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HARMONY AUTO

和諧汽車

China Harmony Auto Holding Limited

中國和諧汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03836)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

RESULTS HIGHLIGHTS:

- Our revenue for the year ended December 31, 2022, amounted to approximately RMB16,321.7 million, representing a decrease of 9.2% from approximately RMB17,981.1 million recorded in the corresponding period in 2021.
- The Group recorded a sales volume of new vehicles of 35,506 units for the year ended December 31, 2022, representing a decrease of 13.0% compared to the corresponding period in 2021.
- Our gross profit for the year ended December 31, 2022, amounted to approximately RMB1,079.7 million, representing a decrease of 38.3% compared to the corresponding period in 2021. The gross profit of sales of automobiles and others and provision of after-sales services in 2022 is RMB234.9 million and 784.7 million, respectively, representing a decrease of 64.6% and 24.7% compared with 2021.
- The Group recorded a loss for the year ended December 31, 2022 of RMB1,622.8 million. Excluding the impact of non-recurring losses, our profit would have amounted to RMB164.8 million.
- Basic and diluted loss per share for the year ended December 31, 2022 were RMB1.08 and RMB1.08, respectively.

ANNUAL RESULTS

The board of directors (the “**Board**”) of China Harmony Auto Holding Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**”). The consolidated results have been reviewed by the audit committee of the Company. This annual results announcement is prepared on the basis of the audited financial results of the Group for the year ended December 31, 2022 and contains the audited consolidated financial statements of the Group for the year ended December 31, 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

		2022	2021
	Notes	RMB'000	RMB'000
REVENUE	4	16,321,659	17,981,051
Cost of sales and services		<u>(15,241,990)</u>	<u>(16,229,787)</u>
GROSS PROFIT		1,079,669	1,751,264
Other income and gains, net	5	(1,232,990)	442,989
Selling and distribution expenses		(882,115)	(886,613)
Administrative expenses		<u>(346,872)</u>	<u>(250,071)</u>
(LOSS)/PROFIT FROM OPERATIONS		(1,382,308)	1,057,569
Finance costs	6	(121,289)	(130,853)
Share of (loss)/profit of joint ventures		(1)	3
Share of (loss)/profit of associates		<u>(3,687)</u>	<u>246</u>
(LOSS)/PROFIT BEFORE TAX		(1,507,285)	926,965
Income tax expense	7	<u>(115,519)</u>	<u>(235,694)</u>
(LOSS)/PROFIT FOR THE YEAR	8	<u>(1,622,804)</u>	<u>691,271</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other comprehensive loss after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of an equity investment at fair value through other comprehensive income		(8,604)	(23,196)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(22,649)</u>	<u>(30,122)</u>
Other comprehensive loss for the year, net of tax		<u>(31,253)</u>	<u>(53,318)</u>
Total comprehensive (loss)/income for the year		<u>(1,654,057)</u>	<u>637,953</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(1,627,762)	673,155
Non-controlling interests		<u>4,958</u>	<u>18,116</u>
		<u>(1,622,804)</u>	<u>691,271</u>
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(1,659,015)	619,837
Non-controlling interests		<u>4,958</u>	<u>18,116</u>
		<u>(1,654,057)</u>	<u>637,953</u>
(Loss)/Earnings per share attributable to owners of the Company			
Basic (RMB)	9	<u>(1.08)</u>	<u>0.44</u>
Diluted (RMB)		<u>(1.08)</u>	<u>0.44</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,964,993	3,054,559
Right-of-use assets		849,323	823,118
Intangible assets		147,116	149,665
Goodwill		141,791	141,791
Prepayments and other assets		485,205	421,189
Finance lease receivables		178,596	246,026
Investments in joint ventures		7,772	7,773
Investments in associates		3,087	6,774
Investments at fair value through profit or loss		—	1,217,011
Equity investment at fair value through other comprehensive income		—	8,604
Deferred tax assets		82,321	75,514
		<hr/>	<hr/>
Total non-current assets		4,860,204	6,152,024
CURRENT ASSETS			
Finance lease receivables		263,198	232,465
Inventories	10	1,540,438	1,129,635
Trade receivables	11	197,882	148,149
Prepayments, other receivables and other assets		2,534,426	3,760,416
Investments at fair value through profit or loss		—	81,504
Pledged and restricted bank deposits		220,347	87,752
Cash in transit		24,070	27,454
Cash and bank balances		1,161,992	1,629,199
		<hr/>	<hr/>
Total current assets		5,942,353	7,096,574

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
CURRENT LIABILITIES			
Bank loans and other borrowings		2,083,023	2,629,978
Trade and bills payables	12	635,135	217,265
Other payables and accruals		918,298	1,175,087
Lease liabilities		90,510	109,357
Income tax payable		172,561	223,632
		<hr/>	<hr/>
Total current liabilities		3,899,527	4,355,319
		<hr/>	<hr/>
NET CURRENT ASSETS		2,042,826	2,741,255
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,903,030	8,893,279
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		819,071	792,058
Deferred tax liabilities		57,252	58,659
		<hr/>	<hr/>
Total non-current liabilities		876,323	850,717
		<hr/>	<hr/>
NET ASSETS		6,026,707	8,042,562
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		12,293	12,480
Reserves		5,934,530	7,954,900
		<hr/>	<hr/>
		5,946,823	7,967,380
Non-controlling interests		79,884	75,182
		<hr/>	<hr/>
TOTAL EQUITY		6,026,707	8,042,562
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND GROUP INFORMATION

China Harmony Auto Holding Limited (the “**Company**”) was incorporated on September 24, 2012 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on June 13, 2013 (“**Listing**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) were principally engaged in the sale of automobiles and provision of after-sales services in Mainland China.

In the opinion of the directors of the Company (the “**Directors**”), the ultimate holding company of the Company is Cititrust Private Trust (Cayman) Limited, which is incorporated in the Cayman Islands (“**Cayman Islands**”). Eagle Seeker Company Limited is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the shares held by Eagle Seeker Company Limited. Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest indirectly through Eagle Seeker Company Limited, in the shares held by Mr. Feng Changge (the Chairman and executive director of the Company, and the controlling shareholder of the Company (the “**Controlling Shareholder**”)), who is the founder of the trust of Cititrust Private Trust (Cayman) Limited.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRSs**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

3. OPERATING SEGMENT INFORMATION

The Group’s principal business is the sale of automobiles and provision of after-sales services. 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 area

Since all of the Group’s revenue was generated from the sale of automobiles and provision of after-sales services in Mainland China and over 90% of the Group’s identifiable non-current assets and liabilities were located in Mainland China, no geographical segment information is presented.

Information about major customers

Since no sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented.

4. REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
— Revenue from the sale of automobiles and others	14,324,782	15,609,705
— Provision of after-sales services	1,936,818	2,326,282
<i>Revenue from other sources</i>		
— Finance leasing services	60,059	45,064
	<u>16,321,659</u>	<u>17,981,051</u>

Disaggregation of revenue from contracts with customers:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Type of goods or services		
Sale of automobiles and others	14,324,782	15,609,705
Provision of after-sales services	1,936,818	2,326,282
Total revenue from contracts with customers	<u>16,261,600</u>	<u>17,935,987</u>
Timing of revenue recognition		
Goods received by the customer at a point in time	14,324,782	15,609,705
Services rendered at a point in time	1,936,818	2,326,282
Total revenue from contracts with customers	<u>16,261,600</u>	<u>17,935,987</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of automobiles and others	523,456	421,385
Provision of after-sales services	39,865	65,480
	<u>563,321</u>	<u>486,865</u>

Performance obligations

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

Sale of automobiles and others

The performance obligation is satisfied upon receipt of goods by the customer and payment in advance is normally required.

Provision of after-sales services

The performance obligation is satisfied upon the services are rendered and the payment is generally settled when the services are rendered.

5. OTHER INCOME AND GAINS, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Commission income	412,049	420,628
Interest income from loans to equity investment at fair value through other comprehensive income	32,652	30,094
Advertisement support received from motor vehicle manufacturers	30,473	30,342
Interest income from loans and advances to third parties	15,348	18,459
Bank interest income	23,572	14,472
Government grants (<i>note</i>)	9,920	7,383
Interest income from an investment at fair value through profit or loss	—	3,320
Rental income	4,404	14,790
Impairment loss on investments at fair value through profit or loss	(1,298,515)	(58,763)
Impairment loss on intangible assets	—	(1,245)
Written off of property, plant and equipment	(94,198)	(39,679)
Impairment loss on loans to equity investment at fair value through other comprehensive income	(354,577)	—
Impairment loss on loans to third parties	(40,296)	—
Gain/(loss) on disposals of property, plant and equipment	2,077	(18,335)
Foreign exchange gain	3,693	6,453
Others	20,408	15,070
	<u>(1,232,990)</u>	<u>442,989</u>

Note:

Government grants include various subsidies received by the Company's subsidiaries from relevant government bodies. There are no unfulfilled conditions or contingencies related to these grants.

6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans and other borrowings	72,480	90,996
Leases interests	51,871	48,785
	<u>124,351</u>	<u>139,781</u>
Less: Interest capitalised	(3,062)	(8,928)
	<u><u>121,289</u></u>	<u><u>130,853</u></u>

7. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current Mainland China corporate income tax Provision for the year	123,733	246,397
Deferred tax	(8,214)	(10,703)
	<u><u>115,519</u></u>	<u><u>235,694</u></u>

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the British Virgin Islands (“BVI”) are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 8.25% for the first HK\$2,000,000 of the estimated assessable profits and 16.5% of the remaining estimated assessable profits arising in Hong Kong for the year ended 31 December 2022 and 2021. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2022 as the Group did not generate any assessment profit arising in Hong Kong during the year (2021: Nil).

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate for Mainland China subsidiaries is 25% (2021: 25%).

Reconciliation between tax expense and accounting profit at the applicable tax rate:

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before tax	<u>(1,507,285)</u>	<u>926,965</u>
Tax at the weighted average tax rate	(331,603)	192,479
Profits attributable to joint ventures and associates	(922)	(62)
Income not subject to tax	(9,882)	(16,135)
Tax effect of non-deductible expenses	379,523	37,813
Tax losses and temporary difference not recognised	80,616	22,270
Tax losses utilised from previous periods	<u>(2,213)</u>	<u>(671)</u>
Total income tax expenses	<u>115,519</u>	<u>235,694</u>

8. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2022	2021
	RMB'000	RMB'000
Amortisation of intangible assets	6,455	5,818
Auditor's remuneration		
Audit services		
— Current year	5,300	4,050
Non-audit services	500	1,110
Bank charges	3,321	3,026
Cost of sales and services:		
Cost of sales of automobiles (<i>note a</i>)	14,089,921	14,945,370
Cost of aftersales services (<i>note b</i>)	1,152,069	1,284,417
	15,241,990	16,229,787
Depreciation charge of property, plant and equipment	201,377	193,928
Depreciation charge of right of use assets	120,661	102,501
Impairment loss on investments at fair value through profit or loss	1,298,515	58,763
Foreign exchange differences, net	(3,693)	(189)
(Gain)/loss on disposals of property, plant and equipment	(2,077)	18,335
Staff costs including directors' emoluments		
— Wages and salaries	335,917	386,797
— Equity-settled share-based payments	—	1,349
— Other welfare	85,985	75,915
	421,902	464,061

Note:

- (a) For the year ended 31 December 2022, the group has made RMB4,223,000 (2021: Nil) impairment provision for inventories.
- (b) The employee benefit expenses of RMB142,382,000 (2021: RMB120,497,000) were included in the cost of after-sales services.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to ordinary equity holders of the parent is based on the (loss)/profit for the year attributable to the owners of the company and the weighted average number of ordinary shares in issue during the year. The number of shares for the current year has been arrived at after eliminating the restricted shares of the Company held under the share award scheme.

As the exercise of the Group's share option would be anti-dilutive, diluted loss per share was presented as the same as basic loss per share for the year ended December 31, 2022.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to the owners of the company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award scheme and share option scheme outstanding as at 31 December 2021.

The calculations of the basic and diluted (loss)/earnings per share are based on:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/earnings:		
(Loss)/profit for the year attributable to owners of the Company used in the basic (loss)/earnings per share calculation	<u><u>(1,627,762)</u></u>	<u><u>673,155</u></u>
Number of shares:		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	1,507,944,437	1,535,245,440
Effect of dilution		
<i>weighted average number of ordinary shares:</i>		
— Share options	<u>—</u>	<u>5,500,327</u>
	<u><u>1,507,944,437</u></u>	<u><u>1,540,745,767</u></u>

10. INVENTORIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Automobiles	1,363,572	948,003
Spare parts and accessories	176,866	181,632
	<u>1,540,438</u>	<u>1,129,635</u>

At 31 December 2022, certain of the Group's inventories with an aggregate carrying amount of approximately RMB434,570,000 (2021: RMB402,973,000) were pledged as security for the Group's bank loans and other borrowings.

At 31 December 2022, certain of the Group's inventories with an aggregate carrying amount of approximately RMB206,671,000 (2021: RMB90,695,000) were pledged as security for the Group's bills payables.

11. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	<u>197,882</u>	<u>148,149</u>

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.

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	191,481	128,297
3 months to within 1 year	6,401	19,852
	<u>197,882</u>	<u>148,149</u>

(b) Impairment of trade receivables

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current <i>RMB'000</i>	Less than 3 months past due <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2022			
Trade receivables			
Weighted average expected loss rate	0%	0%	
Receivable amount	191,481	6,401	197,882
Loss allowance	<u>—</u>	<u>—</u>	<u>—</u>

At 31 December 2021

Trade receivables			
Weighted average expected loss rate	0%	0%	
Receivable amount	128,297	19,852	148,149
Loss allowance	<u>—</u>	<u>—</u>	<u>—</u>

12. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	153,107	121,125
Bills payable	482,028	96,140
	<u>635,135</u>	<u>217,265</u>

An aging analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	596,491	212,083
3 to 6 months	16,257	2,762
6 to 12 months	21,429	636
Over 12 months	958	1,784
	<u>635,135</u>	<u>217,265</u>

The trade and bills payables are non-interest-bearing.

Certain of the Group's bills payables are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB206,671,000 (2021: RMB90,695,000) as at 31 December 2022.

13. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed final dividend — Nil (2021: HK\$0.21) per ordinary share	<u>—</u>	<u>268,226</u>

The Board does not recommend to declare any dividend for the year ended 31 December 2022 (2021: HK\$0.21 per share totalling RMB281,012,000 was paid on 15 August 2022).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China's passenger cars market in 2022 was struggling to move forward under the weight of the epidemic. According to the data released by the China Passenger Cars Association (hereinafter referred to as the "CPCA"), in 2022, the cumulative retail sales of the passenger cars in China was 20.543 million units, an increase of 1.9% year-on-year. In the middle of the year, although a number of favorable policies timely introduced by the central and local governments, including the halving of purchase tax and the regulation and support of the used car market, have played a significant role in stabilizing and promoting car consumption, a large number of dealers across the country experienced weeks or even longer cycles of shop closures and containment and control measures, as well as significantly reduced demand and willingness to purchase cars by consumers. Throughout the year, dealers across the region faced varying degrees of survival challenges.

According to the CPCA, the luxury car market sales in 2022 was 3.09 million units, of which the first-tier luxury brands, BMW, Benz and Audi (collectively "BBA") occupied 70% of the market share, and the ranking of the three giants remained the same compared to the previous year. With sales of 792,000 units, the BMW Group (including BMW and MINI brands) ended the year as the top selling luxury car brand in China again. Although BBA remained in the top tier of the luxury car market in China, sales in 2022 showed a collective decline. Among which, sales of BMW in China fell by 6.4% year-on-year in 2022, that of Benz in China dropped slightly by 0.9% year-on-year, while that of Audi in China dropped by 8.4% year-on-year.

Although the first-tier brands in the luxury car market in 2022 all ended with a contraction in sales, they did not pull down the growth rate of the luxury car market, and the reason of which is supported by the high growth driven by the demand for new energy luxury cars. From the retail side, the overall luxury car market recorded a sale of 3.09 million units in 2022, increased by 6% year-on-year. Among them, while the traditional luxury car market declined by 4%, the new energy luxury car market bucked the trend and grew by 49% year-on-year, boosting the overall luxury car market growth.

In 2022, the annual cumulative retail sales of new energy passenger cars in China reached 5.674 million units, increased by 90% year-on-year, representing a major breakthrough in China's premium car manufacturing with a strong growth momentum. As the pace of popularisation of the Chinese car market gradually slowed down, its main driver of growth now lied in the customer segment with the need for additional and replacement purchases, which was relatively higher in consumption level and was also the driving force of premium development. Recent sales trends in the car market also showed that premium electric cars were gradually becoming a mainstream choice for family use.

Affected by a shortage of chip supply, traditional luxury cars were under-produced in general in the first half of 2022, which in turn affected sales growth. However, sales of luxury brands generally recovered rapidly in the second half of 2022 compared to sales figures that fell by almost 20% in the first half of 2022. At the same time, most luxury brands showed a high level of interest in China's premium new energy cars market. In particular, BBA, which are the three giants, were also actively transforming themselves in an unprecedented manner. In 2022, BBA announced the commencement of production or launch of their pure electric plants in China almost concurrently, with investments of RMB15 billion, RMB11.9 billion and RMB18.1 billion (or equivalent to EUR2.6 billion) respectively. This huge investment not only highlights the strategic significance of China as the world's largest new energy cars market, but also redefines the future battlefield in electrification and intelligence in automobile production of the BBA. It is worth mentioning that, along with the gradual deepening of BBA's electrification process in China and the continuous enrichment of their product systems, the new energy car sales of both Benz and BMW brands showed an impressive growth momentum in 2022.

Industry Outlook

As the impact of the epidemic on the market is fading gradually and the supply chain is generally stabilising, the overall positive trend in the car market will continue in 2023, especially in the new energy cars market, which is expected to continue to grow strongly. In 2022, the penetration rate of new energy passenger cars reached 27.6%, an increase of 12.6 percentage points from 2021. According to the expert team of the CPCA, sales of new energy passenger cars are expected to reach 8.5 million units in 2023, with overall sales of traditional passenger cars being 23.5 million units and the penetration rate of new energy passenger cars expected to reach 36%. The expectation of a rapid increase in penetration rate of new energy passenger cars remains unchanged.

The BBA family is unified in pace in terms of planning to launch more new energy car models in 2023. Needless to say, the transformation of electrification is not only on the enrichment of product lines, but also the rebranding, the reorganisation of business models and channels and the advancement of digital management models. As a car dealer, the Company will need to follow this trend, boldly embrace new dynamics and deliberate on new business models. To be specific, the Company considers the industry outlook for 2023 to be one filled with challenges and opportunities.

Corporate Overview

The Company was affected by the epidemic prevention and control policy in 2022, and its stores were closed for an average period of more than two months throughout the year. Meanwhile, due to the effect of high base figures in the same period of the previous year, the operating figures of many brands showed different degrees of year-on-year decline, but some ultra-luxury brands experienced a strong growth. Overall, the Company recorded a total sales volume of 35,506 units in 2022, decreased by 13.0% year-on-year. Amid the dampened consumer confidence throughout the year, the demand for car purchase and replacement of luxury brands weakened. During the year, the Company delivered 26,756 units of BMW (including Mini), decreased by 13.5% year-on-year, and 3,875 units of Lexus, decreased by 7.6% year-on-year.

Among the Company's existing brand matrix, ultra-luxury brands demonstrated a stronger demand resilience and an attribute of weak economic cyclical effect, with Ferrari, Bentley and Rolls-Royce showing bright sales results, with sales increasing by 250.0%, 14.1% and 7.3% year-on-year in 2022, respectively.

In 2022, the Company added a new Bentley store to its distribution network in Beijing. By now, the Company has become the largest dealer of the Bentley brand in the central region of the PRC. The performance of Ferrari brand was more brilliant with stores in Suzhou and Kunming winning the "The Best Dealer of the Year 2022", "The Best Team Management" and "The Best After Sales Ambassador" awards from Ferrari Greater China.

In terms of inventory, stores were intermittently suspended due to the volatile situation of the pandemic, and the sales pace was impacted in varying degrees, with an average inventory turnover days during the year increased by 7.0 days to 32.0 days compared to that of last year.

The Company continues to focus on the development of the used car and electric vehicle ("EV") sectors, with 6,474 units used cars transacted throughout the year. Trade-in and replacement services broke even financially. In the EV sector, Dangdang New Energy, in which the Company made a strategic investment several years ago, is a comprehensive EV service provider covering sales and after-sales service of EVs. At present, Dangdang New Energy has been authorized by major EV brands such as Li Auto Inc., NIO Inc., XPENG Inc., GAC Aion New Energy Automobile Co., Ltd. and VOYAH Motor Science and Technology Company to provide a full range of sales, after-sales service and a privileged experience for customers.

Business Outlook

Looking ahead, the Company will continue to focus on its principal business while actively embracing the changes in electrical intelligentization. The local two sessions have all set the focus of their overall work in 2023 as focusing on promoting stable and healthy economic development. As bulk consumer products, cars are naturally seen as a top priority for local governments to boost domestic demand and stimulate domestic consumption, and there is still plenty of room for growth in the luxury and ultra-luxury brand track.

Moreover, local governments have introduced incentive policies such as subsidies for car replacement or tax cuts, and continued efforts have been made in new infrastructure. Per capita disposable income expectations and consumer confidence are expected to pick up, and the premium car market remains relatively dynamic. In addition to maintaining our current portfolio of dominant brands (including BMW, Lexus, Ferrari, Bentley and Rolls-Royce), the Company will implement an acquisition strategy in due course to consolidate and expand its market share and influence. At the same time, the Company believes that it is capable of further strengthening its profitability by optimizing all expense ratios and improving operational efficiency.

The trend of electrical intelligentization in the luxury and ultra-luxury market is becoming clearer that the transformation to electric vehicles has become one of the important strategies of the Company in the medium and long term. The Company will continue its efforts to explore the business model of traditional distributors in the new trend, being pragmatic and realistic and persevering to achieve long-term development.

FINANCIAL OVERVIEW

Revenue

Revenue of the Group was RMB16,321.7 million for 2022, representing a decrease of 9.2% as compared with RMB17,981.1 million for 2021.

Revenue from sales of automobiles and others amounted to RMB14,324.8 million, accounting for 87.8% to the total revenue in 2022, and representing a decrease of 8.2% from 2021. Revenue from provision of the after-sales services amounted to RMB1,936.8 million, accounting for 11.9% to the total revenue, and representing a decrease of 16.7% as compared to the year ended December 31, 2021.

Cost of sales and services

Cost of sales and services of the Group for 2022 amounted to RMB15,242.0 million, representing a decrease of 6.1% from 2021, which was in line with the decrease in overall revenue. Among them, the cost of sales of automobiles and others in 2022 was RMB14,089.9 million, representing a decrease of 5.7% from RMB14,945.4 million recorded in the corresponding period in 2021. The cost of provision of after-sales services in 2022 was RMB1,152.1 million, representing a decrease of 10.3% from RMB1,284.4 million recorded in the corresponding period in 2021. The reason for the decrease in costs this year was mainly due to the decrease in revenue for both sales of automobiles and others and provision of after-sales service business.

Gross profit and gross profit margin

Gross profit of the Group was RMB1,079.7 million for 2022, representing a decrease of 38.3% as compared with RMB1,751.3 million in 2021. Due to all outlets of the Company experiencing a certain period of closure and shutdown as a result of the COVID-19 impact throughout the year, the gross profit of sales of automobiles and others in 2022 was RMB234.9 million, representing a decrease of 64.6% compared to 2021. The gross profit of provision of after-sales service in 2022 was RMB784.7 million, representing a decrease of 24.7% compared to 2021.

Gross profit margin of the Group in 2022 was 6.6%, representing a decrease of 3.1 percentage points from 9.7% recorded in the corresponding period in 2021. Among them, the gross profit margin of the sales of automobiles and others in 2022 was 1.6%, representing a decrease of 2.6 percentage points compared to 2021 mainly due to the epidemic lock-down and control measures weakening the market demand. On the other hand, manufacturers pre-stocked in advance in light of the shortage of chips in 2021, resulting in excessive supply over demand in consumer market and therefore decreasing the sales price. The gross profit margin of provision of after-sales services in 2022 was 40.5%, representing a decrease of 4.3 percentage points compared to 2021 which was owing to the effects of the

epidemic lock-down and control measures, which led to the decrease in vehicle mileage, the frequency of car use, and the lower proportion of sales of accidents vehicles usually at a higher gross profit margin. Additionally, the base figure in 2021 was high because of a large proportion of flooded vehicles when Henan Province, as an important operating region of the Company, experienced heavy rainfall and flooding in many regions in the summer of 2021. In comparison, the after-sales gross profit percentage decreased in 2022.

Selling & Administrative expenses

In 2022, selling and administrative expenses of the Group amounted to RMB1,229.0 million, representing an increase of 8.1% from RMB1,136.7 million in 2021 which was mainly due to one-time repair costs arising from store remodeling and increased depreciation and lease costs of opened store assets.

Other income and gains, net

In 2022, the Group recorded a negative other income and gains, net of approximately RMB1,233.0 million (2021: other income and gains, net of approximately RMB443.0 million), which was mainly attributable to commission income of RMB412.0 million (2021: RMB420.6 million), advertisement support income received from motor vehicle manufactures of RMB30.5 million (2021: RMB30.3 million), interest income of RMB71.6 million (2021: RMB66.3 million), and the aggregate non-recurring losses of RMB1,787.6 million as detailed below:

1. Due to shortage of funds, Future Mobility Corporation Limited Cayman (“**FMC**”) (Byton Project) was unable to settle its payments to suppliers and has been seeking a debt restructuring to resolve its debt crisis. However, the debt restructuring of FMC had yet to materialise. After considering FMC's severe insolvency position and prolonged suspension of operation, a full provision has been made to the carrying amount of the Group's equity investment in FMC of approximately RMB1,217.0 million;
2. As at December 31, 2022, the Company had outstanding loans and advances due from 河南和諧汽車維修服務有限公司 (Henan Hexie Automobile Aftersales Services Co., Ltd.*) (the “**Independent Aftersales Company**”) (a company in which the Group has 19.8% equity interest) with aggregate principal amount of approximately RMB725.4 million. As affected by the epidemic, the Independent Aftersales Company had suffered from cashflow issues and the interest accrued in 2022 in the amount of approximately RMB32.7 million were not settled as of the date of this announcement. The Independent Aftersales Company has indicated that it has been in negotiations with various investors on financing. Nevertheless, in accordance with the applicable accounting standards and expected credit loss assessment by valuer, an impairment loss of approximately RMB354.6 million has been provided for the loans and advances to and interest receivable from the Independent Aftersales Company;

* for identification purpose only

3. During 2022, the Company closed two Alfa Romeo 4S stores to optimize its sales network. The Group also relocated three 4S stores located in Shaoyuan automobile city area (one for Rolls Royce, one for BMW and one for Mini) as requested by the Zhengzhou City government for redevelopment purpose. As a result of the above, an impairment loss of approximately RMB94.2 million on property, plant and equipment has been made;
4. The Company holds investment in William Merger and Acquisition Fund No. 55 with investment amount of HK\$100 million and receives interest income from the fund annually. As the interest income for 2022 was not received, the Company had tried to contact the responsible officer of the manager of the fund but to no avail, and noted that the business licence of the fund manager had been revoked. The Company is currently seeking legal advice on recovering the investment amount. Based on the above, the Company considers that the recoverability of the investment is very low and therefore a full provision has been made to the fund investment of HK\$100 million (approximately RMB81.5 million as recorded in the Company's 2021 annual report); and
5. As at December 31, 2022, three loans granted by the Company to three third-party borrowers have fallen due. All accrued interest has been settled while the principal amount of approximately HK\$46.9 million remained outstanding. In this light, the Company has taken legal actions against the borrowers, including serving statutory demands to the borrowers and filed winding-up petition to the High Court of Hong Kong against the borrowers. As a result of the above, a full provision has been made to the loans of approximately HK\$46.9 million (equivalent to approximately RMB40.3 million).

Finance costs

The Group's finance costs for 2022 was RMB121.3 million, representing a decrease of 7.3% as compared with RMB130.9 million in 2021, which was mainly attributed to the decrease of the average balance of borrowings and enhancement of loan management capabilities during the Reporting Period.

Loss/Profit for the year attributable to the owners of the Company

The Group's loss for the year attributable to owners of the Company for 2022 was RMB1,627.8 million. Excluding the impact of the non-recurring losses (for details, please refer to the paragraph headed "Financial Overview — Other income and gains, net" in this announcement), the Group's profit for the year attributable to owners of the Company for 2022 amounted to RMB159.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The Group's primary uses of cash are to pay for the purchases of passenger vehicles, spare parts and automobile accessories, to establish new dealership outlets and to fund the working capital and operating expenses of the Group. The Group's liquidity needs were financed through a combination of short-term bank loans and cash flows generated from its operating activities.

As at December 31, 2022, cash and bank balances of the Group totaled RMB1,162.0 million (2021: RMB1,629.2 million).

In 2022, our net cash generated from operating activities was RMB781.1 million, net cash generated from investing activities was RMB4.7 million, and net cash used in financing activities was RMB1,080.4 million.

Considering the Group's existing cash and cash equivalents, anticipated cash flow from the operating activities, available bank facilities and other borrowings, the Board believes that the Group's liquidity needs can be satisfied.

Net current assets

As at December 31, 2022, the Group had net current assets of RMB2,042.8 million, representing a decrease of 25.5% as compared with RMB2,741.3 million as at December 31, 2021, which was mainly due to the impairment of current assets (for details, please refer to the paragraph headed "Financial Overview — Other income and gains, net" in this announcement).

Capital expenditure

In 2022, the Group's capital expenditure was RMB386.4 million (2021: RMB522.7 million), which was primarily used for the payment for purchase of items of property, plant and equipment in connection with the outlets.

Contingent liabilities

As at December 31, 2022, save as disclosed, the Group did not have any contingent liabilities and guarantees.

Inventories

The Group's inventories primarily consist of new passenger vehicles, spare parts and automobile accessories. Inventories increased by 36.4% from RMB1,129.6 million as at December 31, 2021 to RMB1,540.4 million as at December 31, 2022.

The Group's average inventory turnover days for 2022 were 32 days, which increased by 7 days as compared to 2021. The increase in inventories and inventory turnover days was mainly due to the strict epidemic prevention policies against epidemic in Mainland China this year, such as lock-down.

Bank loans and other borrowings

As at December 31, 2022, the Group had bank loans and other borrowings in the aggregate amount of RMB2,083.0 million, representing a year-on-year decrease of 20.8% as compared to RMB2,630.0 million as at December 31, 2021.

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans repayable:		
Within one year	1,436,133	1,622,591
Other borrowings repayable:		
Within one year	646,890	1,007,387
	<u>2,083,023</u>	<u>2,629,978</u>

As at December 31, 2022, the gearing ratio of the Group, calculated by total liabilities divided by total assets, was 44.2%, representing an increase of 4.9% as compared with that of December 31, 2021.

As at December 31, 2022, certain of the Group's bank loans and other borrowings were secured by mortgages or pledges over the Group's assets. The Company's assets, subject to these mortgages or pledges as at December 31, 2022, mainly consisted of (i) inventories in the amount of RMB434.6 million; (ii) property, plant and equipment in the amount of RMB13.1 million, and (iii) land use rights in the amount of RMB4.4 million. In addition, certain of the Group's bank loans and other borrowings were mainly guaranteed by the certain Directors of the Company or legal representative of the Group's subsidiaries or certain subsidiaries of the Company as at December 31, 2022.

Interest rate risk and foreign exchange risk

The Group is exposed to the risks arising from the fluctuation of loan rates. The rising of loan rates may incur additional borrowing costs of the Group. If this is the case, then it may cause adverse effects upon the Group's finance costs, profit and financial position. The loan rates and overdraft rates of domestic banks are determined by the benchmark lending rates published by the People's Bank of China. Until now, the Group has not used any financial derivatives to hedge the Company's interest rate risks.

All of the Group's revenue, cost of sales and services and expenses are denominated in Renminbi which is also the currency the Group uses to keep its accounting records. Considering its operating businesses, the Group does not think that it is exposed to any major direct foreign exchange risks, and it has not adopted any financial derivative instruments to hedge risks exposed by it. Part of the Group's cash deposits and bank borrowings are denominated in Hong Kong dollars or US dollars, which makes it subject to potential conversion differences as a result of the fluctuation of foreign exchange rates on financial statements.

Employees and remuneration policies

As at December 31, 2022, the Group has a total of 3,925 employees (2021: 4,551). The salary package of employees is determined by their working experiences, duties and performances. The management will conduct annual review on the salary plan while taking into account employees' general performance and market. The Group also makes contributions to employees' social security plans in mainland China and to the mandatory provident fund scheme in the Hong Kong Special Administrative Region of the People's Republic of China.

Relevant staff cost for 2022 was approximately RMB421.9 million, while the staff cost was approximately RMB464.1 million for 2021 (including employee share incentive of RMB1.3 million). The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to success of the Group's operations. Eligible participants of the share option scheme include employees of the Company and its subsidiaries. The share option scheme became effective on June 26, 2015, and unless otherwise cancelled or amended, will remain in force for ten years from that date. The remaining life of the share option scheme is around 2 years and 3 months. 50% of these share options were vested on February 16, 2020 and 50% were vested on February 16, 2021. As at January 1, 2022, the Company had 43,516,000 share options outstanding under the share option scheme, which represented approximately 2.8% of the Company's share in issue. A total of 525,000 and 800,000 share options granted to eligible employees at the exercise price of HK\$3.00 were cancelled on April 14, 2022 and April

19, 2022, respectively. For the year ended December 31, 2022, no share options were granted, exercised and lapsed under the share option scheme. As at December 31, 2022, the Company had 42,191,000 share options outstanding under the share option scheme, which represented approximately 2.7% of the Company's share in issue as at that date.

On February 28, 2019, the Company adopted a share award plan (the “**Share Award Plan**”), pursuant to which the Company may grant existing Shares to selected participants (namely all employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group, but excluding Mr. Feng Changge). The reason for adopting the Share Award Plan is to (i) incentivize, recognize and reward employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of the award holders with that of the Shareholders to promote the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan. Subject to early termination by the Board, the Share Award Plan shall be valid and effective from the date of adoption of the Share Award Plan, being 28 February 2019, and ending on 26 June 2025 (both days inclusive). The remaining life of the Share Award Plan is 2 years and 3 months. The maximum aggregate number of Shares to be acquired by the trustee under the Share Award Plan is 60,000,000 Shares. 30,000,000 Shares have been granted and vested under the Share Award Plan. As at December 31, 2022, the trustee appointed by the Company for the purpose of the Share Award Plan has purchased 59,987,500 Shares according to the Share Award Plan since its adoption. For the Reporting Period, none of Shares has been granted, vested, lapsed and cancelled under the Share Award Plan. Details of the Share Award Plan are set out in the Company's announcement dated April 2, 2019.

For further details of the share option scheme and the Share Award Scheme, please refer to the 2022 Annual Report to be published by the Company in due course. The Company will regularly review its compensation policies and employee benefits with reference to market practices and individual performance.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2022, the Company repurchased a total of 32,366,000 of ordinary shares of HK\$0.01 each on the Stock Exchange for a total consideration of approximately HK\$96,263,669.53 (excluding transaction cost). The 15,974,000 repurchased shares were subsequently cancelled on June 10, 2022. Details of the shares repurchased during the Reporting Period are set out as follows:

Month of repurchase	Number of shares	Repurchase price per share		Aggregate consideration (excluding transaction cost) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2022	5,638,500	4.91	4.12	26,325,433.25
February 2022	3,847,000	4.33	3.87	15,469,714.30
March 2022	460,000	3.99	3.67	1,729,902.35
April 2022	3,100,000	3.90	3.40	11,185,787.75
May 2022	3,008,500	3.71	3.34	10,480,918.30
June 2022	2,949,000	3.53	3.00	9,717,011.95
July 2022	2,269,000	3.52	2.74	7,074,880.15
August 2022	841,000	2.19	2.05	1,763,847.45
September 2022	2,920,000	2.11	1.45	3,986,542.00
October 2022	2,815,000	1.52	0.88	3,523,176.58
November 2022	3,378,500	1.29	0.84	3,612,255.45
December 2022	1,139,500	1.32	1.14	1,394,200.00
Total	<u>32,366,000</u>			<u>96,263,669.53</u>

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would benefit shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2022.

EVENTS AFTER THE REPORTING PERIOD

As of the end of the Reporting Period of December 31, 2022 to the date of this announcement, there was no significant event that would have any material impact on the Group.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

FINAL DIVIDEND

The Board does not recommend distribution of annual dividends in respect of the year ended December 31, 2022 (2021: HK\$0.21 for each ordinary share).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended December 31, 2022, the Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors confirmed that, following specific enquiry by the Company, that they have complied with the Model Code for the year ended December 31, 2022.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Save as disclosed in this announcement, there were no material investments, acquisitions or disposals of subsidiaries, associated companies and joint ventures undertaken by the Group during the Reporting Period.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company as of the date of this announcement, and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules during the Reporting Period.

2023 ANNUAL GENERAL MEETING (“2023 AGM”)

The 2023 AGM will be held on Tuesday, June 13, 2023. A notice convening the 2023 AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2023 AGM

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Thursday, June 8, 2023 to Tuesday, June 13, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members entitled to attend and vote at the 2023 AGM, investors should lodge all transfers of shares accompanied by the relevant share certificates and transfer forms with the Company’s branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, June 7, 2023.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion and assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and the CG Code. As at the date of this announcement, the Audit Committee consists of three members, namely Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Chan Ying Lung, all of whom are independent non-executive directors of the Company. Mr. Wang Nengguang is the chairman of the Audit Committee.

The Audit Committee has reviewed the annual results for the year ended December 31, 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.hexieauto.com>). The annual report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

APPRECIATION

Relying on the long-term loyalty and contributions of employees in various departments, as well as the trust and support of shareholders and business partners, the Group can grow and improve in the increasingly competitive and challenging environment. The Board wishes to express its sincere gratitude to all parties for their outstanding contributions to the Group.

By Order of the Board
China Harmony Auto Holding Limited
LIU Fenglei
CEO and Executive Director

Zhengzhou, the People's Republic of China
March 31, 2023

As of the date of this announcement, the executive directors of the Company are Mr. Feng Changge (Chairman), Mr. Feng Shaolun, Mr. Liu Fenglei, Ms. Ma Lintao and Mr. Cheng Junqiang; and the independent non-executive directors of the Company are Mr. Wang Nengguang, Mr. Lau Kwok Fan and Mr. Chan Ying Lung.