the proportion of internal promotions increased steadily, and employee satisfaction survey results continued to improve.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group will continue to adopt a people-oriented approach by optimising its remuneration and benefits system, strengthening career development pathways, and reinforcing a culture of diversity and inclusion. Through more systematic talent development and incentive mechanisms, we aim to provide broader growth opportunities and a more attractive work experience, supporting higher-quality and more sustainable development in luxury automobile distribution and new energy transition.

As at 31 December 2025, the Group had a total of 2,011 employees, all of whom were full-time employees. Certain employees left the Group for their own reasons. The Group continued to increase its efforts in employee promotion and care. During the Reporting Period, the employee turnover rate was 54.60%, representing a slight decrease as compared with that of last year.

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

Category	Number of employees (person)	Employee turnover Rate (%)
By Gender		
Male	1,232	53.65%
Female	779	56.10%
By Age Group		
16-24	148	88.51%
25-34	806	66.25%
35-44	938	38.17%
45-54	112	51.79%
55 and above	7	242.86%
By Geographical Region		
Chinese mainland	2,010	55%
Hong Kong	1	100%
Total	2,011	54.60%

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

B2 Health and Safety

In today's highly competitive business environment, the health and safety of employees is the cornerstone of corporate success. As an industry leader, the Group is well aware of this and has always given top priority to occupational health and safety management. We believe that only in a safe and healthy working environment can our employees realise their full potential and create greater value for the Company. Therefore, we have adopted a series of measures to safeguard occupational health and safety and have achieved remarkable results.

The following are the major measures and achievements of the Group in occupational health and safety management:

- **Strict Compliance with Laws and Regulations:** We strictly comply with the Production Safety Law of the People's Republic of China, Prevention and Control of Occupational Diseases Law of the People's Republic of China, and have formulated a number of policies covering areas such as occupational health and safety, the provision of safety and protective tools, employee safety monitoring and training, and job safety monitoring of contractors.
- **Regular Reviews and Third-party Audits:** We conduct annual in-store inspections for occupational hazards and work with professional organisations to ensure that our health and safety standards are the highest in the industry.
- **Professional Training and Safe Environment:** We provide regular annual hazardous waste training to our employees and emphasise the importance of safety in our daily morning meetings to ensure a safe workplace.
- **High-risk Identification and Protective Measures:** We post danger signs in high-risk areas and at locations where high-altitude operations are conducted, and equip our after-sales workshops and specialised workers with professional protective tools and clothing to ensure their safe operation.

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- **Sanitary Facilities and First Aid Equipment:** We provide adequate sanitary facilities, and equip with heat-reducing and first-aid supplies during the high temperature in summer to ensure the health and safety of our employees.
- **Fire Safety and Emergency Plan:** We conduct fire safety training no less than twice a year and install smoke- and fire-resistant roller shutter doors in built and reconstructed stores. We have formulated emergency plans to ensure that our employees can evacuate safely in case of danger.
- **Care for the Physical and Mental Health of Employees:** We are very concerned about the physical and mental health of our employees, advocate effective working methods and healthy living concepts, care for our employees and assist them in overcoming various life challenges, creating a workplace that feels like home. We arrange regular health check-ups for our employees to identify risks and health hazards early, and at the same time educate employees on health awareness.

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

B3 Development and Training

The success of an enterprise depends not only on the quality of its products and services, but also the overall quality and professional skills of its employees. In response to market changes and business needs, the Group has formulated a series of career development policies, aiming at providing more learning opportunities to enhance the knowledge and skills of our employees so as to achieve its long-term corporate development goals. We recognise that employees are the most valuable assets of an enterprise. Through systematic training and development programmes, we not only enhance the professional competence of our employees, but also stimulate their potential and increase their job satisfaction and loyalty. Our human resources department has designed a complete system of training programmes based on the business needs and job requirements of the Company. These training programmes cover all levels from new recruits to senior management, and are designed for different positions to ensure that each employee can maximise their value in their respective roles.

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Our training programmes cover different levels of needs, including:

- New Employee Induction Training: To help new employees quickly adapt to the working environment and understand the corporate culture.
- Supervisor Training: To enhance the leadership and management skills of frontline managers.
- Middle-level Management Training: To strengthen strategic thinking and decision-making abilities for middle management.
- Senior-level Management Training: To provide senior executives with forward-looking management concepts and practical experience.

In addition, we have designed specialised training courses for different positions, such as sales consultant training, after-sales technical training and finance training, focusing on the comprehensive development of both soft skills and technical expertise.

In terms of external training and collaborations, based on our business needs, we regularly arrange personnel to participate in various professional training organised by various entities such as external automobile manufactures, professional organizations and government departments. These training programmes help our employees develop a better understanding of the changes in and trends of the market and external environment, thereby improving their quality in all aspects. We also work with colleges and universities to carry out targeted talent training projects through school-enterprise cooperation. We select outstanding graduates through the campus job fair and incorporate them into our training programmes, bringing fresh talent into the Company.

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

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Through these multi-level and comprehensive training management strategies, we are committed to enhancing employees' overall quality and capabilities, laying a solid foundation for the Company's long-term development.

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

Category	Percentage of employees trained	Average training hours completed per employee (hour)
By Gender		
Male	75.02%	19
Female	24.98%	10
By Employee Category		
Senior-level Management Personnel	2.78%	18
Middle-level Management Personnel	12.36%	17
Supervisor	9.45%	18
Laborial Staff	75.40%	16
Total	76.83%	16

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

During the Reporting Period, the percentage of employees receiving training within the Group, as well as the average training hours per employee, recorded a slight decline as compared with the previous year. Looking ahead, the Group remains committed to enhancing employee participation in training programmes and improving their effectiveness.

B4 Labour Standards

The Group upholds strict standards in its labour policies, striving to safeguard employees' fundamental rights and create a healthy and safe working environment. We firmly oppose child labour and forced labour, implementing a series of measures to ensure the effective enforcement of these policies. To eliminate child labour and forced labour, the Group has established a detailed Recruitment Management System. During the recruitment process, we conduct rigorous verification of applicants' identification documents to ensure the accuracy of the information provided. Additionally, we require all candidates to have at least a high school education, preventing child labour at the source.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly complies with relevant laws and regulations and has implemented multiple internal policies to safeguard employees' rights. Our system clearly stipulates that no deposits or security deposits shall be collected from employees to ensure that they will not be forced to work due to financial pressure. Furthermore, employees' identification documents shall not be withheld to protect the freedom and rights of employees, and wages shall be paid in full and on time to ensure the basic livelihood protection of employees. To promote work-life balance, we have formulated regulations such as the Attendance Management System, discouraging excessive overtime and ensuring that employees have proper working hours and adequate rest and leave. These measures help to improve the efficiency of our staff, promote their physical and mental health and eliminate the possibility of forced labour. To ensure the effective implementation of labour policies, the Group regularly undergoes routine inspections by local labour protection authorities. Based on the inspection results, we continuously improve relevant policies and measures to maximise the protection of employees' rights. Through these stringent labour policies and initiatives, the Group is committed to fostering a fair, just and transparent working environment, where each employee can work in a safe and healthy setting while achieving their personal and professional growth.

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

C RESPONSIBLE OPERATION

B5 Supplier Management

The Group recognises that supply chain management not only affects operational efficiency, but also directly relates to environmental protection, social responsibility and brand reputation. We consistently uphold "fairness and integrity, green priority and controllable risk" as the core principles of supply chain management, and are committed to building a responsible, transparent and efficient supply chain. Only through rigorous management of suppliers' environmental and social risks can we ensure product quality, reduce our carbon footprint and provide customers with a more reliable and environmentally responsible automotive customer experience, thereby achieving shared and mutually beneficial development among the Group, suppliers, customers and society.

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The following sets out the Group's key measures and achievements in supply chain management:

- **Strict compliance with laws and regulations:** We strictly comply with the Tendering and Bidding Law of the People's Republic of China, the Government Procurement Law, the Contract Law and relevant environmental protection and labour regulations. We have established various internal policies covering tendering procedures, supplier evaluation, risk identification and green procurement to ensure compliance and transparency throughout the supply chain process.
- **Open and fair tendering and selection mechanisms:** Supplier selection is conducted through open tendering procedures. Core evaluation criteria include company scale, product quality, service standards, brand influence, supply capacity and commercial reputation. The tendering process is overseen by a bid evaluation committee composed of representatives from technical, quality, legal, finance, audit and user departments. Multiple control procedures, including qualification pre-screening, standardised issuance of tender documents, centralised bid opening, scoring and ranking, and on-site inspections, are implemented to ensure professional, fair and competitive selection.
- **Environmental and social risk identification and monitoring:** Comprehensive annual risk assessments are conducted for suppliers, covering product qualifications, production capacity, quality management, financial stability, environmental protection measures and fulfilment of social responsibilities. Furnishing suppliers are subject to periodic on-site audits by internal teams to review operational premises, safety management and environmental compliance. Suppliers are required to conduct environmental and social risk self-assessments to identify potential risks and implement timely mitigation measures.
- **Comprehensive supplier evaluation and quality control:** Annual comprehensive supplier evaluations focus on capability levels, quality management systems, delivery performance and price reasonableness. Materials and certification documents are subject to rigorous verification. Suppliers with substandard quality performance or delayed delivery may be subject to warning, rectification or elimination mechanisms. Evaluation results are subject to final confirmation by the legal department to ensure the sustained quality and stability of the supply chain.

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- **Data confidentiality and anti-Commercial bribery:** Tender documents and supplier information are protected through both physical and electronic confidentiality measures. Sensitive information is encrypted and subject to strict access controls. Bid rigging, pre-determined contract awards, bribery or improper transfer of benefits during the tendering process are strictly prohibited. Any violations identified will be handled rigorously by the audit department in accordance with established procedures to safeguard a fair competitive environment.
- **Green procurement and partnership optimisation:** Priority is given to local suppliers to reduce transportation-related carbon emissions. Partner suppliers are required to possess environmental certifications and recycling qualifications. Certain environmentally friendly materials, such as environmentally friendly paints and materials, are adopted where applicable. We participate annually in major automotive aftermarket exhibitions to conduct market research and industry exchanges, including tracking trends in green products. Suppliers are required to provide product support and preferential pricing during motor shows and festive periods to enhance collaborative value.

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

During the Reporting Period, the Group's suppliers were mainly automobile related suppliers including automobile manufacturers as well as decoration suppliers, totalling 35, all of which were from Mainland China. These included 12 new automobile brands and 23 decoration suppliers. The above evaluation and management mechanism was applied to these 35 suppliers of the Group.

B6 Product Responsibility

The Group recognises that product responsibility is fundamental to sustainable corporate development. We consistently uphold “customer centric, quality first and compliant operations” as our core principles, and are committed to providing every customer with safe, reliable and transparent automobile products and services. Only by rigorously safeguarding product quality, ensuring fair marketing practices, protecting customer privacy and properly handling complaints can customers place their trust in our brand, enabling the Group to achieve long-term and steady growth.

The following sets out the Group’s key measures and achievements in product responsibility management:

- **Strict compliance with laws and regulations:** We strictly comply with the Administrative Measures for Automobile Sales (《汽車銷售管理辦法》), the Regulations on the Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), the Provisions on the Responsibility for Repair, Replacement and Return of Household Automobile Products (《家用汽車產品修理、更換、退貨責任規定》) (the “**New 3R Law**”), the Consumer Rights Protection Law (《消費者權益保護法》), the Advertising Law (《廣告法》) and the Personal Information Protection Law (《個人信息保護法》) and other applicable laws and regulations. We have established internal policies covering key areas including delivery quality control, advertising review, customer data protection and complaint handling.
- **Dual delivery inspection and quality assurance:** We implement a “dual vehicle inspection” system, comprising warehouse entry inspection and customer delivery inspection, to ensure that each vehicle delivered meets quality standards of relevant brands and the Group. We cooperate with manufacturers to strictly implement recall procedures and information feedback mechanisms for defective products, and conduct orderly recalls of non-compliant products in accordance with national and local regulations.
- **Continuous optimisation and monitoring of service processes:** Service processes are subject to routine evaluation, with management conducting on-site inspections to compare process design with actual implementation. We engage third-party institutions to conduct “mystery shopper inspections”, focusing on accident repair services, reception standards and service responsiveness. Customer retention rate and net promoter score are adopted as core service quality indicators to continuously enhance customer experience.

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- **Fair promotion and intellectual property protection:** All promotional materials shall obtain manufacturer authorisation and undergo multi-level internal approval. False advertising, exaggerated claims and the use of absolute terminology are strictly prohibited. All graphic and textual materials shall have lawful copyright authorisation. Key commercial projects require the signing of confidentiality agreements with partners and relevant staff to comprehensively protect intellectual property and commercial information.
- **Strict protection of customer data:** We adhere to the principles of lawfulness, legitimacy and necessity in personal information processing. Customers are informed in a clear and concise manner of the purposes, scope and responsible parties involved in data collection and use. Customer data is classified into three levels, “confidential”, “restricted” and “top secret”. Copying or extracting such data requires approval from the general manager or authorised deputy general manager. Designated personnel are responsible for the receipt, transmission and external handling of data. Customers are promptly informed of any material changes to data processing arrangements.
- **Efficient and transparent complaint handling mechanism:** Multiple complaint channels are provided, including the Group’s customer service hotline, membership mini-program, store-specific complaint lines, manufacturer systems and the Market Supervision Administration. Complaints are categorised into high-, medium- and low-risk levels, with follow-up responses required within 2 hours, 8 hours and 24 hours respectively. The system assigns responsible personnel and issues internal notifications. A complaint accountability mechanism links resolution rates and satisfaction response rates to performance evaluation. Long-term improvement plans are formulated for each complaint, followed by satisfaction tracking and assessment.

During the reporting period, the Group recorded no major safety incidents attributable to product quality or services, nor any administrative penalties or prosecutions arising from breaches of product responsibility regulations. The Group received 5 complaints about product quality and services this year, which were followed up and resolved in accordance with the above-mentioned response measures.

The Group will continue to enhance product responsibility management, optimise digital tracking of service processes, strengthen employee training on product knowledge and compliance, and explore the introduction of additional third-party quality and privacy audit mechanisms. As the NEV business continues to expand, we remain committed to providing customers with safer, more transparent and more reliable automotive experiences, thereby safeguarding customer rights and promoting sustainable industry development.

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

B7 Integrity Operations

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

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

B8 Community Care

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

PROSPECT

Against the backdrop of accelerating global electrification and the continued leadership of the Chinese mainland in the NEV market, the electric vehicle dealership business is entering a phase of unprecedented strategic opportunities. With the further implementation of the national “dual carbon” goals, the continued enhancement of consumer environmental awareness and the progressive improvement of charging infrastructure, luxury and ultra-luxury brands are accelerating the launch of electric models, creating considerable growth potential for dealers.

As a leading dealership group focused on luxury and ultra-luxury brands, the Group is proactively positioning itself to capture the opportunities arising from this transition. Several brands represented by the Group have announced their electrification roadmaps and are successively launching multiple high-performance electric models. Meanwhile, the Group’s new energy brand portfolio continues to expand, covering both emerging brands and luxury NEV models. Although traditional luxury brands currently account for a relatively modest share of the electric vehicle market, this proportion is steadily increasing, and the Group’s NEV sales business has maintained a sustained growth trend.

To capture market opportunities, the Group has made advance deployment in the new energy segment. Dedicated new energy sales and management teams have been established at both the Group and store levels. Through in-depth market research and analysis of customer demand, we continuously optimise product mix, pricing strategies and service models to enhance customer loyalty and expand our customer base. We also actively participate in manufacturers’ new energy support programmes to facilitate efficient business implementation.

To achieve sustainable and high-quality development of the electric vehicle dealership business, the Group has adopted the following core strategies:

- **Market education and brand promotion:** Through multi-channel promotional initiatives and customer experience activities, we communicate the performance advantages, environmental value and intelligent driving features of electric vehicles, enhancing brand influence and awareness of green mobility;
- **Charging infrastructure development:** We are accelerating the deployment of charging facilities at stores and partner locations to provide convenient charging services, alleviate customers’ “range anxiety” and enhance vehicle purchase and ownership experience;

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- **Professional talent development:** Systematic electric vehicle knowledge training is provided to sales, after-sales and maintenance teams, covering battery management, intelligent connectivity and high-voltage safety, to ensure high-quality and professional pre-sales consultation and after-sales support;
- **Advancement of a green supply chain:** Priority is given to suppliers with environmental certifications, recycling qualifications and a sense of social responsibility. We promote the use of environmentally friendly paints, materials and accessories, strengthen online VOCs monitoring and waste classification and recycling, implement green procurement policies, and build a low-carbon and sustainable supply chain system.

The Group remains confident in its future prospects. As the NEV market continues to mature, technology costs further decline and consumer preferences increasingly shift towards electrification, the Group expects broader development opportunities in its electric vehicle dealership segment. We will continue to deepen our presence in the sales and service of luxury and popular mid-range electric vehicle brands, further increase the contribution of NEVs to our business portfolio, and strive to build an efficient, transparent and sustainable supply chain and service system. Through rigorous supplier management, ongoing energy conservation and emission reduction initiatives, and high standards of customer experience, we aim not only to ensure steady business growth and maintain leading product and service quality, but also to contribute to the automobile industry's green and low-carbon transformation and the sustainable development of society and the environment. The era of electric vehicles is fully underway. The Group will continue to advance with prudence and determination, embracing challenges to create sustainable long-term value.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ESG REPORTING CODE INDEX

Appendix C2 HKEx ESG Reporting Code Index of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

PART C: “COMPLY OR EXPLAIN” PROVISIONS

A	Environmental	Section
Aspect A.1	Emissions	
KPI A.1.1	The types of emissions and respective emissions data	There were no major sources of emissions within the scope of the Report, and vehicle movement does not form part of its principal business, so there is no pollutant emission data
KPI A.1.2	Deleted on 1 January 2025	
KPI A.1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1 Emission and Carbon Reduction
KPI A.1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1 Emission and Carbon Reduction
KPI A.1.5	Description of emissions target(s) set and steps taken to achieve them.	A1 Emission and Carbon Reduction
KPI A.1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	A1 Emission and Carbon Reduction
Aspect A.2	Use of Resources	
KPI A.2.1	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).	A2 Use of Resources
KPI A.2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A2 Use of Resources
KPI A.2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2 Use of Resources
KPI A.2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2 Use of Resources
KPI A.2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	No amount of product packaging materials used is disclosed in the Report as no additional product packaging was required for automobile sales and after-sales service
Aspect A.3	Environment and Natural Resources	
KPI A.3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3 Environment and Natural Resources
Aspect A.4	Deleted on 1 January 2025	
KPI A.4.1	Deleted on 1 January 2025	

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B	Social	Section
Aspect B.1	Employment	B1 Employment
KPI B.1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	B1 Employment
KPI B.1.2	Employee turnover rate by gender, age group and geographical region.	B1 Employment
Aspect B.2	Health and Safety	B2 Health and Safety
KPI B.2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	No work-related fatalities occurred in the past three years including the Reporting Period
KPI B.2.2	Lost days due to work injury.	There were a total of 174 lost days due to work injury during the Reporting Period
KPI B.2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2 Health and Safety
Aspect B.3	Development and Training	B3 Development and Training
KPI B.3.1	The percentage of employees trained by gender and employee category (e.g. senior management and mid-level management).	B3 Development and Training
KPI B.3.2	The average training hours completed per employee by gender and employee category.	B3 Development and Training
Aspect B.4	Labour Standards	B4 Labour Standards
KPI B.4.1	Description of measures to review employment practice to avoid child and forced labour.	B4 Labour Standards
KPI B.4.2	Description of steps taken to eliminate such practices when discovered.	No non-compliance occurred during the Reporting Period
Aspect B.5	Supply Chain Management	B5 Supplier Management
KPI B.5.1	Number of suppliers by geographical region.	B5 Supplier Management
KPI B.5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5 Supplier Management
KPI B.5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5 Supplier Management
KPI B.5.4	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5 Supplier Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B	Social	Section
Aspect B.6	Product Responsibility	B6 Product Responsibility
KPI B.6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	During the Reporting Period, the recall rate was 0.021% in line with the recall policies of automobile manufacturers
KPI B.6.2	Number of products and service-related complaints received and how they are dealt with.	B6 Product Responsibility
KPI B.6.3	Description of practices relating to observing and protecting intellectual property rights.	B6 Product Responsibility
KPI B.6.4	Description of quality assurance process and recall procedures.	B6 Product Responsibility
KPI B.6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	B6 Product Responsibility
Aspect B.7	Anti-corruption	B7 Integrity Operations
KPI B.7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No legal cases regarding corrupt practices during the Reporting Period
KPI B.7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7 Integrity Operations
KPI B.7.3	Description of anti-corruption training provided to directors and staff.	B7 Integrity Operations
Aspect B.8	Community Investment	B8 Community Care
KPI B.8.1	Focus areas of contribution (e.g. education, environmental issues, labour needs, health, culture, sports).	B8 Community Care
KPI B.8.2	Resources (e.g. money or time) contributed to the focus areas	No resources were utilised in any area during the Reporting Period

PART D: CLIMATE-RELATED DISCLOSURES

	Section
(I) Governance	A4 Climate Change Given that the Group's core business is automobile sales, its overall exposure to climate risk is relatively low.
(II) Strategy	A4 Climate Change Given that the Group's core business is automobile sales, its overall exposure to climate risk is relatively low.
(III) Risk Management	A4 Climate Change Given that the Group's core business is automobile sales, its overall exposure to climate risk is relatively low.
(IV) Indicators and Targets	A4 Climate Change Given that the Group's core business is automobile sales, its overall exposure to climate risk is relatively low.

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Sunfonda Group Holdings Limited

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

Opinion

We have audited the consolidated financial statements of Sunfonda Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 217, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for opinion

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

INDEPENDENT AUDITOR'S REPORT

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Vendor rebate receivables

The Group recognised volume-related vendor rebates on an accrual basis according to the terms of the supplier contracts. As at 31 December 2025, the vendor rebate receivables recognised were RMB255,839,000 (2024: RMB310,770,000). The balance of vendor rebate receivables was significant and the process of accruing the rebates was complex.

Our audit procedures included, among others, checking the rebate policies adopted against the terms of the relevant supplier contracts and checking the calculation of the rebate receivables based on the rebate policies. We also checked the subsequent receipts of the rebates.

Information of the vendor rebate receivables is disclosed in note 22 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(Continued)*

Key audit matter

How our audit addressed the key audit matter

Impairment of non-current non-financial assets (other than goodwill)

As at 31 December 2025, the carrying amount of non-current non-financial assets (other than goodwill) amounted to RMB2,002,664,000 (2024: RMB2,171,297,000), which was material to the consolidated financial statements. The management performed an impairment test, where an indication of impairment exists or when annual impairment testing for an asset is required. In assessing value in use, the discounted cash flow method was used with estimations and judgements.

Our audit procedures, among others, included an evaluation of the determination of the cash-generating units, the key assumptions used in the cash flow forecast and other data used by the Group. We also involved our valuation specialists to assist us in evaluating the associated growth rates and the discount rates applied.

We checked the adequacy of the relevant disclosures of non-financial assets (other than goodwill).

The Group's disclosures about the impairment of non-financial assets are included in note 3 to the financial statements, which explains the major judgements and estimations that management made in the assessment.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on the those statements on 26 March 2025.

Other information in the annual report

The directors are responsible for the other information. The other information comprises the information included in the Company's 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

Directors' responsibilities for the consolidated financial statements

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

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

The directors are also responsible for overseeing the Group's financial reporting process. Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the term of our 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

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

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

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

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

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

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

BDO Limited

Certified Public Accountants

Tsui Ka Che, Norman

Practicing Certificate Number: P05057

Hong Kong

31 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	5(a)	7,345,048	8,608,890
Cost of sales and services	6(b)	(7,340,698)	(8,638,707)
Gross profit/(loss)		4,350	(29,817)
Other income and gains, net	5(b)	433,686	622,290
Selling and distribution expenses		(374,332)	(445,434)
Administrative expenses		(220,965)	(238,524)
Loss from operations		(157,261)	(91,485)
Finance costs	7	(81,963)	(96,199)
Loss before tax		(239,224)	(187,684)
Income tax expense	6 10	(6,132)	(25,345)
Loss for the year		(245,356)	(213,029)
Attributable to:			
Owners of the Company		(245,109)	(213,029)
Non-controlling interests		(247)	–
		(245,356)	(213,029)
LOSS PER SHARE	12		
Basic and diluted (RMB)		(0.41)	(0.36)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
LOSS FOR THE YEAR	(245,356)	(213,029)
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	902	1,002
Other comprehensive income for the year, net of tax	902	1,002
Total comprehensive expense for the year	(244,454)	(212,027)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(244,207)	(212,027)
Non-controlling interests	(247)	–
	(244,454)	(212,027)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,472,394	1,591,686
Right-of-use assets	14(a)	516,721	570,029
Intangible assets	15	8,684	9,582
Prepayments	16	17,665	22,301
Goodwill	17	10,284	10,284
Deferred tax assets	30	47,447	65,189
Other non-current assets	18	–	163,852
Investment properties	19	166,000	–
Total non-current assets		2,239,195	2,432,923
CURRENT ASSETS			
Inventories	20	874,697	1,011,521
Trade receivables	21	33,046	40,536
Prepayments, other receivables and other assets	22	683,925	873,087
Financial assets at fair value through profit or loss	23	7,369	5,397
Pledged deposits	24	883,945	652,186
Cash in transit	25	2,545	2,137
Short-term deposits	26	46,895	59,901
Cash and cash at banks	26	365,629	587,471
Total current assets		2,898,051	3,232,236
CURRENT LIABILITIES			
Bank loans and other borrowings	27	1,402,216	1,619,952
Trade and bills payables	28	1,049,079	953,153
Other payables and accruals	29	234,012	277,525
Lease liabilities	14(b)	2,703	9,573
Income tax payable		4,154	18,707
Total current liabilities		2,692,164	2,878,910
NET CURRENT ASSETS		205,887	353,326
TOTAL ASSETS LESS CURRENT LIABILITIES		2,445,082	2,786,249

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2025

		2025 RMB'000	2024 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	27	359,378	442,963
Lease liabilities	14(b)	19,634	55,245
Deferred tax liabilities	30	24,764	34,044
Total non-current liabilities		403,776	532,252
Net assets		2,041,306	2,253,997
CAPITAL AND RESERVES			
Share capital	31	377	377
Share premium and reserves	33	2,032,371	2,253,620
Equity attributable to owners of the Company		2,032,748	2,253,997
Non-controlling interests		8,558	–
Total equity		2,041,306	2,253,997

Director
Wu Tak Lam

Director
Chiu Man

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Sub-Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2025		377	87,282	118,045	190,130	157,947	14,594	41,394	1,644,228	2,253,997	-	2,253,997
Loss for the year		-	-	-	-	-	-	-	(245,109)	(245,109)	(247)	(245,356)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	-	902	-	902	-	-	902
Total comprehensive income for the year		-	-	-	-	-	902	(245,109)	(244,207)	(247)	(247)	(244,454)
Transfer from retained profits		-	-	-	2,043	-	-	(2,043)	-	-	-	-
Changes in ownership interest in a subsidiary	35	-	22,958	-	-	-	-	-	22,958	8,805	8,805	31,763
At 31 December 2025		377	110,240*	118,045*	192,173*	157,947*	14,594*	42,296*	1,397,076*	2,032,748	8,558	2,041,306

* These reserve accounts comprise the consolidated reserves of RMB2,032,371,000 (2024: RMB2,253,620,000) in the consolidated statement of financial position.

	Attributable to owners of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Sub-Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2024		377	87,282	118,045	188,530	157,947	11,418	40,392	1,858,857	2,462,848	-	2,462,848
Loss for the year		-	-	-	-	-	-	-	(213,029)	(213,029)	(213,029)	(213,029)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,002	-	1,002	-	1,002
Total comprehensive income for the year		-	-	-	-	-	-	1,002	(213,029)	(212,027)	(213,029)	(212,027)
Transfer from retained profits		-	-	-	1,600	-	-	-	(1,600)	-	-	-
Equity-settled share award expense	32	-	-	-	-	-	3,176	-	-	-	-	3,176
At 31 December 2024		377	87,282*	118,045*	190,130*	157,947*	14,594*	41,394*	1,644,228*	2,253,997	-	2,253,997

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Operating activities			
Loss before tax		(239,224)	(187,684)
Adjustments for:			
Depreciation of property, plant and equipment	13	179,571	177,439
Depreciation of right-of-use assets	14	24,907	27,959
Amortisation of intangible assets	15	706	867
Interest income	5(b)	(7,910)	(13,636)
Net loss on disposal of intangible assets	5(b)	384	–
Net loss/(gain) on disposal of property, plant and equipment	5(b)	4,482	(13,993)
Net gain on disposal of right-of-use assets	5(b)	(1,038)	(2,824)
Equity-settled share award expense	6(a)	–	3,176
Fair value gains, net:			
Investment properties	5(b)	(2,148)	–
Financial products	5(b)	(1,972)	(663)
Finance costs	7	81,963	96,199
Loss on disposal of subsidiaries	5(b)/34	–	6,000
(Reversal)/accrual of impairment of inventories	6(b)	(8,554)	5,932
		31,167	98,772
Increase in pledged bank deposits		(231,759)	(73,121)
(Increase)/decrease in cash in transit		(408)	12,780
Decrease/(increase) in trade receivables		7,490	(9,075)
Decrease in prepayments, other receivables and other assets		189,799	117,523
Decrease in inventories		145,378	223,721
Increase in trade and bills payables		95,926	133,958
(Decrease)/increase in other payables and accruals		(32,325)	39,754
Cash generated from operations		205,268	544,312
Tax paid		(12,223)	(21,126)
Net cash generated from operating activities		193,045	523,186

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2025

	Notes	2025 RMB'000	2024 RMB'000
Investing activities			
Purchase of property, plant and equipment		(175,386)	(257,533)
Purchases of intangible assets		(192)	–
Proceeds from disposal of property, plant and equipment		103,787	119,738
Interest received		7,273	13,903
Purchase of financial assets at FVTPL		–	(2,069)
Proceeds from disposal of subsidiaries		–	24,861
Proceeds from disposal of non-controlling interest	35	31,763	–
Decrease/(increase) in time deposits with maturity over three months		5,402	(51,300)
Net cash used in investing activities		(27,353)	(152,400)
Financing activities			
New bank loans and other borrowings		5,223,580	5,830,376
Repayment of bank loans and other borrowings		(5,524,901)	(6,244,273)
Interest paid for bank loans and other borrowings		(78,814)	(93,806)
Principal portion of lease payments		(13,042)	(11,658)
Interest portion of lease payments		(2,863)	(3,567)
Net cash used in financing activities		(396,040)	(522,928)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of year		595,075	746,215
Effect of foreign exchange rate changes, net		902	1,002
Cash and cash equivalents at the end of year		365,629	595,075
Analysis of balances of cash and cash equivalents			
Cash and bank balances		365,629	587,471
Short-term deposits with maturity less than three months		–	7,604
		365,629	595,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the sale and service of motor vehicles in the People’s Republic of China (the “**PRC**”).

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

Information about subsidiaries

Particulars of the Company’s principal subsidiaries as at 31 December 2025 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2025 are as follows: (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2025 are as follows: (Continued)

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
延安新豐泰博奧汽車有限責任公司* (Yan'an Sunfonda Boao Automobile Co., Ltd.)	Yan'an, the PRC 2011	Registered and paid-in capital of RMB36,408,200	–	100%	Sale and service of motor vehicles
陝西新豐泰駿美汽車銷售服務有限公司* (Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
無錫新豐泰汽車有限責任公司* (Wuxi Sunfonda Automobile Co., Ltd.)	Wuxi, the PRC 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
揚州新豐泰博奧汽車銷售服務有限公司* (Yangzhou Sunfonda Boao Automobile Sales Services Co., Ltd.)	Yangzhou, the PRC 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰紅旗汽車銷售服務有限公司* (Xi'an Sunfonda Hongqi Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧夏新豐泰信捷汽車銷售服務有限公司** (Ningxia Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	Yinchuan, the PRC 2013	Registered and paid-in capital of HK\$49,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰尚眾汽車銷售服務有限公司* (Shaanxi Sunfonda Shangzhong Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB26,000,000	–	100%	Sale and service of motor vehicles
北京新豐泰博奧汽車銷售服務有限公司* (Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.)	Beijing, the PRC 2014	Registered and paid-in capital of RMB70,000,000	–	100%	Sale and service of motor vehicles
渭南新豐泰博奧汽車銷售服務有限公司* (Weinan Sunfonda Boao Automobile Sales Services Co., Ltd.)	Weinan, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰福生汽車銷售服務有限公司* (Shaanxi Sunfonda Fusheng Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
新豐泰(中國)投資有限公司** (Sunfonda (China) Investment Co., Ltd.)	Shanghai, the PRC 2015	Registered and paid-in capital of US\$89,232,599	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2025 are as follows: (Continued)

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/ issued capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
陝西新豐泰銘威汽車銷售服務有限公司* (Shaanxi Sunfonda Mingwei Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
銀川順馳路捷汽車銷售服務有限公司* (Yinchuan Shunchi Lujie Automobile Sales Service Co., Ltd.)	Yinchuan, the PRC 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
延安新豐泰鈞盛汽車銷售服務有限公司* (Yan'an Sunfonda Junsheng Automobile Sales Service Co., Ltd.)	Yan'an, the PRC 2015	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰涇河物流開發有限公司* (Xi'an Sunfonda Jinghe Logistics Development Co. Ltd.)	Xi'an, the PRC 2013	Registered and paid-in capital of RMB19,171,896	–	55.35% (2024: 100%)	Logistics service
陝西新豐泰金達實業開發有限公司* (Shaanxi Sunfonda Jinda Industrial Development Co. Ltd.)	Xi'an, the PRC 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Storage service
西安豐泰信捷汽車銷售服務有限公司* (Xi'an Fun Time Xinjie Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2017	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
渭南市宗申寶泰汽車銷售服務有限公司* (Weinan Zongshen Baotai Automobile Sales & Service Co., Ltd.)	Weinan, the PRC 2012	Registered and paid-in capital of RMB63,000,000	–	100%	Sale and service of motor vehicles
西安泰愛車網路技術開發銷售服務有限公司* (Xi'an Sunfonda Automobile Technology Development Co., Ltd.)	Xi'an, the PRC 2015	Registered and paid-in capital of RMB8,000,000	–	100%	Internet service and technology development
陝西新豐泰二手車交易市場有限公司* (Shaanxi Sunfonda Second-hand Car Transaction Market Co., Ltd.)	Xi'an, the PRC 2015	Registered and paid-in capital of RMB1,000,000	–	100%	Sale and service of second-hand cars
陝西新豐泰新能源汽車銷售服務有限公司* (Shaanxi Sunfonda New Energy Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2016	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2025 are as follows: (Continued)

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
甘肅新豐泰汽車銷售服務有限公司* (Gansu Sunfonda Automobile Sales Services Co., Ltd.)	Qingyang, the PRC 2017	Registered and paid-in capital of RMB5,500,000	–	100%	Sale and service of motor vehicles
蘭州新豐泰華寶汽車銷售服務有限公司* (Lanzhou Sunfonda Huabao Automobile Sales Services Co., Ltd.)	Lanzhou, the PRC 2017	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
南京新豐泰汽車銷售服務有限公司* (Nanjing Sunfonda Automobile Sales Service Co., Ltd.)	Nanjing, the PRC 2018	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰海寶汽車銷售服務有限公司* (Xi'an Sunfonda Haibao Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2019	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安豐泰景盛汽車銷售服務有限公司* (Xi'an Fungtai Jingshen Automobile Sales Service Co., Ltd.)	Xi'an, the PRC 2020	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安新丰泰凱達汽車銷售有限公司* (Xi'an Sunfonda Kaida Automobile Sales Services Co., Ltd.)	Xi'an, the PRC 2020	Registered capital of RMB45,000,000 and paid-in capital of RMB20,000,000	20%	80%	Sale and service of motor vehicles
銀川鈞盛雷克薩斯汽車銷售服務有限公司* (Yinchuan Junsheng Lexus Automobile Sales Service Co., Ltd.)	Yinchuan, the PRC 2019	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
渭南海眾汽車銷售服務有限公司* (Weinan Haizhong Automobile Sales Services Co., Ltd.)	Weinan, the PRC 2017	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
陝西宗泰實業發展有限公司* (Shaanxi Zongtai Industrial Development Co., Ltd.)	Xi'an, the PRC 2018	Registered and paid-in capital of RMB100,000,000	–	100%	Commercial Management
蘭州豐泰榮嘉商貿有限責任公司* (Lanzhou Fengtai Rongjia Trading Co. Ltd.)	Lanzhou, the PRC 2021	Registered and paid-in capital of RMB30,000,000	–	100%	Commercial Management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2025 are as follows: (Continued)

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
武漢豐泰海寶汽車銷售服務有限公司* (Wuhan Sunfonda Haibao Automobile Sales Services Co., Ltd.)	Wuhan, the PRC 2021	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
臨夏豐泰凱達汽車銷售服務有限公司* (Linxia Sunfonda kaida Automobile Sales&Services Co., Ltd.)	Linxia, the PRC 2021	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
銀川豐泰海寶汽車銷售服務有限公司* (Yinchuan Fengtai Haibao Automobile Sales & Service Co., Ltd.)	Yinchuan, the PRC 2022	Registered capital of RMB16,000,000 and paid-in capital of RMB11,200,000	–	100%	Sale and service of motor vehicles
陝西新豐泰報廢汽車回收拆解有限公司* (Shaanxi Sunfonda Scrap Car Recycling & Dismantling Co., Ltd.)	Xi'an, the PRC 2022	Registered capital of RMB10,000,000 and paid-in capital of RMB1,000,000	–	100%	Recycle and disassemble of motor vehicles
北京新豐泰新能源汽車銷售服務有限公司* (Beijing Sunfonda New Energy Vehicle Sales & Service Co., Ltd.)	Beijing, the PRC 2022	Registered capital of RMB10,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
蘭州豐泰凱達汽車銷售服務有限公司* (Lanzhou Sunfonda Kaida Automobile Sales&Services Co.,Ltd.)	Lanzhou, the PRC 2022	Registered capital of RMB10,000,000 and paid-in capital of RMB8,000,000	–	100%	Sale and service of motor vehicles

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1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries as at 31 December 2025 are as follows: (Continued)

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
蘭州豐泰裡商貿有限公司* (Lanzhou Fun Time Lane)	Lanzhou, the PRC 2024	Registered capital of RMB5,000,000	–	100%	Commercial Management
蘭州市豐泰騰達汽車銷售服務有限公司* (Lanzhou Fengtai Tengda Automobile Sales Service Co.,Ltd.)	Lanzhou, the PRC 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
銀川豐泰騰達汽車銷售服務有限公司* (Yinchuan Fengtai Tengda Automobile Sales Service Co.,Ltd.)	Yinchuan, the PRC 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
西安豐泰鈞程汽車銷售有限公司* (Xi'an Fengtai Juncheng Automobile Sales Co. Ltd.)	Xi'an, the PRC 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
西安豐泰捷程汽車銷售有限公司* (Xi'an Fengtai Jiecheng Automobile Sales Co. Ltd.)	Xi'an, the PRC 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
蘭州豐泰博奧汽車銷售服務有限公司* (Lanzhou Fengtai Boao Automobile Sales Service Co.,Ltd.)	Lanzhou, the PRC 2025	Registered capital of RMB3,000,000 and paid-in capital of RMB3,000,000	–	100%	Sale and service of motor vehicles

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include application disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for financial assets at fair value through profit or loss and investment properties which have been measured at fair value. These consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 21	<i>Lack of Exchangeability</i>
Amendments to HKFRS Accounting Standards	<i>Disclosures about Uncertainties in the Financial Statements</i>

The application of the amendments has had no significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
Annual Improvements to HKFRS Accounting Standards – Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7¹</i>

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 No mandatory effective date yet determined but available for adoption

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The adoption of HKFRS 18 will not affect the recognition or measurement of items in the consolidated financial statements. It mainly has impacts on presentation and disclosure of income and expenses and adds new disclosure requirement on management-defined performance measures within the consolidated financial statements. So far, the Group considers that the impact of these new and amended standards on the Group's results of operations and financial position will not be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

Fair value measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of key management personnel of the Company or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary or fellow subsidiary is related to the others).
 - (ii) one entity is an associate or a joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions apply: *(Continued)*
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a company of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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

- (i) that person's children and spouse or domestic partner.
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Property, plant and equipment and depreciation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

Category	Estimated useful life	Estimated residual value
Buildings	25-50 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Plant and machinery	5-10 years	5%
Furniture and fixtures	3-5 years	5%
Motor vehicles	4-5 years	5%

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

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

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

Intangible assets (other than goodwill)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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

Software	5-10 years
Dealership agreements	40 years

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values adjusted to exclude any prepaid or accrued operating lease income.

All of the Group's land and buildings and rights of use assets (where the Group is a lessee) held to earn rentals or capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

(a) Right-of-use assets

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

Buildings and lands	3 to 20 years
Land use rights	36 to 66 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

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

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

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

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

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

Group as a lessor

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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

Impairment of financial assets

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

General approach

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

- After-Sales Service

After-sales service income is recognised at the point in time when the services are fully rendered and accepted by customers.

Other income

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

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

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

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

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

Contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Vendor rebates

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

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

Share-based payments

The Company operates a share award scheme and a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details of the fair value are given in note 32 to the financial statements.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

Other employee benefits

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

Borrowing costs

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

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was RMB47,447,000 as at 31 December 2025 (2024: RMB65,189,000). The amount of unrecognised tax losses at 31 December 2025 was RMB482,433,000 (2024: RMB300,141,000). Further details are contained in note 30 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

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

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2025 was RMB10,284,000 (2024: RMB10,284,000). Further details are given in note 17.

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

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

Estimation uncertainty *(Continued)*

Net realisable value of inventories

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

Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical areas

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

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

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	7,345,048	8,608,890

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2025 RMB'000	2024 RMB'000
Types of goods or services		
Revenue from sale of motor vehicles	6,355,564	7,454,640
Revenue from after-sales services	989,484	1,154,250
Total revenue from contracts with customers	7,345,048	8,608,890
Timing of revenue recognition		
At a point in time	7,345,048	8,608,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

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

(a) Revenue: *(Continued)*

(ii) Performance obligations

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

Sale of motor vehicles

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

After-sales services

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

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

	2025 RMB'000	2024 RMB'000
Sale of motor vehicles	98,698	119,642
After-sales services	40,761	58,741
Total contract liabilities	139,459	178,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

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

(b) Other income and gains, net:

	2025 RMB'000	2024 RMB'000
Commission income	354,842	525,092
Logistics and storage income	20,004	23,854
Interest income	7,910	13,636
Advertisement support received from motor vehicle manufacturers	13,183	12,524
Net (loss)/gain on disposal of property, plant and equipment	(4,482)	13,993
Net loss on disposal of intangible assets	(384)	–
Net gain on disposal of right-of-use assets	1,038	2,824
Government grants	1,204	3,314
Fair value gains, net:		
Financial assets at fair value through profit or loss	1,972	663
Investment properties	2,148	–
Loss on disposal of subsidiaries	–	(6,000)
Others	36,251	32,390
Total	433,686	622,290

6. LOSS BEFORE TAX

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

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

	2025 RMB'000	2024 RMB'000
Wages and salaries	194,975	222,971
Equity-settled share award expense	–	3,176
Other welfare	69,487	47,003
Total	264,462	273,150

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

6. LOSS BEFORE TAX *(Continued)*

(b) Cost of sales and services

	2025 RMB'000	2024 RMB'000
Cost of sales of motor vehicles	6,722,691	7,908,316
(Reversal)/accrual of impairment of inventories	(8,554)	5,932
Others*	626,561	724,459
Total	7,340,698	8,638,707

* Employee benefit expenses of RMB32,919,000 (2024: RMB46,613,000) were included in the cost of sales and services.

(c) Other items

	2025 RMB'000	2024 RMB'000
Depreciation of property, plant and equipment	179,571	178,761
Depreciation of right-of-use assets	24,907	27,959
Amortisation of intangible assets	706	867
Auditor's remuneration	1,400	2,280
Advertising and business promotion expenses	43,360	52,634
Loss on disposal of subsidiaries	–	6,000
Lease payments not included in the measurement of lease liabilities	6,002	3,579
Bank charges	4,115	4,280

7. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on bank borrowings and other borrowings	79,100	101,957
Interest expense on lease liabilities	2,863	3,567
Less: Interest capitalised	–	(9,325)
Total	81,963	96,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December 2025				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity- settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
-Mr. Wu Tak Lam	-	1,200	-	10	1,210
-Ms. Chiu Man ⁽ⁱ⁾	-	600	-	10	610
-Mr. Deng Ning ⁽ⁱⁱ⁾	-	498	-	45	543
-Mr. Wang Hao ⁽ⁱⁱ⁾	-	418	-	45	463
-Ms. Chen Wei	-	298	-	45	343
	-	3,014	-	155	3,169
Independent non-executive directors:					
-Dr. Liu Xiaofeng ⁽ⁱⁱⁱ⁾	200	-	-	-	200
-Dr. Han Qinchun	182	-	-	-	182
-Mr. Liu Qiming	163	-	-	-	163
-Mr. Mou Junfa ^(iv)	-	-	-	-	-
	545	-	-	-	545
	545	3,014	-	155	3,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

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

	Year ended 31 December 2024				Total RMB'000
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity- settled share award expense RMB'000	Pension scheme contributions RMB'000	
Executive directors:					
-Mr. Wu Tak Lam	–	1,290	–	10	1,300
-Ms. Chiu Man ⁽ⁱ⁾	–	645	–	10	655
-Mr. Deng Ning	–	419	835	44	1,298
-Ms. Chen Wei	–	274	584	44	902
	–	2,628	1,419	108	4,155
Independent non-executive directors:					
-Mr. Song Tao ^(v)	182	–	–	–	182
-Dr. Liu Xiaofeng	204	–	–	–	204
-Dr. Han Qinchun	185	–	–	–	185
-Mr. Liu Qiming	18	–	–	–	18
	589	–	–	–	589
	589	2,628	1,419	108	4,744

- (i) The Company's chief executive is Ms. Chiu Man, who is also an executive director of the Company.
- (ii) Mr. Wang Hao has been appointed as an executive director of the Company and Mr. Deng Ning has resigned as an executive director of the Company from 7 November 2025.
- (iii) Mr. Liu Xiaofeng has resigned as independent non-executive director of the Company from on 31 December 2025.
- (iv) Mr. Mou Junfa has been appointed as independent non-executive director of the Company from on 31 December 2025.
- (v) Mr. Song Tao tendered his resignation as an independent non-executive director of the Company on 22 November 2024.

During the year ended 31 December 2025, no share awards were granted. Details of the share award scheme are set out in note 32 to the financial statements. The fair value of share awards granted in previous year, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three directors (2024: two), details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining two (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	2,720	3,436
Equity-settled share award expense	–	842
Pension scheme contributions	55	98
Total	2,775	4,376

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

	Number of employees	
	2025	2024
HK\$500,001 to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	1
Total	2	3

During the year ended 31 December 2025, no share awards were granted. Details of are included in the disclosures in note 32 to the financial statements. The fair value of such share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

10. INCOME TAX

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

	2025 RMB'000	2024 RMB'000
Current tax on profits for the year	4,919	12,237
Adjustment for (over)/under provision in prior periods	(7,249)	1,263
Deferred tax	8,462	11,845
Total	6,132	25,345

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

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

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**"), the income tax rate for the PRC subsidiaries is 25% from 1 January 2008.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

10. INCOME TAX *(Continued)*

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

	2025 RMB'000	2024 RMB'000
Loss before tax	(239,224)	(187,684)
Tax at the applicable tax rate (25%)	(59,806)	(46,921)
Preferential tax rate on the income of PRC subsidiaries	(834)	(1,306)
Adjustment for (over)/under provision in prior periods	(7,249)	1,263
Expenses not deductible for tax	921	1,522
Tax losses utilised from previous periods	–	(1,102)
Tax losses not recognised and temporary differences	73,100	71,889
Tax charge at the Group's effective rate	6,132	25,345

11. DIVIDENDS

No dividends were declared and paid by the Company during the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

12. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 600,000,000 (2024: 600,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024.

The calculations of basic and diluted loss per share are based on:

	2025 RMB'000	2024 RMB'000
Loss		
Loss attributable to ordinary equity holders of the Company	(245,109)	(213,029)
	2025	2024
Shares		
Weighted average number of ordinary shares in issue during the year	600,000,000	600,000,000
Loss per share		
Basic and diluted (RMB)	(0.41)	(0.36)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 1 January 2025							
Cost	1,769,600	244,823	214,942	125,032	216,965	55,882	2,627,244
Accumulated depreciation and impairment	(579,366)	(124,720)	(159,720)	(101,125)	(70,627)	-	(1,035,558)
Net carrying amount	1,190,234	120,103	55,222	23,907	146,338	55,882	1,591,686
At 1 January 2025, net of accumulated depreciation	1,190,234	120,103	55,222	23,907	146,338	55,882	1,591,686
Additions	-	41,361	-	-	114,850	12,337	168,548
Disposals	-	-	(37,073)	-	(71,196)	-	(108,269)
Depreciation provided during the year	(66,121)	(53,553)	(10,827)	(6,972)	(42,098)	-	(179,571)
Transfer	-	9,303	1,263	-	-	(10,566)	-
At 31 December 2025, net of accumulated depreciation	1,124,113	117,214	8,585	16,935	147,894	57,653	1,472,394
At 31 December 2025							
Cost	1,769,600	295,487	179,132	125,032	260,619	57,653	2,687,523
Accumulated depreciation and impairment	(645,487)	(178,273)	(170,547)	(108,097)	(112,725)	-	(1,215,129)
Net carrying amount	1,124,113	117,214	8,585	16,935	147,894	57,653	1,472,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

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

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024							
Cost	1,242,584	222,683	222,110	132,889	275,729	713,048	2,809,043
Accumulated depreciation and impairment	(534,695)	(92,756)	(155,930)	(99,463)	(78,700)	–	(961,544)
Net carrying amount	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499
At 1 January 2024, net of accumulated depreciation	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499
Additions	24,275	14,685	5,657	4,978	105,736	83,083	238,414
Disposals	(195)	(4,586)	(459)	(894)	(98,289)	–	(104,423)
Disposal of subsidiaries	(33,248)	(6,116)	(1,568)	(693)	(5,325)	(241)	(47,191)
Depreciation provided during the year	(60,081)	(38,087)	(14,870)	(12,910)	(52,813)	–	(178,761)
Transfer	551,594	24,280	282	–	–	(576,156)	–
Transfer to other non-current assets	–	–	–	–	–	(163,852)	(163,852)
At 31 December 2024, net of accumulated depreciation	1,190,234	120,103	55,222	23,907	146,338	55,882	1,591,686
At 31 December 2024							
Cost	1,769,600	244,823	214,942	125,032	216,965	55,882	2,627,244
Accumulated depreciation and impairment	(579,366)	(124,720)	(159,720)	(101,125)	(70,627)	–	(1,035,558)
Net carrying amount	1,190,234	120,103	55,222	23,907	146,338	55,882	1,591,686

As at 31 December 2025, the application for the property ownership certificates of certain buildings with an aggregate net book value of approximately RMB109,313,000 (2024: RMB312,413,000) was still in progress.

At 31 December 2025, certain of the Group's buildings with an aggregate net book value of approximately RMB858,439,000 (2024: RMB697,234,000) were pledged as security for the Group's bank borrowings (note 27(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

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

The Group has performed a review to reassess the estimated useful lives of certain buildings based on more experiences attained by the Group's operational management, and has changed the expected useful lives of certain buildings from 20 years to 25 to 50 years to better reflect their actual useful lives. The changes have been accounted for prospectively as a change in accounting estimate in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The change in estimate leads to a decrease in depreciation expense of RMB5,317,000 for the year ended 31 December 2025.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings in its operations. Leases of buildings generally have lease terms between 3 and 20 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 19 to 58 years, and no ongoing payments will be made under the terms of these land leases. The rest of the leases have lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Buildings and lands RMB'000	Land use rights RMB'000	Total RMB'000
As at 1 January 2024	81,979	611,743	693,722
Addition	1,930	–	1,930
Disposal	(11,642)	(49,495)	(61,137)
Disposal of subsidiaries	–	(32,519)	(32,519)
Depreciation charge	(14,242)	(17,725)	(31,967)
Including: amount capitalised	–	(4,008)	(4,008)
As at 31 December 2024 and 1 January 2025	58,025	512,004	570,029
Disposal	(28,401)	–	(28,401)
Depreciation charge	(8,201)	(16,706)	(24,907)
At 31 December 2025	21,423	495,298	516,721

At 31 December 2025, certain land use rights of the Group with an aggregate net book value of approximately RMB373,504,000 (2024: RMB344,684,000) were pledged as securities for the Group's bank borrowings (note 27(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

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

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	64,818	88,634
New leases	–	1,930
Accretion of interest recognised during the year	2,863	3,567
Payments	(15,905)	(15,225)
Disposal	(29,439)	(14,088)
Carrying amount at 31 December	22,337	64,818
Analysed into:		
Current portion	2,703	9,573
Non-current portion	19,634	55,245

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

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

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	2,863	3,567
Depreciation charge of right-of-use assets	24,907	27,959
Expense relating to leases of short-term or low-value assets (included in selling and distribution expenses, and administrative expenses)	6,002	3,579
Total amount recognised in profit or loss	33,772	35,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INTANGIBLE ASSETS

31 December 2025

	Software RMB'000	Dealership agreements RMB'000	Total RMB'000
Cost at 1 January 2025, net of accumulated amortisation	2,450	7,132	9,582
Addition	192	–	192
Disposal	(384)	–	(384)
Amortisation provided during the year	(491)	(215)	(706)
At 31 December 2025	1,767	6,917	8,684
At 31 December 2025			
Cost	11,963	8,643	20,606
Accumulated amortisation	(10,196)	(1,726)	(11,922)
Net carrying amount	1,767	6,917	8,684

31 December 2024

	Software RMB'000	Dealership agreements RMB'000	Total RMB'000
Cost at 1 January 2024, net of accumulated amortisation	3,102	7,347	10,449
Amortisation provided during the year	(652)	(215)	(867)
At 31 December 2024	2,450	7,132	9,582
At 31 December 2024			
Cost	12,155	8,643	20,798
Accumulated amortisation	(9,705)	(1,511)	(11,216)
Net carrying amount	2,450	7,132	9,582

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

16. PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Prepayments for purchase of land use rights	12,800	15,000
Prepayments for purchase of items of property, plant and equipment	4,865	7,301
Total	17,665	22,301

17. GOODWILL

	RMB'000
At 1 January 2024 and 2025	
Cost	10,794
Accumulated impairment	(510)
Net carrying amount	10,284
Cost at 1 January 2024 and 2025, net of accumulated impairment, and at 31 December 2024 and 2025	10,284
At 31 December 2024 and 2025:	
Cost	10,794
Accumulated impairment	(510)
Net carrying amount	10,284

Impairment testing of goodwill

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

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

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is -1% (2024: 2.2%) for all years. The pre-tax discount rate applied to the cash flow projections beyond the one-year period is 12% (2024: 12%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

17. GOODWILL (Continued)

Assumptions used in the value in use calculation

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

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

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

Sensitivity to changes in assumptions

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

18. OTHER NON-CURRENT ASSETS

	RMB'000
At 1 January 2024	–
Transfer from property, plant and equipment	<u>163,852</u>
At 31 December 2024 and 1 January 2025	163,852
Transfer to investment properties	<u>(163,852)</u>
At 31 December 2025	<u>–</u>

At 31 December 2024, the application for the sale permits with an aggregate net book value of approximately RMB163,852,000 was still in progress.

At 31 December 2024, the buildings with an aggregate carrying amount of approximately RMB163,852,000 were pledged as securities for the Group's bank loans and other borrowings (note 27(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

19. INVESTMENT PROPERTIES

	RMB'000
At 31 December 2024 and 1 January 2025	–
Transfer from other non-current assets	163,852
Net increase in fair value recognised in profit or loss	2,148
<hr/>	
At 31 December 2025	166,000

The investment properties of the Group are held under medium term land use rights in the PRC. All of the Group's properties held to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

During the year ended 31 December 2025, rental income of approximately RMB792,000 and rental yield of 0.48% were generated from the investment properties. Direct operating expenses from properties that generated rental income were approximately RMB146,000.

As at 31 December 2025, the application for the sales permits with an aggregate net book value of approximately RMB166,000,000 was still in process.

At 31 December 2025, the building with an aggregate carrying amount of approximately RMB166,000,000 were pledged as securities for the Group's bank loans and other borrowings (note 27(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

19. INVESTMENT PROPERTIES *(Continued)*

The fair values of the Group's investment properties at 31st December, 2025 have been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield ("C&W"), an independent qualified valuer not connected to the Group. The fair value was determined based on the direct comparison approach, where assuming sales in their existing states with the benefit of vacant possession and by making reference to market evidence of transaction prices for similar properties in the same locations and conditions.

In estimating the fair value of the properties, the highest and best use of the properties is their current use, which does not differ from their actual use.

The fair value of investment properties is categorised as a Level 3 fair value measurement, there was no transfer into or out of Level 3 during the year.

One of the key inputs used in valuing the investment properties was the market price per square meter using direct market comparable and taking into account the differences between the investment properties and the comparable in terms of age, time, location, floor level and other relevant factors, ranging from RMB22,000 to RMB28,000 per square meter. An increase in the market price per square meter will result in a same level increase in fair value of the investment properties, and vice versa.

Location	Fair value as at 31 December 2025		Valuation technique and key inputs	Significant unobservable inputs	Range of unobservable inputs
	RMB'000	Level			
Commercial units					
Xi'an	166,000 (2024: nil)	Level 3	Direct comparison method with market unit rate as key input, taking into account the recent transaction prices for similar properties adjusted for nature and location of the property, which ranging from RMB22,000 to RMB28,000 per sqm.	Premium of discount for quality of properties (e.g. view, level and condition of the commercial properties)	-12% to 12% (2024: nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

20. INVENTORIES

	2025 RMB'000	2024 RMB'000
Motor vehicles	820,708	958,738
Spare parts	81,456	88,804
	902,164	1,047,542
Less: impairment	(27,467)	(36,021)
Total	874,697	1,011,521

At 31 December 2025, certain of the Group's inventories with an aggregate carrying amounts of approximately RMB579,747,000 (2024: RMB498,076,000) and RMB200,856,000 (2024: RMB406,219,000) were pledged as securities for the Group's bank loans and other borrowings (note 27(a)) and the Group's bills payable (note 28), respectively.

21. TRADE RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	33,046	40,536

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

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

	2025 RMB'000	2024 RMB'000
Within 3 months	22,865	38,163
More than 3 months but less than 1 year	7,154	1,338
Over 1 year	3,027	1,035
Total	33,046	40,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

21. TRADE RECEIVABLES *(Continued)*

As at 31 December 2025 and 2024, no provision for impairment of trade receivables was accrued.

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

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is disclosed in note 42 to the financial statements.

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

	2025 RMB'000	2024 RMB'000
Neither past due nor impaired	30,019	39,501
Overdue within 1 year but not impaired	654	–
Over 1 year past due but not impaired	2,373	1,035
Total	33,046	40,536

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Prepayments and deposits to suppliers	181,166	330,058
Vendor rebate receivables	255,839	310,770
VAT recoverable	93,987	109,769
Others	152,933	122,490
Total	683,925	873,087

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Financial products	7,369	5,397

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

24. PLEDGED BANK DEPOSITS

	2025 RMB'000	2024 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks and bills payable	883,945	652,186

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

As at 31 December 2025, certain of the Group's pledged bank deposits with aggregate carrying amounts of approximately RMB95,850,000 (2024: RMB99,376,000) were pledged as securities for the Group's bank loans and other borrowings (note 27(a)).

As at 31 December 2025, certain of the Group's pledged bank deposits with an aggregate carrying amount of approximately RMB783,987,000 (2023: RMB550,690,000) were pledged as securities for the Group's bills payable (note 28).

25. CASH IN TRANSIT

	2025 RMB'000	2024 RMB'000
Cash in transit	2,545	2,137

Cash in transit is the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

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26. CASH AND CASH AT BANKS AND SHORT-TERM DEPOSITS

	2025 RMB'000	2024 RMB'000
Cash and cash at banks	365,629	587,471
Short-term deposits	46,895	59,901
	412,524	647,372
Less: Time deposits with maturity of over three months	(46,895)	(52,297)
Cash and cash equivalents	365,629	595,075
RMB	356,164	497,781
HKD	6,325	16,097
USD	2,601	80,718
EUR	539	479
	365,629	595,075

As at 31 December 2025, the cash and cash equivalents of the Group denominated in RMB amounted to RMB356,164,000 (2024: RMB497,781,000) in the PRC. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. BANK LOANS AND OTHER BORROWINGS

	2025			2024		
	Effective interest rate (%)	Maturity	Amount RMB'000	Effective interest rate (%)	Maturity	Amount RMB'000
Current						
Bank loans	2.35-4.80	2026	1,166,630	2.85-5.80	2025	1,337,664
Other borrowings	2.48-8.50	2026	235,586	2.28-8.50	2025	282,288
Total – current			1,402,216			1,619,952
Non-current						
Bank loans	4.35-5.80	2027-2034	359,378	4.35-5.80	2026-2034	442,963
Total – non-current			359,378			442,963
Total			1,761,594			2,062,915
Bank loans and other borrowings represent:						
– secured loans (a)			1,357,116			1,315,493
– unsecured loans			404,478			747,422
			1,761,594			2,062,915

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	1,166,630	1,337,664
In the second year	24,000	97,500
In the third to fifth years, inclusive	207,675	214,485
Over five years	127,703	130,978
	1,526,008	1,780,627
Other borrowings repayable:		
Within one year	235,586	282,288
	1,761,594	2,062,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

27. BANK LOANS AND OTHER BORROWINGS *(Continued)*

Notes:

- (a) As at 31 December 2025, certain of the Group's bank loans and other borrowings are secured by:
- (i) mortgages over the Group's land use rights situated in the PRC, which had an aggregate carrying value of approximately RMB373,504,000 (2024: RMB344,684,000) (note 14);
 - (ii) mortgages over the Group's buildings, which had an aggregate net book value of approximately RMB858,439,000 (2024: RMB697,234,000) (note 13);
 - (iii) mortgages over the Group's investment properties (2024: other non-current assets), which had an aggregate carrying amount of approximately RMB166,000,000 (2024: RMB163,852,000) (note 18 and note 19);
 - (iv) mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB579,747,000 (2024: RMB498,076,000) (note 20);
 - (v) mortgages over the Group's bank deposits, which had an aggregate carrying amount of approximately RMB95,850,000 (2024: RMB99,376,000). (note 24);
- (b) As at 31 December 2025 and 2024, all bank loans and other borrowings were in RMB.

28. TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	75,868	95,820
Bills payable	973,211	857,333
Trade and bills payables	1,049,079	953,153

An ageing analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	699,710	592,307
3 to 6 months	338,125	353,937
6 to 12 months	3,166	3,669
Over 12 months	8,078	3,240
	1,049,079	953,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. TRADE AND BILLS PAYABLES *(Continued)*

The trade and bills payables are non-interest-bearing. The trade and bills payables are normally settled on 90 to 180 days terms.

As at 31 December 2025, the Group's bills payable are secured by mortgages over the Group's inventories and bank deposits, which had an aggregate carrying value of approximately RMB200,856,000 (2024: RMB406,219,000) (note 20) and RMB783,987,000 (2024: RMB550,690,000) (note 24) , respectively.

29. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Payables for purchase of items of property, plant and equipment	30,793	42,267
Contract liabilities (a)	120,674	139,459
Staff payroll and welfare payables	13,916	29,306
Tax payable (other than income tax)	11,263	10,416
Others	57,366	56,077
	234,012	277,525

(a) Details of contract liabilities are as follows:

	31 December 2025 RMB'000	31 December 2024 RMB'000	1 January 2024 RMB'000
<i>Short-term advances received from customers</i>			
Sale of motor vehicles	77,897	98,698	119,642
After-sales services	42,777	40,761	58,741
Total contract liabilities	120,674	139,459	178,383

Contract liabilities include short-term advances received to deliver new automobiles or to provide after-sales services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. DEFERRED TAX

Deferred tax assets

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

	Losses available for future taxable profits RMB'000	Inventory impairment RMB'000	Accrued payroll and social welfare RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	53,917	7,279	571	22,158	83,925
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 10)	(5,756)	(3,470)	(571)	(8,646)	(18,443)
At 31 December 2024	48,161	3,809	–	13,512	65,482
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 10)	(10,680)	463	–	(7,818)	(18,035)
At 31 December 2025	37,481	4,272	–	5,694	47,447

The Group also has unrecognised tax losses arising in the PRC of RMB482,433,000 (2024: RMB300,141,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

30. DEFERRED TAX *(Continued)*

Deferred tax liabilities

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

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Depreciation charges in less than depreciation allowances RMB'000	Capitalisation of interest expense and others RMB'000	Withholding Tax RMB'000	Revaluation of investment properties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	2,108	6,809	7,773	3,750	–	20,495	40,935
Deferred tax charged/ (credited) in the consolidated statement of profit or loss during the year (note 10)	(78)	1,186	293	–	–	(7,999)	(6,598)
At 31 December 2024	2,030	7,995	8,066	3,750	–	12,496	34,337
Deferred tax charged/ (credited) in the consolidated statement of profit or loss during the year (note 10)	(78)	(908)	–	–	537	(9,124)	(9,573)
At 31 December 2025	1,952	7,087	8,066	3,750	537	3,372	24,764

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately RMB2,030,000,000 and RMB2,110,000,000 at 31 December 2025 and 2024, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. SHARE CAPITAL

Authorised

	2025 No. of shares of US\$0.0001 each	2024 No. of shares of US\$0.0001 each
Ordinary shares	1,000,000,000	1,000,000,000

Shares

	No. of shares of US\$0.0001 each	Equivalent to RMB'000
Issued and fully paid: ordinary shares	600,000,000	600,000,000

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary shares RMB'000
As at 1 January 2024 and 31 December 2024	600,000,000	60	377
As at 1 January 2025 and 31 December 2025	600,000,000	60	377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. SHARE-BASED PAYMENTS

(a) Pre-IPO Share Award Scheme

The Company's Pre-IPO Share Award Scheme was approved and adopted on 8 January 2014 for the purpose of recognising and rewarding the contribution of the selected employees of the Group and motivating their contribution to the future development of the Group.

For the implementation of the Pre-IPO Share Award Scheme, a Management Trust was established by Top Wheel Limited, which was fully owned by Mr. Wu Tak Lam and Ms. Chiu Man on 8 January 2014 with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel Limited transferred, for nil consideration, 9,000,000 shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. The vesting in full of the share award would, under the present capital structure of the Company, have no impact on the additional ordinary shares of the Company.

The following awarded shares were outstanding under the scheme during the year:

	2025 Number of awarded shares '000	2024 Number of awarded shares '000
At 1 January	–	3,809,600
Vested during the year	–	(3,809,600)
At 31 December	–	–

Under the Pre-IPO Share Award Scheme, the vesting period is five years during which the awarded shares granted to any particular selected employee will vest on each anniversary of the grant date of the relevant awards in equal portions.

During the years ended 31 December 2025 and 2024, no share awards were granted under Pre-IPO Share Award Scheme.

The fair value of share awards granted was estimated, by reference to the market value of the share awards as at the date of grant, taking into account the terms and conditions upon which the share awards were granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. SHARE-BASED PAYMENTS *(Continued)*

(a) Pre-IPO share award scheme *(Continued)*

The Group recognised a share award expense of nil (2024: RMB3,176,000) during the year ended 31 December 2025.

The Company did not have any outstanding awarded shares under the Pre-IPO Share Award Scheme as at 31 December 2025 and 2024.

(b) Share Option Scheme

On 18 January 2014, a share option scheme was approved and adopted by the then shareholder (the “**Share Option Scheme**”) for the purposes of recognising and rewarding the contribution of the selected employees of the Group and motivating their contribution to the future development of the Group.

No share options were granted under the Share Option Scheme during the years ended 31 December 2025 and 2024. The Company did not have any outstanding share options as at 31 December 2025 and 2024.

33. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC company law to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(iv) Capital reserve

The capital reserve of the Group represents the capital contributions from the equity holders of the Company and the excess of the carrying amount of the non-controlling interests acquired over the consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. DISPOSAL OF SUBSIDIARIES IN PRIOR YEAR

In July 2024, the Group disposed of 100% equity interests in Suzhou Sunfonda Toyota Motor Sales and Service Co., Ltd., Yangzhou Sunfonda Junsheng Lexus Automobile Sales & Service Co. Ltd. and Wuxi Sunfonda Kaida Automobile Sales & Service Co., Ltd. to an individual for a total consideration of RMB41,096,000.

	2024 RMB'000
Net asset disposed of:	
Property, plant and equipment	47,190
Land use rights	32,519
Cash and bank balances	16,235
Trade receivables	5,846
Prepayments and other receivables	62,163
Short term loans	(44,290)
Trade payables	(4,085)
Accruals and other payables	(69,171)
Tax payable	689
Subtotal	47,096
Loss on disposal of three subsidiaries	(6,000)
Total consideration	41,096
Satisfied by:	
Cash	41,096

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of three subsidiaries is as follows:

	2024 RMB'000
Cash consideration	41,096
Cash and bank balances disposed of	(16,235)
Net inflow of cash and cash equivalents in respect of the disposal of three subsidiaries	24,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY

On 5 June 2025, the Group disposed of 44.65% equity interest of Xi'an Sunfonda Jinghe Logistics Development Co., Ltd for a consideration of approximately RMB31,763,000. As a result of the transaction, the Group recognised an increase in non-controlling interest of approximately RMB8,805,000 and an increase in share premium of approximately RMB22,958,000.

36. EMPLOYEE RETIREMENT BENEFITS

Under the PRC state regulations, the employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The subsidiaries in Mainland China are required to make contributions to the local social security bureau at 10% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in the PRC.

For the years ended 31 December 2025 and 2024, there is no forfeited contribution under the retirement schemes and Pension Scheme which may be used by the Group to reduce the contribution in future years.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, non-cash additions of right-of-use assets and lease liabilities of nil (2024: RMB1,930,000), nil (2024: RMB1,930,000), respectively, and non-cash disposals to right-of-use assets and lease liabilities of RMB28,401,000 (2024: RMB11,642,000) and RMB31,439,000 (2024: RMB14,088,000), respectively, in respect of lease arrangements for plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

2025

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2025	2,062,915	64,818
Changes from financing cash flows	(380,135)	(15,905)
Interest expense	78,814	2,863
Disposal of leases	–	(29,439)
At 31 December 2025	1,761,594	22,337

2024

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2024	2,521,102	88,634
Changes from financing cash flows	(507,703)	(15,225)
Disposal of subsidiaries	(44,290)	–
New leases	–	1,930
Interest expense	93,806	3,567
Disposal of leases	–	(14,088)
At 31 December 2024	2,062,915	64,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date were as follows:

2025

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	33,046	33,046
Financial assets included in prepayments, other receivables and other assets	–	411,175	411,175
Financial assets at fair value through profit or loss	7,369	–	7,369
Pledged bank deposits	–	883,945	883,945
Cash in transit	–	2,545	2,545
Cash and cash at banks and short-term deposits	–	412,524	412,524
Total	7,369	1,743,235	1,750,604

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,049,079
Financial liabilities included in other payables and accruals	88,159
Bank loans and other borrowings	1,761,594
Total	2,898,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the reporting date were as follows:
(Continued)

2024

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	40,536	40,536
Financial assets included in prepayments, other receivables and other assets	–	450,402	450,402
Financial assets at fair value through profit or loss	5,397	–	5,397
Pledged bank deposits	–	652,186	652,186
Cash in transit	–	2,137	2,137
Cash and cash at banks and short-term deposits	–	647,372	647,372
Total	5,397	1,792,633	1,798,030

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	953,153
Financial liabilities included in other payables and accruals	98,344
Bank loans and other borrowings	2,062,915
Total	3,114,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair Values	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Financial assets at fair value through profit or loss	7,369	5,397	7,369	5,397

Management has assessed that the fair values of cash and cash at banks, short-term deposits, cash in transit, pledged bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 31 December 2025 was assessed to be insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	7,369	–	–	7,369

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	5,397	–	–	5,397

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2025 and 2024.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

40. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group at the reporting date not provided for in these financial statements are as follows:

	2025 RMB'000	2024 RMB'000
Contracted, but not provided for: Buildings	280	3,701

41. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders (the “**Controlling Shareholders**”) of the Group. They are also the key management personnel and considered to be related parties of the Group.

Mr. Zhao Yijian is a close family member of the Controlling Shareholders and considered to be a related party of the Group.

The Group had the following transactions with related parties during the year:

(a) Transactions with a related party

The following transactions were carried out with a related company during the year:

	2025 RMB'000	2024 RMB'000
(i) Sales of motor vehicles and spare parts		
Yangzhou Sunfonda Automobile Co., Ltd.*	12	246
(ii) Purchase of motor vehicles and spare parts		
Yangzhou Sunfonda Automobile Co., Ltd.*	–	107

* Yangzhou Sunfonda Automobile Co., Ltd. is controlled by Mr. Zhao Yijian.

The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

41. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

The Group had the following transactions with related parties during the year:

(b) Compensation of key management personnel of the Group

	2025 RMB'000	2024 RMB'000
Short term employee benefits	3,890	3,628
Equity-settled share award expense	–	2,003
Post-employment benefits	200	152
Total compensation paid to key management personnel	4,090	5,783

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 24), short-term deposits, and cash and cash at banks (note 26).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 27. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on long term floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2025 RMB	50	(576)	(432)
RMB	(50)	576	432
2024 RMB	50	(687)	(515)
RMB	(50)	687	515

Foreign currency risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, short-term deposits, cash and cash at banks, trade and other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2025

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	33,046	33,046
Financial assets included in prepayments, other receivables and other assets	411,175	–	411,175
Total	411,175	33,046	444,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2024

	12-month ECLs	Lifetime ECLs	Total RMB'000
	Stage 1 RMB'000	Simplified approach RMB'000	
Trade receivables	–	40,536	40,536
Financial assets included in prepayments, other receivables and other assets	450,402	–	450,402
Total	450,402	40,536	490,938

For trade receivables to which the Group applies the simplified approach for impairment. For the financial assets included in prepayments, other receivables and other assets to which the Group applies the general approach for impairment, there was no recent history of default. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No loss allowance was provided because management estimated that the expected credit loss rate was less than 1% and the expected credit losses as at 31 December 2025 were not significant.

As at 31 December 2025, all pledged bank deposits, short-term deposits, and cash and cash at banks were deposited in reputable financial institutions without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2025					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	287,300	1,174,006	300,815	143,195	1,905,316
Lease liabilities	–	–	3,984	11,068	17,375	32,427
Trade and bills payables	92,997	642,282	313,800	–	–	1,049,079
Financial liabilities included in other payables and accruals	30,512	26,855	30,792	–	–	88,159
Total	123,509	956,437	1,522,582	311,883	160,570	3,074,981

	As at 31 December 2024					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	505,682	1,103,025	441,881	146,469	2,197,057
Lease liabilities	–	3,983	10,490	40,451	26,023	80,947
Trade and bills payables	95,819	517,323	340,011	–	–	953,153
Financial liabilities included in other payables and accruals	56,077	10,566	31,701	–	–	98,344
Total	151,896	1,037,554	1,485,227	482,332	172,492	3,329,501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2025.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables and certain other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits. The gearing ratios as at the reporting dates were as follows:

	2025 RMB'000	2024 RMB'000
Bank loans and other borrowings	1,761,594	2,062,915
Trade and bills payables	1,049,079	953,153
Other payables and accruals	234,012	277,525
Less: Pledged deposits	(883,945)	(652,186)
Cash in transit	(2,545)	(2,137)
Short-term deposits	(46,895)	(59,901)
Cash and cash at banks	(365,629)	(587,471)
Net debt	1,745,671	1,991,898
Total equity	2,041,306	2,253,997
Total equity and net debt	3,786,977	4,245,895
Gearing ratio	46.1%	46.9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2025

43. EVENTS AFTER THE REPORTING PERIOD

As of the approval date on these financial statements, the Group had no significant events after the reporting period which need to be disclosed.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	402,034	399,130
CURRENT ASSETS		
Prepayments, other receivables and other assets	204	293
Cash and cash equivalents	3,420	7,811
Total current assets	3,624	8,104
CURRENT LIABILITIES		
Other payables and accruals	(739)	(759)
NET CURRENT ASSETS	2,885	7,345
TOTAL ASSETS LESS CURRENT LIABILITIES	404,919	406,475
NET ASSETS	404,919	406,475
EQUITY		
Share capital	377	377
Reserves (note)	404,542	406,098
Total equity	404,919	406,475

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated gains RMB'000	Total RMB'000
At 1 January 2024	87,282	320,214	(6,730)	6,040	406,806
Total comprehensive income for the year	–	–	1,388	(2,096)	(708)
At 31 December 2024 and 1 January 2025	87,282	320,214	(5,342)	3,944	406,098
Total comprehensive income for the year	–	–	(276)	(1,280)	(1,556)
At 31 December 2025	87,282	320,214	(5,618)	2,664	404,542

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2026.

FINANCIAL SUMMARY

31 DECEMBER 2025

	2025 RMB'000	Year ended 31 December			
		2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
REVENUE	7,345,048	8,608,890	10,977,823	10,923,678	11,639,221
Cost of sales and services	(7,340,698)	(8,638,707)	(10,557,688)	(10,207,944)	(10,645,937)
Gross profit/(loss)	4,350	(29,817)	420,135	715,734	993,284
Other income and gains, net	433,686	622,290	477,408	281,205	360,082
Selling and distribution expenses	(374,332)	(445,434)	(543,186)	(507,486)	(521,868)
Administrative expenses	(220,965)	(238,524)	(241,189)	(252,676)	(271,467)
(Loss)/profit from operations	(157,261)	(91,485)	113,168	236,777	560,031
Finance costs	(81,963)	(96,199)	(95,172)	(107,377)	(93,705)
(Loss)/profit before tax	(239,224)	(187,684)	17,996	129,400	466,326
Income tax expense	(6,132)	(25,345)	(6,130)	(48,135)	(120,475)
(Loss)/profit for the year	(245,356)	(213,029)	11,866	81,265	345,851
Attributable to:					
Owners of the parent	(245,109)	(213,029)	11,866	81,265	345,851
Non-controlling interests	(247)	–	–	–	–
	(245,356)	(213,029)	11,866	81,265	345,851
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	5,137,246	5,665,159	6,323,168	5,913,487	5,879,162
Total liabilities	3,095,940	3,411,162	3,860,320	3,450,672	3,440,341
Non-controlling interests	8,558	–	–	–	–
Equity attributable to owners of the parent	2,032,748	2,253,997	2,462,848	2,462,815	2,438,821