YONDA 永达汽车

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code：03669

2022
ANNUAL REPORT

Content

Corporate Information

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Ms. ZHU Anna Dezhen
Mr. LYU Wei
Mr. MU Binrui

CORPORATE HEADQUARTER

299 Ruijin Nan Road, Huangpu District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS TO HONG KONG LAW

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. WANG Zhigao
Ms. SO Ka Man

AUDIT AND COMPLIANCE COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

03669

AUDITOR

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

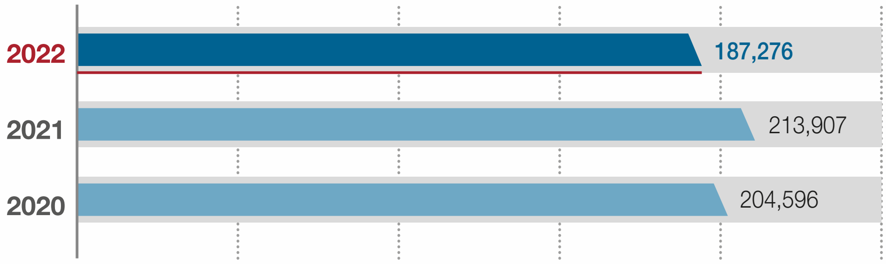
COMPANY WEBSITE

www.ydauto.com.cn

Financial Highlights

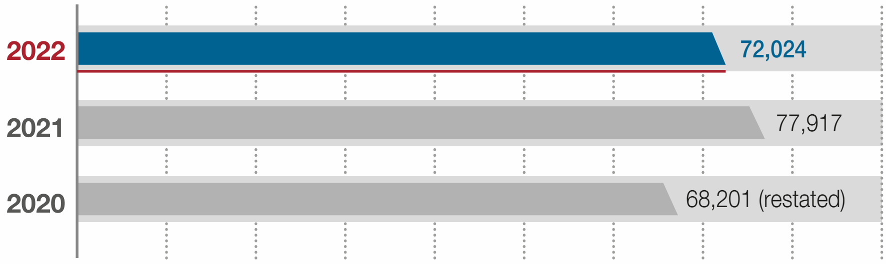
New vehicles sales volume

Sales volume of
new vehicles
(units)



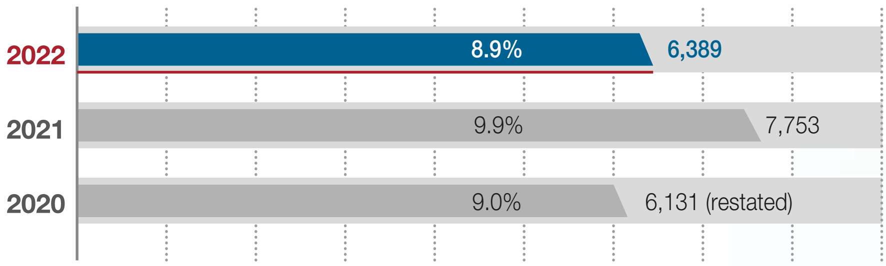
Revenue

RMB million



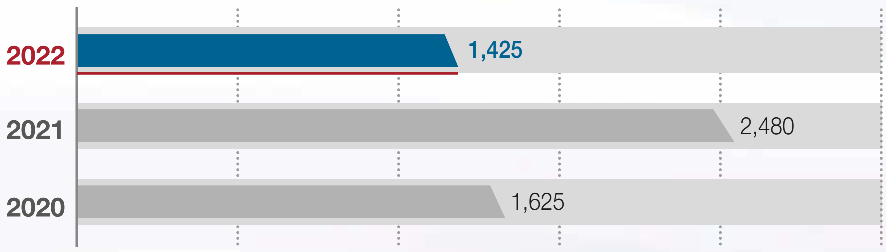
Gross profit and gross profit margin

RMB million



Profit attributable to owners of the Company

RMB million



Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") and the management of China Yongda Automobiles Services Holdings Limited (the "**Company**"), I am pleased to present the 2022 Annual Report of the Company and its subsidiaries (collectively referred to as the "**Group**", "**we**" or "**us**").

According to the data from the CPCA, in 2022, the retail sales of passenger vehicles reached 20.543 million units, representing a year-on-year increase of 1.9%. Among them, the sales volume of luxury brands vehicles was 2.702 million units, representing a year-on-year increase of 1.9%, and the sales volume of new vehicles of new energy vehicles increased by 90.0% year-on-year to 5.674 million units. According to the statistics of the China Automobile Dealers Association (中國汽車流通協會), the transaction volume of pre-owned vehicles in China reached 16.028 million units in 2022, representing a year-on-year decrease of 8.9%.

In 2022, under the once-in-a-century changes of the global economic downturn and the crack of the global supply chain caused by the pandemic, China's automobile market encountered unexpected downward trend caused by the pandemic blockade in several districts. Besides, the comprehensive adjustment of the pandemic control strategy began at the end of the year further aggravated the severe situation in the short term. However, at the beginning of the year, the Company proposed the general strategic plan of driving the Company's future development with three growth curves of luxury vehicles, pre-owned vehicles and new energy vehicles, with focus on team building

and digital transformation, and in the past year, the Company's business experienced the market test and fully verified the accuracy and effectiveness of the strategy.

In 2022, the comprehensive revenue and comprehensive gross profit taking into account the revenue from agency services of the Group amounted to RMB73,521 million and RMB7,886 million respectively, representing a decrease of 7.2% and 12.8% respectively compared to the corresponding period in 2021. Our net profit and net profit attributable to the owners of the Company was RMB1,486 million and RMB1,425 million respectively, representing a decrease of 43.3% and 42.5% respectively compared to the corresponding period in 2021.

KEY OPERATING RESULTS AND MANAGEMENT PERFORMANCE DURING THE REPORTING PERIOD

1. In 2022, various businesses of the the Company were significantly affected by the pandemic and local control strategies. The Company adjusted its business strategies in a timely manner in accordance with the pandemic prevention and control situation and ensured the stable development of business as far as possible, resulting in a steady improvement in the overall quality of operations. In particular, the two major business segments of new energy vehicles and pre-owned vehicles both achieved a fast growth rate year-on-year.

In 2022, our sales volume of new vehicles reached 187,276 units. The sales revenue of new vehicles amounted to RMB58,192 million, of which the sales revenue of luxury brands accounted for 86.7%, representing a year-on-year increase of 2.1 percentage points.

In 2022, the gross profit margin of new vehicle sales was 2.47%, representing a year-on-year decrease of 1.02 percentage points compared with the corresponding period of 2021. The gross profit margin of new vehicles of luxury brands was 2.73%, representing a year-on-year decrease of 1.36 percentage points compared with 2021.

In 2022, revenue from after-sales service business, including repair and maintenance services and extended automotive products and services, was RMB10,099 million, representing a decrease of 12.5% compared with the corresponding period of 2021. The gross profit margin of our after-sales service was 44.81%, which was basically the same as the corresponding period of 2021.

In 2022, our sales volume of new energy vehicles under all brands reached 24,603 units, representing a year-on-year increase of 54.5%, accounting for 12.9% of the total sales volume. Additionally, we still made great improvement in the operation and management of independent new energy brand business, with the sales volume reaching 9,591 units, representing a year-on-year increase of 221.2%, of which the sales volume under the distribution model was 5,730 units, and the sales volume under the direct sales model was 3,861 units.

In 2022, our sales volume of pre-owned vehicles was 80,832 units, representing a year-on-year increase of 12.9%, of which 16,684 units were distributed by us, representing a year-on-year increase of 50.6%, and recorded a revenue from distribution of RMB3,370 million, representing a year-on-year increase of 50.2%. The gross profit of pre-owned vehicles was RMB294 million from distribution, representing a year-on-year increase of 42.1%.

2. In 2022, our inventory turnover remained at a relatively healthy level of 22.1 days, representing a decrease of 1.0 day from 2021. In 2022, our net cash from operating activities was RMB4,232 million, and our net gearing ratio as of December 31, 2022 was 10.5%, representing a decrease of 7.8 percentage points from 18.3% as of December 31, 2021.

3. We accelerated the deployment of new energy vehicle business.

   Throughout 2022, we further expanded outlet authorizations from the top new energy vehicle brands, including AITO, smart, Lotus, ORA, Zhiji, Neta and other popular independent new energy brands. Among them, the number of authorizations we have received from brands such as Lotus, smart and Zhiji is at the top of the list of authorizations of those brands. The authorized outlets cover integrated 4S dealerships and after-sales service centers.

4. The distribution scale of pre-owned vehicles has risen sharply, and we actively expanded to new energy pre-owned vehicles.

   In 2022, affected by the pandemic, supply chain, price fluctuations and other factors, we adopted stable pre-owned vehicle business strategy to accelerate turnover efficiency and control business risks. Meanwhile, the distribution business grew rapidly, and a new business pattern of distribution, retail and digitalization has been basically formed. The overall new-to-pre-owned ratio of the Group rose rapidly to 43.2% from 33.5% in 2021, achieving a rapid increase in pre-owned vehicle operating capacities in existing market. Additionally, we actively explored the business opportunities of new energy pre-owned vehicles in new channels, and cooperated with many mainstream manufacturers on the inspection, marketing and operation of pre-owned vehicles in new channels. We actively promoted the export of new energy pre-owned vehicles and the vehicle repurchase business of manufacturers, and entered the track ahead of schedule.

5. In 2022, we have continued to optimize the brand network structure, consolidate the market share of existing major luxury brands and expand the network layout of other major luxury brands. We built and opened 36 brand outlets, including 7 outlets of luxury brands, 4 outlets of mid-to-high-end brands, 23 outlets of independent new energy brands and 2 Yongda Pre-owned Vehicle Malls. We newly obtained 44 brand authorizations, including 12 traditional luxury brands (including one Porsche authorization newly obtained in Chengdu), 4 mid-to-high-end brands, 28 independent new energy brands. As of the end of 2022, we operated a total of 263 outlets, 14 of which have been authorized to open. Based on the analysis of brand structure, luxury brands account for 62%, independent new energy brands account for 14%, and others are mid-to-high-end brands and Yongda Pre-owned Vehicle Mall outlets.

FUTURE DEVELOPMENT STRATEGIES

In the post-pandemic era, the economy and industry still face great challenges. Looking forward to the new year, in addition to further consolidating and improving the leading position and competitive barriers of the Company in the two luxury brands including BMW and Porsche, the Company will continue to focus on the "cash cow" business of traditional gasoline cars, continue to expand the scale, optimize the existing network structure, strengthen cost reduction and efficiency increase, as well as improve profitability. The Company will rapidly expand and strengthen pre-owned vehicles, and actively develop the new energy industry. The Company will achieve a breakthrough and victory in the era of new energy revolution through the three dimensions of "electrification", "digitalization" and "sharing".

I. THE COMPANY WILL EXPAND AND STRENGTHEN THE "YONGDA PRE-OWNED VEHICLES"

As a Hong Kong-listed company that has been deeply involved in the field of luxury brand vehicles sales and services for many years, we have continued to promote the construction of the retail capacity of officially certified pre-owned vehicles by the manufacturers and Yongda certified pre-owned vehicles, formed a new business layout of distribution, retail and digitalization, promoted the "Yongda pre-owned vehicles" business at full speed, and become the main driving force of the Company's growth in the vehicle service industry. By strengthening the construction of an omni-channel "new retail" model integrating online and offline and improving the operational efficiency of the store-side business, we will further accelerate the upgrading from the pre-owned vehicles brokerage model to the dealership model, and from the traditional operation model to the digital and omni-channel operation model, so as to achieve the overall improvement of scale, retail and profitability. Moreover, we will continue to promote the construction of retail capacities of officially certified pre-owned vehicles by the manufacturers and Yongda certified pre-owned vehicles. We wish to achieve: "Yongda pre-owned vehicles, your most trusted pre-owned vehicle butler."

II. THE COMPANY WILL PROACTIVELY DEVELOP THE "YONGDA NEW ENERGY"

The Company will seize the opportunity period of rapid growth of new energy vehicles, accelerate the integration into the layout of the new energy vehicle industry chain, and make change with the trend for outperformance. The Company has set up a specific organization and team of "Yongda New Energy" to provide independent training system and incentive mechanism, and carry out strategic cooperation in an all-round way with several domestic leading new energy brand automobile enterprises such as smart, Xiaopeng and BYD, fully exerted its leading advantages in terms of service network, refined operation management, digital customer operation and new media operation. In addition, focusing on new energy vehicle market expansion, regional brand new retail mode, new energy vehicle industry chain service, Internet user operation and other automobile related businesses, the Company will comprehensively promote the development of new energy business, and the "comprehensive electrification" of core products is becoming the new industrial tag of Yongda Automobile. Furthermore, we have also commenced the forward-looking layout of the maintenance and recycling business of new energy vehicle power batteries via cooperation, and explored business opportunities for the full-life-cycle management value chain of new energy vehicle batteries.

III. THE COMPANY WILL SPEED UP THE ACHIVEMENT OF THE COMPANY'S DIGITAL TRANSFORMATION

The Company will further intensify the promotion of digital transformation, and will drive lean operations and activate user value with digital method in the future. The Company will build and realize the digital strategies with one core and two complements of "broad front end + strong back office". Through reviewing and upgrading the retail service procedures, the Company will realize the interconnection among the whole network and efficiency improvement of outlets, and continue to optimize the online and offline integrated retail experience; through establishing an online access with customer needs as the core and the APP and applet of Yongda Automobile as the carriers, the Company will explore the value of customers' full life cycle, build and have its own private domain operation system as the "moat" with its own service brand, steady and loyal customer base, promote the transformation, upgrading and development of the Company from "automobile dealer" to "provider of full life cycle service to automobile users", so as to improve the overall operating efficiency and reduce costs, as well as the simultaneous improvement of user stickiness and profitability.

IV. THE "SHARING PLATFORM" WILL SUPPORT THE EFFICIENCY IMPROVEMENT

In order to better respond to the increasingly fierce market competition, the Company has always focused on the efficiency improvement and cost reduction, and determined the general strategies of "platform sharing" for future industrial development. Firstly, the Company will achieve broader coverage of the functions of the middle office through organizational reform and breaking down the barriers of regular department functions through integration. Secondly, the Company will form a number of sharing platforms for unified management and operation to empower enterprises and employees, including clue management, customer operation, financial processing and human resources by virtue of the successfully established data management system with data governance, data evaluation, data operation and data service as the core, to achieve simultaneous improvement in user service and efficiency. The establishment of a one-stop "sharing platform" will be not only conducive to providing customers with more convenient automobile services, but also significantly improve the flow sharing and value creation capabilities among our business units (including traditional gasoline vehicles, new energy, pre-owned vehicles, etc.), so as to strengthen our ability to grasp the long-term value of customers in the whole life cycle, and ultimately achieve the Company's efficiency improvement and effective cost control.

V. BEING PEOPLE-CENTERED, TALENT-BASED AND SHAREHOLDERS-ORIENTED

Looking forward, the Company is also strengthening the talent reserve in the field of new energy, pre-owned vehicles, new media and Internet in the future, optimize the appraisal management and incentive mechanism of the Company, and build a professional talent echelon with digital capability in line with the future trend. Winter will eventually pass, and spring is sure to come. Having experienced the market challenges in 2022, and relying on a more complete product matrix, a more reasonable national marketing network, a more competitive new retail business model, a more efficient digital integrated marketing platform and a more comprehensive talent echelon, the Company will actively participate in and continuously respond to the national "low carbon" strategy and commit itself to fulfilling ESG-related corporate social responsibilities, build the ability for long-term sustainable growth, so that the Company will always remain invincible in the future competitions, and return our shareholders and investors with more stable performance growth.

On behalf of the Board, I would like to express our sincere gratitude to all of the staff for their efforts and to various parties in the community for their supports towards the steady development of the Group.

CHEUNG Tak On
Chairman

March 24, 2023

Management Discussion & Analysis

MARKET REVIEW

According to the data from China Passenger Cars Association (the "CPCA"), in 2022, the overall retail sales of passenger vehicles reached 20.543 million units, representing a year-on-year increase of 1.9%. Among them, the sales volume of luxury vehicles reached 2.702 million units, representing a year-on-year increase of 1.9%. According to the data of the Compulsory Motor Insurance in 2022, the retail sales of BMW (including MINI) was 799,000 units, representing a year-on-year decrease of 6.2%, the retail sales of Porsche was 94,000 units, representing a year-on-year increase of 0.9%. In 2022, due to the impact of the COVID-19 in China, Shanghai and other places were under control for a long period of time from the first half of the year, and other regions in China were also unable to conduct business normally due to the escalation of pandemic control, which had a significant impact on the overall market demand and supply chain of the industry. Since December 2022, a comprehensive adjustment was made to the control strategy for the COVID-19 nationwide, followed by a rapid increase in the number of new infections, which had a short-term impact on the industry and the market.

According to the data from CPCA, sales of new energy passenger vehicles increased by 90.0% year-on-year to 5.674 million units in 2022. Sales volume of new energy passenger vehicles reached 27.6% of the total sales volume of passenger vehicles. Traditional self-owned brands of new energy vehicles, such as BYD, Geely, Chang'an and GAC achieved a rapid growth, while the AITO brand co-developed by SERES and Huawei rose to prominence in the fourth quarter of 2022. Among the emerging vehicle brands, Neta and Leapmotor broke the previous competition pattern of "Weixiaoli" with their higher year-on-year growth. In addition, the increase in the market scale of the new energy vehicles has contributed to the increasing optimization of its supporting facilities, and the construction of charging and switching infrastructure has been accelerated significantly. More than 10,000 service points for power battery collection have been established cumulatively, and the related industries have gradually started to form a scale effect. It is expected that in the following period of time, the domestic new energy vehicle industry itself will grow at a high rate, and it will also drive a series of supporting industries into a window of rapid development.

According to the data from China Automobile Dealers Association, the transaction volume of pre-owned vehicles in China reached 16.028 million units in 2022, representing a year-on-year decrease of 8.9%, of which vehicles with an age of less than 6 years accounted for 70.2% of total sales. Pre-owned vehicles market faced a series of favorable policies in 2022. The relocation restrictions of small non-operating pre-owned vehicles that meet the National V emission standards have been canceled nationwide. The temporary property rights transaction system has been further improved, and it clarified that the non-used vehicles market can carry out distribution business. The above policies clarified and solved the problems that have plagued the industry for a long time. In terms of the specific business progress in the second half of 2022, the relevant policies have been implemented one after another, and after the policy adjustment of the COVID-19 control, it is believed that domestic pre-owned vehicles trading market will face a stage of rapid growth.

Management Discussion & Analysis

According to the statistics of the Traffic Management Bureau of the Ministry of Public Security of the PRC (中國公安部交通管理局), as at the end of December 2022, the passenger vehicle ownership in China reached 320 million units, of which 13.10 million new energy vehicles, accounting for 4.1% of the total number of vehicles. The ownership of luxury vehicles maintained a relatively fast growth. The profitability of the after-sales repair and maintenance market for luxury vehicles was significantly higher than the market average due to factors such as loyalty and higher profit margins. In the future, vehicle consumption market in China will maintain a differentiated development trend. On the one hand, in the cities with controlled licenses and regional markets with relatively good consumption base in new energy vehicles, the new energy vehicles ownership will increase rapidly. On the other hand, the consumption upgrade demand of the huge vehicle ownership base will have a continuous pulling effect on luxury vehicle brands.

At the beginning of July 2022, 17 departments including the Ministry of Commerce issued the "Notice on Several Measures to Revitalize Automobile Circulation and Expand Automobile Consumption". The notice proposed 12 policy measures in 6 aspects, focusing on supporting the purchase and use of new energy vehicles, activating the pre-owned vehicles market, promoting automobile renewal and consumption, supporting parallel import of automobiles, optimizing the environment for automobile use, and enriching automobile financial services. Meanwhile, in the second half of 2022, policies were also launched to enable qualified new vehicle sales to enjoy a 50% reduction in purchase tax, while local policies to support auto consumption were introduced across the country, which strongly boosted market recovery. With the adjustment of the COVID-19 control strategy, the market started to enter the recovery stage in the post-pandemic era. Under a series of national economic recovery and consumption-pulling policies, it is expected that the overall passenger vehicle market will gradually recover in 2023, achieving a stable but rising trend.

BUSINESS REVIEW

Due to the severe impact of the pandemic, in 2022, our comprehensive revenue and comprehensive gross profit taking into account the revenue from agency services amounted to RMB73,521 million and RMB7,886 million respectively, representing a decrease of 7.2% and 12.8% respectively compared with the same period of 2021. Our net profit and net profit attributable to owners of the Company amounted to RMB1,486 million and RMB1,425 million respectively, representing a decrease of 43.3% and 42.5% respectively compared with the same period of 2021.

In 2022, we maintained a relatively healthy inventory turnover of 22.1 days, a decrease of 1.0 day compared to 2021, as we were able to better control the rhythm of our inventory purchases and sales and the amount of capital expended. In 2022, the net cash generated from operating activities of automobile sales and services business amounted to RMB4,232 million, representing a decrease of 13.0% compared with the same period of 2021, nevertheless, it still maintained at a good level and effectively hedged the impact of the decrease in net profit on us. Meanwhile, our net gearing ratio as of December 31, 2022 was 10.5%, representing a decrease of 7.8 percentage points from 18.3% as of December 31, 2021.

Set forth below is a summary of our business development in 2022:

Remained Steady in New Vehicle Sales Business

In 2022, the sales volume of new vehicles reached 187,276 units and the sales revenue of new vehicles amounted to RMB58,192 million, of which the sales revenue of luxury brands accounted for 86.7%, representing a year-on-year increase of 2.1 percentage points. We have been actively promoting the use of resource synergy advantages of the Group and all brand enterprises for the analysis of customer retention data, flow distribution, real-time tracking and conversion of transactions. In addition to promoting the scale of purchase and replacement of our own vehicle models, we also facilitated the purchase and replacement of upgraded brand models of the same series within the Group, and facilitated the information access and transactions of cross-brand sales, which has contributed to the increase in the sales volume of new vehicles of luxury brands. In addition, we always pay attention to the subsidy policies for new vehicle consumption issued by the national and local governments, and take advantage of the opportunity to carry out vigorous publicity through various online and offline channels, which achieved very good results and effectively boosted the information access of new vehicle and the growth of retail sales, thus promoted the rapid recovery of the sales scale of new vehicle.

In 2022, the gross profit margin of our new vehicle sales was 2.47%, representing a year-on-year decrease of 1.02 percentage points compared with 2021; the gross profit margin of our new vehicles of luxury brands was 2.73%, representing a year-on-year decrease of 1.36 percentage points compared with 2021. In 2022, due to the outbreak of COVID-19 in many places, from the supply side, the pandemic has affected the normal production of OEMs, caused interruptions in product supply and transportation, resulted in disruptions of regular delivery of certain high-profit models and high-volume models, affected the scale and structure of vehicle deliveries, reduced the proportion of business policies, and reduced revenue from new vehicle sales extensions business. However, based on the premise of improving the efficiency of capital turnover (including prepayment), by using digital management tools, we integrated the purchase, sale and inventory of new vehicles with the management of working capital, and realized the deep front management of resource inventory and capital amount control, thus further promoted the improvement of the efficiency of inventory and capital turnover.

Management Discussion & Analysis

In 2022, the turnover days of our new vehicle were 20.9 days, representing a year-on-year decrease of 1.6 days over the same period in 2021. Through the sandbox system for new vehicle sales, we grasped the supply and demand situation of new vehicle resources of all brands in real time, and made accurate research and forecast of sales in the current month, next month and the quarter. We used this as a management starting point to effectively and timely adjust the new vehicles supply and demand quota plan of the brand factories as well as to strengthen the sales process of new vehicles, realizing the rationalization and precision of the final supply and demand quota of new vehicles. In addition, led by the brand business department, we coordinated and exchanged new vehicles resources among the subordinated enterprises, improving our ability to meet customer order requirements and maximizing turnover efficiency of new vehicles.

Steady Improvement in the Quality of After-sales Services Management

In 2022, due to the impact of the pandemic, our revenue from after-sales service business, including repair and maintenance services and extended automotive products and services recorded a revenue of RMB10,099 million, representing a year-on-year decrease of 12.5% over the same period in 2021. In 2022, gross profit margin of our after-sales service was 44.81%, which was basically the same as the same period in 2021.

We are always concerned about and constantly improving our user operations. Through our online presence, we enhanced user communication and care. In the fourth quarter of 2022, we fully launched the Yongda Vehicle Service Platform, with over a million of registered users of our service platform APP by the end of 2022. Users can make appointments for maintenance, pick-up and delivery through our APP, and make payment for maintenance online, which effectively enhanced the user experience. Users can also get the information of various activities launched by us through the APP to ensure timely access to corresponding rights. Besides, we continued to improve our sticky product system to ensure a high penetration rate on the sales side and after-sales side to ensure a rapid recovery of after-sales business in our outlets after the pandemic had subsided. We continued to leverage the digital management tools of our mechanical and electrical repair and maintenance information to make proactive appointments, which has enabled us to maintain an increase in the size of our managed user base despite the severe impact of the pandemic in 2022.

In terms of enhancement in accident car business, the continued increase in agency premium size provided us with more valid information and better claims policies from our insurers. Besides, we comprehensively promoted full staff marketing of accident claims and proactive repair for minor damages, combined with self-developed digital management tools for accident claims, we have effectively improved the efficiency and quality of accident vehicle information access, as well as the effectiveness of retention and repair management, and have contributed to the continuous optimization of our accident vehicle business structure.

In terms of inventory efficiency control, we adjusted our procurement strategy in a timely manner in accordance with the changes in our business and strictly controlled the procurement of spare parts and supplies so that the size of our spare parts and supplies inventory was effectively controlled.

Quality and Quantity Improvement in Financial Insurance Business

In 2022, the revenue of our financial insurance agency service reached RMB1,440 million, an increase of 13.4% compared to the same period in 2021.

In terms of agency automobile finance business, we intensified the management and improvement of business quality while ensuring the number of businesses, and effectively increased the number of periods of financial products, so that customers could enjoy high-quality financial products and the stickiness with stores would be significantly enhanced. In terms of financial institutions and layout, we actively cooperated closely with the financial and banking institutions of the factory, mainly with the discount interest institutions of the factory and state-owned banks with business development capacity nationwide, supplemented by regional advantage institutions, to meet the customer coverage of retail exhibition halls. In terms of business cooperation, taking full advantage of the scale effect of the Group, we carried out policy negotiations on key brands and key regions, increased financial commissions and obtained exclusive traffic resources from financial institutions. In 2022, the revenue of our finance agency business reached RMB1,136 million, representing a year-on-year increase of 22.2%, of which financial commission income reached RMB1,030 million, representing a year-on-year increase of 39.4%; the penetration rate of financial services was 65.4%, representing a year-on-year increase of 2.6 percentage points.

In terms of agency insurance business, we continued to carry out refined management, constantly improved the scale and quality of renewed insurance and non-auto insurance business. In 2022, the agency premium scale, number of renewed units and number of non-auto insurance units increased by 7.8%, 13.5% and 113.5% respectively compared to 2021. We have increased the right to communicate with insurance companies and won policy support from insurance commissions, accident vehicle claims, pre-owned vehicle underwriting and other aspects. Moreover, we further promoted customer loyalty through insurance business.

The Distribution Scale and New-to-pre-owned Ratio of Pre-owned Vehicles Have Risen Sharply, and the Business Has Been Rapidly Upgraded and Developed

In 2022, affected by the pandemic, supply chain, price fluctuations and other factors, we adopted stable pre-owned vehicle business strategy to accelerate turnover efficiency and control business risks. Meanwhile, we achieved rapid growth in distribution business, and basically formed a new business pattern of distribution, retail and digitalization. In 2022, our trade volume of pre-owned vehicles was 80,832 units, representing a year-on-year increase of 12.9%, of which 16,684 units were distributed by us, representing a year-on-year increase of 50.6%, and recorded a revenue of RMB3,370 million, representing a year-on-year increase of 50.2%. The gross profit from distribution of pre-owned vehicles was RMB294 million, representing a year-on-year increase of 42.1%. The overall new-to-pre-owned ratio of the Group rose rapidly to 43.2% from 33.5% in 2021, achieving a rapid increase in the operating capabilities of pre-owned vehicles in the existing market.

We actively built a “2+1” new retail business model of pre-owned vehicles, and achieved the digital and omnichannel business layout with online and offline integration. We have newly upgraded the brand of “Yongda Officially Certified Pre-owned Vehicles”, and took the lead in the industry to implement “quality assurance, 30 days return without reason” and eight service commitments, so as to create new product and service system. By rapidly increasing the proportion of pre-owned vehicle retail business, we promoted the growth of extended businesses including finance and insurance, and further improved the profitability and customer retention scale of pre-owned vehicles. In 2022, our average sales revenue per unit was RMB202,000, and gross profit margin was 8.72%, and the turnover days of inventory were stably controlled within 30 days. Many of our 4S stores of Porsche, BMW, Audi, Volvo, Jaguar Land Rover and other brands were in a national leading position in the factory’s official annual certification evaluation.

We continuously strengthened the core competence construction of pre-owned vehicles, perfected the evaluation, inspection, pricing and disposal capabilities, established complete management requirements for the acquisition and disposal of pre-owned vehicles, implemented standardized business management and control, ensuring the compliance of business development and maximization of interests; we have strictly controlled the inventory turnover, and formulated refined inventory management and forced liquidation system for retail and wholesale vehicles respectively to ensure healthy inventory and operation.

We actively explored the business opportunities of new energy pre-owned vehicles in new channels, and cooperated with many mainstream new energy manufacturers on the inspection, marketing and operation of pre-owned vehicles in new channels. Meanwhile, we actively promoted the export of new energy pre-owned vehicles and the repurchase of vehicle from manufacturers, and accelerated the layout to enter the track. As for the replacement scenario of new energy pre-owned vehicles in new channels, we have launched a new independent sub-brand for vehicle collection to explore open, market-oriented and platform-based operation and achieve business growth.

We continued to strengthen the digital operation capabilities and upgrade the ERP management system for pre-owned vehicles to achieve integrated and efficient management of pre-owned vehicles business in terms of operation and finance. We actively built a marketing matrix combining official website, new media and vertical media as well as strengthened private domain construction to promote online transactions.

Continued and In-depth Development of New Energy Vehicle Business

In 2022, in terms of new authorization, we further expanded store authorization of popular new energy brands, and obtained a total of 28 independent new energy network authorizations. The total number of outlets of independent new energy brands has reached 36. The newly obtained authorization covers popular independent new energy brands such as AITO, Xiaopeng, BYD, smart, Lotus, ORA, Zhiji, Voyah, AVATR and NETA. Among them, we were among the top licensors in terms of the number of authorizations for Lotus, smart and Zhiji brands. The network types covered comprehensive 4S store and after-sales maintenance center.

In terms of sales volume, in 2022, despite the repeated impact of the pandemic, our sales volume of new energy vehicles of all brands reached 24,603 units, representing a year-on-year increase of 54.5%, accounting for 12.9% of the total sales volume. Additionally, we also made great improvement in the operation and management of independent new energy brand business, with the sales volume reaching 9,591 units, representing a year-on-year increase of 221.2%, of which the sales volume under the distribution model was 5,730 units, and the sales volume under the direct sales model was 3,861 units.

In 2022, we made great improvement in after-sales operation and management of independent new energy brand business. The revenue of maintenance throughout the year was RMB44.69 million, representing a year-on-year increase of 40%. The gross profit rate of maintenance was 44%, representing a year-on-year increase of 4 percentage points. In particular, the average unit output value of both AITO and smart brands exceeded RMB2,000, close to or reaching the level of mainstream luxury brands, demonstrating the growth potential of after-sales business in the new energy sector.

We have established point system and community operation in the new energy user system. In 2022, the total number of registered users of Yongda new energy vehicles miniprogram was 21,816. We realized the functions of full agent brands display, user fission, user upgrade, card and voucher issuance and point use at the miniprogram operation end. We launched 230 events with 3,928 applicants. We focused more closely on users and increased user stickiness.

High-quality Development of Network

In 2022, on the one hand, we continued to optimize the brand network structure, consolidate the market share of existing major luxury brands and expand the network layout of other major luxury brands. We successfully obtained 1 Porsche authorization in Chengdu and newly obtained 5 BMW authorizations. On the other hand, we proactively planned to cooperate with outlets of various new energy brands through our own channel and management advantages. While expanding the network, we sped up the shutdown and transfer of poorly managed stores. We accelerated the expansion of the new energy brand network by utilizing surplus store resources, and continuously improved the average profitability of single store.

In 2022, we newly opened 36 self-built brand outlets, including 7 luxury brands, 4 mid-to-high-end brands, 23 independent new energy brands and 2 Yongda Pre-owned Vehicle Malls.

In 2022, we newly obtained 44 brand authorizations, including 12 traditional luxury brands, 4 mid-to-high-end brands and 28 independent new energy brands.

As of the end of 2022, we operated a total of 263 outlets, and we have 14 outlets authorized to open. Based on the analysis of brand structure, luxury brands account for 62%, mid-to-high-end brands account for 19%, independent new energy brands account for 14%, and Yongda Pre-owned Vehicle Malls account for 5%.

Set out below are the details and changes of our opened outlets as of December 31, 2022:

	Outlets opened as of December 31, 2021	Outlets opened as of December 31, 2022	Changes of outlet
4S dealerships of luxury and ultra-luxury brands	133	136	+3
City showrooms of luxury brands	22	24	+2
Authorized maintenance centers of luxury brands	3	3	–
Sub-total of luxury and ultra-luxury brands outlets	**158**	**163**	**+5**
4S dealerships of mid-to-high-end brands	43	43	–
City showrooms of mid-to-high-end brands	4	6	+2
Sub-total of mid-to-high-end brands outlets	**47**	**49**	**+2**
4S dealerships of independent new energy brands	10	30	+20
Authorized maintenance centers of independent new energy brands	3	6	+3
Sub-total of independent new energy brands outlets	**13**	**36**	**+23**
Outlets of Yongda Pre-owned Vehicle Malls	**13**	**15**	**+2**
Total outlets	**231**	**263**	**+32**

We newly opened 36 outlets in 2022 with details as follows:

7 opened outlets of luxury brands	Brand details	23 opened outlets of new energy brands	Brand details
5 4S stores	BMW (3), Aston Martin (1), Volvo (1)	20 4S stores	AITO(3), smart(6), Zhiji (2), Lotus (3), Voyah (2), Leapmotor (1), BYD (1), Radar (1), BAIC Arcfox (1)
2 showrooms	SAIC Audi (2)		
		3 maintenance centers	HiPhi (3)

4 opened outlets of mid-to-high-end brands	Brand details	2 opened Yongda Pre-owned Vehicle Malls
2 4S stores	Haval (1), WEY (1)	
2 showrooms	Tank (1), Lynkco (1)	

Continuous Improvement in Management

2022 was the most difficult year in the three years of the pandemic. The overall impact on the industry featured rapid changes, complex management and control policies as well as long duration. In view of the characteristics of operation and management during the pandemic and post-pandemic period, and to comprehensively improve the ability to resist risks, the Company improved the management mainly in the following aspects in 2022.

In response to the unstable operation under the pandemic, we focused on ensuring that the Company's operating cash flow remained at a good level. In 2022, for the new vehicle sales business which is the main link affecting operating cash flow, we used the digital system to gradually refine the link between the sales purchase, inventory and sales of new vehicles and operating capital to the analysis and control of the use efficiency of working capital of specific vehicle models. Moreover, we further strengthened the control of sales pace and overdue inventory as well as the coordination of internal and external resources. By improving operational efficiency, we effectively hedged the impact of pandemic control on sales pace, and kept the turnover days of new vehicles and financial expenses at a reasonable level.

We continued to optimize the development and management of brands and outlets, and constantly improved the utilization efficiency of assets in the post-pandemic era. Under the trend of electrification, traditional brands, independent brands and emerging brands are seeking to transform and upgrade. We paid close attention to the development trend of various brands, further consolidated the foundation of the leading luxury brands in terms of network development, actively sought potential independent brands and emerging brands in the field of new energy for selective development to gradually form a new brand network layout, and continuously improved the operation efficiency of the overall network. Meanwhile, we continued to promote the shutdown and transfer of the outlets that were inefficient, unprofitable and inconsistent with our long-term business strategy, in order to facilitate the sustainable increase of overall return on our asset investment in the future.

We are user-centric and have actively promoted data-driven digital transformation. In the face of the development trend of Internet and digitalization, the purchase decision and service experience of automobile consumers increasingly rely on digitalized tools. We continued to promote user-centric digitalization with the goal of realizing the transformation from traditional dealers to new digital retail service providers in the future. On the marketing side, we formulated clear online marketing strategies. We made full use of traditional vertical media and new media channels to realize new ways of direct communication with users (splitting private traffic) through live broadcast, public account and short video platform (expanding public traffic). Additionally, we launched Yongda Auto Service Platform in 2022. Our APP enables users to conduct online business of new and pre-owned vehicles and after-sales services, which has greatly improved the operating efficiency of stores during the pandemic and further improved the user's service experience. Through the above users digital construction, we can not only continuously reduce our customer acquisition costs and bring more accurate new users, but also help us better maintain existing users and achieve efficient full life cycle user operation.

We proactively promoted the organizational reform and transformation, and continuously improved the Company's core competitiveness. In response to the changes in business model and consumer service demand in the post-epidemic era, we have always sought a better management model to achieve a better user service experience and achieve lower cost and more efficient operation. In 2022, we preliminarily planned a new front, middle and back office operation organization system, rapidly advanced the construction of the business operation center and the sharing service center, enhanced user access and service experience more efficiently focusing on user operation and via the business operation middle office, empowered our subsidiaries to achieve continuous improvement of business scale, and improved the allocation and management efficiency of operation resources of our subsidiaries more efficiently focusing on support services and via the sharing service center. Together with the aforementioned digital transformation work, we will realize our transformation and upgrading in the future and better face the future opportunities and challenges.

We always attach great importance to the industrial transformation and upgrading as well as the support and empowerment of team building for the new industry segments. At the beginning of 2022, we proposed three business growth directions, namely traditional luxury brand vehicles, new energy vehicles and pre-owned vehicles, and we defined that digital transformation would be one of our core strategies. In terms of internal talent training, we should also closely focus on the above industries and strategic directions. On the one hand, we focused on the training of young management talents, and provide talents to industry segments which require rapid development such as new energy and pre-owned vehicles through diversified internal training mechanisms and the principal businesses; on the other hand, we selected talents through professional talent check, internal promotion and external recruitment for highly professional positions such as maintenance technology and digitalization. We have formed an internal talent training system applicable to future industry development. In the near future, the Company will also focus on new energy, pre-owned vehicles, digitalization and other fast-growing business segments for centralized empowerment.

FINANCIAL REVIEW

Continuing Operations

Revenue

Revenue was RMB72,023.9 million for the twelve months ended December 31, 2022, representing a 7.6% decrease from RMB77,916.6 million for the twelve months ended December 31, 2021, which was primarily due to the serious impact of the COVID-19 pandemic. The table below sets forth a breakdown of our revenue and relevant information of various business segments for the periods indicated:

	For the year ended December 31,					
	2022			2021		
	Amount ***(RMB'000)***	**Sales Volume** ***(Units)***	**Average Selling Price** ***(RMB'000)***	Amount *(RMB'000)*	Sales Volume *(Units)*	Average Selling Price *(RMB'000)*
New vehicle sales						
Luxury and ultra-luxury brands	**50,448,541**	**133,338**	**378**	53,950,033	141,067	382
Mid-to-high-end brands	**6,872,118**	**48,208**	**143**	9,697,923	71,717	135
Independent new energy brands (distribution model)	**870,992**	**5,730**	**152**	133,893	1,123	119
Subtotal	**58,191,651**	**187,276**	**311**	63,781,849	213,907	298
Pre-owned vehicles distribution	**3,369,991**	**16,684**	**202**	2,243,011	11,080	202
After-sales services	**10,099,081**			11,542,574		
Automobile rental services	**498,154**			537,967		
Less: inter-segment eliminations	**(134,989)**			(188,847)		
Total	**72,023,888**			77,916,554		

The sales volume of new vehicles of the passenger vehicle sales and services segment was 187,276 units for the twelve months ended December 31, 2022, a 12.4% decrease from 213,907 units for the twelve months ended December 31, 2021.

Among them, the sales volume of luxury and ultra-luxury brand new vehicles was 133,338 units for the twelve months ended December 31, 2022, a 5.5% decrease from 141,067 units for the twelve months ended December 31, 2021.

Revenue from the sales of new vehicles of the passenger vehicle sales and services segment was RMB58,191.7 million for the twelve months ended December 31, 2022, an 8.8% decrease from RMB63,781.8 million for the twelve months ended December 31, 2021.

Among them, revenue from the sales of luxury and ultra-luxury brand new vehicles was RMB50,448.5 million for the twelve months ended December 31, 2022, a 6.5% decrease from RMB53,950.0 million for the twelve months ended December 31, 2021.

The distribution volume of pre-owned vehicles was 16,684 units for the twelve months ended December 31, 2022, a 50.6% increase from 11,080 units for the twelve months ended December 31, 2021.

Revenue from distribution of pre-owned vehicles was RMB3,370.0 million for the twelve months ended December 31, 2022, a 50.2% increase from RMB2,243.0 million for the twelve months ended December 31, 2021.

Revenue of after-sales services from the passenger vehicle sales and services segment was RMB10,099.1 million for the twelve months ended December 31, 2022, a 12.5% decrease from RMB11,542.6 million for the twelve months ended December 31, 2021.

Revenue from the automobile rental services segment was RMB498.2 million for the twelve months ended December 31, 2022, a 7.4% decrease from RMB538.0 million for the twelve months ended December 31, 2021.

Cost of Sales and Services

Cost of sales and services was RMB65,634.5 million for the twelve months ended December 31, 2022, a 6.5% decrease from RMB70,163.9 million for the twelve months ended December 31, 2021.

Cost of sales of new vehicles of the passenger vehicle sales and services segment was RMB56,752.2 million for the twelve months ended December 31, 2022, a 7.8% decrease from RMB61,555.0 million for the twelve months ended December 31, 2021.

The distribution costs of pre-owned vehicles were RMB3,076.1 million for the twelve months ended December 31, 2022, a 51.1% increase from RMB2,036.1 million for the twelve months ended December 31, 2021.

Cost of after-sales services for the passenger vehicle sales and services segment was RMB5,573.2 million for the twelve months ended December 31, 2022, a 12.0% decrease from RMB6,336.3 million for the twelve months ended December 31, 2021.

Cost of services for the automobile rental services segment was RMB361.4 million for the twelve months ended December 31, 2022, a 12.7% decrease from RMB413.9 million for the twelve months ended December 31, 2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit was RMB6,389.3 million for the twelve months ended December 31, 2022, a 17.6% decrease from RMB7,752.7 million for the twelve months ended December 31, 2021.

Gross profit margin was 8.87% for the twelve months ended December 31, 2022, a decrease of 1.08 percentage points from the gross profit margin of 9.95% for the twelve months ended December 31, 2021.

Gross profit from the sales of new vehicles of the passenger vehicle sales and services segment was RMB1,439.5 million for the twelve months ended December 31, 2022, a 35.4% decrease from RMB2,226.9 million for the twelve months ended December 31, 2021.

Gross profit margin for the sales of new vehicles decreased to 2.47% for the twelve months ended December 31, 2022 from 3.49% for the twelve months ended December 31, 2021.

The gross profit from distribution of pre-owned vehicles was RMB293.9 million for the twelve months ended December 31, 2022, a 42.1% increase from RMB206.9 million for the twelve months ended December 31, 2021.

The gross profit margin from distribution of pre-owned vehicles was 8.72% for the twelve months ended December 31, 2022, a decrease of 0.50 percentage point from the gross profit margin of 9.22% for the twelve months ended December 31, 2021.

Gross profit for after-sales services from the passenger vehicle sales and services segment was RMB4,525.9 million for the twelve months ended December 31, 2022, a 13.1% decrease from RMB5,206.2 million for the twelve months ended December 31, 2021.

Gross profit margin for after-sales services was 44.81% for the twelve months ended December 31, 2022, a slight decrease of 0.29 percentage point from 45.10% for the twelve months ended December 31, 2021.

Gross profit from the automobile rental services segment was RMB136.8 million for the twelve months ended December 31, 2022, a 10.2% increase from RMB124.1 million for the twelve months ended December 31, 2021.

Gross profit margin for the automobile rental services segment was 27.46% for the twelve months ended December 31, 2022, an increase of 4.39 percentage points from 23.07% for the twelve months ended December 31, 2021.

Other Income and Other Gains and Losses

Other income and other gains and losses were net gains of RMB1,549.7 million for the twelve months ended December 31, 2022, a 10.3% increase from RMB1,404.5 million for the twelve months ended December 31, 2021.

Among them, the revenue from the finance and insurance related agency services of the passenger vehicle sales and services segment was RMB1,439.9 million for the twelve months ended December 31, 2022, a 13.4% increase from RMB1,270.2 million for the twelve months ended December 31, 2021.

The sales volume of direct agency sales of independent new energy brand vehicles was 3,861 units for the twelve months ended December 31, 2022, a 107.2% increase from 1,863 units for the twelve months ended December 31, 2021.

Revenue from direct agency sales service of independent new energy brand vehicles was RMB56.8 million for the twelve months ended December 31, 2022, a 54.5% increase from RMB36.7 million for the twelve months ended December 31, 2021.

Distribution and Selling Expenses and Administrative Expenses

Distribution and selling expenses and administrative expenses were RMB5,635.2 million for the twelve months ended December 31, 2022, a 5.4% increase from RMB5,348.3 million for the twelve months ended December 31, 2021.

As our revenue in 2022 decreased year on year due to the severe impact of the COVID-19 pandemic, the ratio of distribution, selling and administrative expenses over revenue was 7.82% for the twelve months ended December 31, 2022, an increase of 0.96 percentage point from 6.86% for the twelve months ended December 31, 2021.

Operating Profit

As a result of the foregoing, operating profit was RMB2,303.9 million for the twelve months ended December 31, 2022, a 39.5% decrease from RMB3,809.0 million for the twelve months ended December 31, 2021.

Finance Costs

Finance costs were RMB320.7 million for the twelve months ended December 31, 2022, a 36.7% decrease from RMB506.4 million for the twelve months ended December 31, 2021.

The percentage of the finance costs for the twelve months ended December 31, 2022 decreased to 0.45% from 0.65% for the twelve months ended December 31, 2021.

Profit before Tax

As a result of the foregoing, profit before tax was RMB2,072.7 million for the twelve months ended December 31, 2022, a 38.6% decrease from RMB3,374.8 million for the twelve months ended December 31, 2021.

Income Tax Expense

Income tax expense was RMB587.1 million for the twelve months ended December 31, 2022, a 29.9% decrease from RMB837.0 million for the twelve months ended December 31, 2021. As the withholding income tax on profits distributed overseas by subsidiaries in mainland China of RMB146.3 million was included as expense in 2022, our effective income tax rate was 28.3% for the twelve months ended December 31, 2022, an increase from 24.8% for the twelve months ended December 31, 2021.

Profit from Continuing Operations

As a result of the foregoing, the profit from continuing operations was RMB1,485.6 million for the twelve months ended December 31, 2022, a 41.5% decrease from RMB2,537.7 million for the twelve months ended December 31, 2021.

Profit from Discontinued Operations

On June 29, 2021, the Group entered into a series of equity transfer agreements to directly or indirectly dispose its 80% equity interest in Shanghai Yongda Finance Leasing Co., Ltd. ("Yongda Finance Leasing"), and the disposal was completed on December 22, 2021. Thus, the net profit of Yongda Finance Leasing was included in the Group's share of profit of associates at a proportion of 20% since December 2021. The revenue, costs, expenses and profits of Yongda Finance Leasing for the eleven months ended November 30, 2021 have been included in the profit from discontinued operations. The profit from discontinued operations for the period was RMB80.3 million.

Profit

As a result of the foregoing, the profit was RMB1,485.6 million for the twelve months ended December 31, 2022, a 43.3% decrease from RMB2,618.1 million for the twelve months ended December 31, 2021.

Profit Attributable to the Owners of the Company

As a result of the foregoing, the profit attributable to the owners of the Company was RMB1,425.4 million for the twelve months ended December 31, 2022, a 42.5% decrease from RMB2,480.1 million for the twelve months ended December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

For the twelve months ended December 31, 2022, our net cash from operating activities was RMB4,232.5 million. For the twelve months ended December 31, 2021, our net cash from operating activities was RMB5,014.8 million, of which the net cash generated from operating activities of automobile sales and services business was RMB4,867.7 million, and the net cash generated from operating activities of proprietary finance business was RMB147.1 million.

In 2022, although our net cash generated from operating activities of automobile sales and services business decreased by 13.0% compared to the same period in 2021, it remained at a relatively good level, thereby effectively hedging the impact of the decrease in net profit on us.

For the twelve months ended December 31, 2022, our net cash used in investment activities was RMB1,455.2 million, which mainly included the amounts for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,776.4 million, which was partially offset by the proceeds from the disposal of property, plant and equipment, intangible assets and right-to-use assets of RMB505.8 million. For the twelve months ended December 31, 2021, our net cash used in investing activities was RMB282.2 million.

For the twelve months ended December 31, 2022, our net cash used in financing activities was RMB2,841.8 million, which mainly included the net repayment of RMB1,255.5 million, the payment of interest of RMB317.9 million, the payment of dividends to shareholders of listed companies of RMB948.8 million, the payment of dividends to minority shareholders of subsidiaries of RMB128.5 million, the repayments of leases liabilities of RMB237.4 million. For the twelve months ended December 31, 2021, our net cash used in financing activities was RMB5,562.2 million.

Inventories

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

Our inventories were RMB4,555.4 million as of December 31, 2022, a 12.8% increase from RMB4,037.7 million as of December 31, 2021. The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended December 31,	
	2022	2021
Average inventory turnover days	**22.1**	23.1

Capital Expenditures and Investment

Our capital expenditures primarily included expenditures on purchase of property, plant and equipment, right-of-use assets, intangible assets and acquisition of subsidiaries, which was partially offset by the proceeds from the disposal of property, plant and equipment, intangible assets and right-of-use assets. For the twelve months ended December 31, 2022, our total capital expenditures were RMB1,311.9 million. The following table sets forth a breakdown of our capital expenditures for the period indicated:

	For the twelve months ended December 31, 2022 *(RMB million)*
Expenditures on purchase of property, plant and equipment – test-drive automobiles and vehicles for operating lease purposes	**796.1**
Expenditures on purchase of property, plant and equipment and right-of-use assets – primarily used for establishing and upgrading automobile sales and service outlets	**908.2**
Expenditures on purchase of intangible assets (vehicle licences and softwares)	**72.2**
Expenditures on acquisition of subsidiaries	**41.2**
Proceeds from the disposal of property, plant and equipment, intangible assets and right-of-use assets (mainly test-drive automobiles and vehicles for operating lease purposes)	**(505.8)**
Total	**1,311.9**

Borrowings and Bonds

We obtained borrowings (consisting of bank loans and other borrowings from designated automobile finance companies of automobile manufacturers) and issued bonds to fund our working capital and network expansion. As of December 31, 2022, the outstanding amount of our borrowings and bonds amounted to RMB3,737.2 million, a 23.4% decrease from RMB4,875.6 million as of December 31, 2021. The following table sets forth the maturity profile of our borrowings and bonds as of December 31, 2022:

	As of December 31, 2022 *(RMB million)*
Within one year	**2,657.3**
One to two years	**73.1**
Two to five years	**1,006.8**
Total	**3,737.2**

As of December 31, 2022, our net gearing ratio (being net liabilities divided by total equity) was 10.5% (as of December 31, 2021: 18.3%). Net liabilities represent borrowings, super short-term commercial papers and medium-term notes minus cash and cash equivalents and time deposits.

As of December 31, 2022, certain of our borrowings were secured by mortgages or pledges over our assets. Our assets subject to these mortgages or pledges as of December 31, 2022 consisted of (i) inventories of RMB1,191.7 million; (ii) property, plant and equipment of RMB33.9 million; (iii) land use rights of RMB81.2 million; and (iv) equity interests of the subsidiaries of RMB635.5 million.

Contingent Liabilities

References are made to the announcements published by the Company on June 29, 2021 and December 22, 2021 (the "Announcements"), which disclosed that the Company made direct or indirect disposal of 80% equity interest in Yongda Finance Leasing (the "Disposal"). The Disposal was completed on December 22, 2021.

Before the Disposal, the Group has provided guarantees (the "Previous Guarantees") in favour of certain banks in the PRC in respect of a series of credits (the "Existing Credits") and corresponding debts of Yongda Finance Leasing respectively.

The borrowings drawn by Yongda Finance Leasing as of December 31, 2021 relevant to the Previous Guarantees expired in 2022. Upon the repayment of the above amount by Yongda Finance Leasing, the Group has ceased to incur guarantee obligations for the above borrowings.

Upon the Disposal, the Group guaranteed the additional credits (the "Additional Credits") and corresponding debts of Yongda Finance Leasing in proportion to the Group's 20% shareholding in Yongda Finance Leasing. These guarantees were conducted on normal commercial terms and on several basis. As of December 31, 2022, the balance for the borrowings drawn under the Additional Credits of Yongda Finance Leasing upon the Disposal was RMB1,181 million, of which the guarantee amount provided by the Group was RMB236 million.

As of December 31, 2022, save for the above, we did not have any material contingent liabilities.

Interest Rate Risk and Foreign Exchange Risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Certain of our borrowings were floating rate borrowings that are linked to the benchmark rates of the People's Bank of China and the Secured Overnight Financing Rate (SOFR). Increases in interest rates could result in an increase in our cost of borrowing, which in turn could adversely affect our finance costs, profit and our financial condition. We currently use derivative financial instruments to hedge some of our exposure to interest rate risk.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of December 31, 2022, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we used derivative financial instruments to hedge our exposure to foreign exchange risk.

Impact of Novel Coronavirus Pandemic

From late March 2022 to May 2022, the business and operations of the Group were significantly affected by the COVID-19 pandemic. To curb the spread of the pandemic, the Chinese government has taken measures to close workplaces and impose travel restrictions in areas where the COVID-19 pandemic has occurred. We have taken measures to reduce the impact of the COVID-19 pandemic, including strict implementation of isolation and disinfection measures in some of our operating entities and service outlets in accordance with regulations issued by relevant governments. From June 2022, various businesses of the Group have gradually returned to normal.

Given the current uncertainty and unpredictability of the COVID-19 pandemic, the impact of the COVID-19 pandemic on our operation performance, financial condition and cash flow will depend on the future development of the COVID-19 pandemic, which created operational challenges for our business. In addition, our operation performance may be adversely affected if the COVID-19 pandemic damaged the overall economy in China.

DEVELOPMENT OUTLOOK AND STRATEGIES

Undoubtedly, 2022 is an extremely difficult year for the vehicle circulation industry. The repeated outbreak of the pandemic did not only directly result in the closure of 4S dealerships nationwide and disruption of the pace of product supply at different levels, but also result in a sharp decline in customer flow and poor logistics in the stores, which caused heavy pressure on the daily operation of automobile dealers. During the period, although China's automobile market encountered unexpected downward trend, it also ushered in a series of most favorable policies in the PRC and a historical development opportunity of outperformance of companies in the new energy vehicle industry. The automobile market has accelerated into the era of digital economy. The new technological revolution has driven the rapid development of big data, intelligent networking and cloud computing, and the industry is undergoing unprecedented changes.

Despite these headwinds, we did not wait or rely on others, sought for new opportunities from the crisis, rapidly implemented the general strategies of promoting our future development with three growth curves of luxury brand vehicles, pre-owned vehicles and new energy vehicles, accelerated the digital transformation of the Group's overall business, dedicated to expand and deepen the layout of new energy brand authorization and sales network, actively promoted organizational reform and transformation, and successfully achieved a substantial increase in the Group's core competitiveness and good results in high-quality development. Our business was challenged by extreme market conditions of "ice and fire" in the automobile market in 2022, which indicated the accuracy of our strategy and the excellent execution of our management.

Looking forward to the new year, in addition to further consolidating and improving our leading position and competitive barriers in the two luxury vehicle brands namely BMW and Porsche, we will continue to work intensively in the "cash cow" business of traditional gasoline vehicles, continue to expand its scale, optimize the existing network structure, strengthen cost reduction and efficiency enhancement and improve the profitability. We will also expand and strengthen pre-owned vehicles in a rapid manner, proactively develop the new energy industry, and deploy the new business of "battery butler"; and we will achieve breakthroughs in the era of new energy revolution through the three dimensions of "electrification", "digitalization" and "sharing".

The Company will expand and strengthen the "Yongda Pre-owned Vehicles"

As a Hong Kong-listed company that has been deeply cultivated in the field of luxury brand vehicles sales and services for many years, we have continued to promote the construction of the retail capacity of officially certified pre-owned vehicles by the manufacturers and Yongda certified pre-owned vehicles, formed a new business layout of distribution, retailing and digitalization, promoted the "Yongda pre-owned vehicles" business at full speed, and become the main driving force of the Company's growth in the vehicle service industry. The liberalization of the pre-owned vehicle policy has promoted the industry to enter a period of rapid development. We will accelerate the upgrading from pre-owned vehicle brokerage mode to distribution mode, and from traditional operation mode to digital and omni-channel operation mode, so as to achieve the overall improvement in terms of scale, retail and profitability. Under the "2+1" channel strategies, i.e. the dual channels of offline 4S dealership outlets and pre-owned chain malls combining with the online pre-owned mall portal, we will form an omni channel "new retail" model by combining online and offline channels. Under the strategies of improving replacement ratio of outlets, marketing among existing customers, proactive implementation of batch vehicle source synergies with manufacturers and third parties, we will further broaden the quality pre-owned vehicle sources. Through the channel capability construction and enhancement of Yongda pre-owned vehicle brand marketing, we will further improve the certified pre-owned retail scale and profitability and quality. We wish to achieve: "Yongda pre-owned vehicles, your most trusted pre-owned vehicle butler."

The Company will proactively develop the "Yongda New Energy"

The Company will seize the opportunity period of rapid growth of new energy vehicles, accelerate the integration into the layout of the new energy vehicle industry chain, and make change with the trend for outperformance. We have set up a specific organization and team of "Yongda New Energy" to provide independent training system and incentive mechanism, and carry out strategic cooperation in an all-round way with several domestic leading new energy brand automobile enterprises such as SMART, Xiaopeng, BYD, fully exerted its leading advantages in terms of service network, refined operation management, digital customer operation and new media operation, and has successfully developed 36 new energy sales service outlets in 2022. In addition, we have also continued to strengthen business cooperation with with the electric vehicle segment of traditional luxury vehicle enterprises such as BMW and Porsche; focusing on new energy vehicle market expansion, regional brand new retail mode, new energy vehicle industry chain service, Internet user operation and other automobile related businesses, we will comprehensively promote the development of new energy business, and the "comprehensive electrification" of core products is becoming the new industrial tag of Yongda Automobile. Furthermore, we have also commenced the forward-looking layout of the maintenance and recycling business of new energy vehicle power batteries via cooperation, and created business opportunities for the full-life-cycle management value chain of new energy vehicle batteries.

The Company will speed up the achievement of the Company's digital transformation

The domestic automobile market has accelerated the pace of entering into the new era of automotive retail and digital economy. We are comprehensively promoting digital transformation, and will drive lean operations and activate user value with digital method in the future. We will build and realize the digital strategies with one core and two complements of "broad front end + strong back office". Through sorting out and upgrading the retail service procedures, we will realize the interconnection among the whole network and efficiency improvement of outlets, and continue to optimize the online and offline integrated retail experience; through establishing a online access with customer needs as the core and the APP and applet of Yongda Automobile as the carriers, we will explore the value of customers' full life cycle, build and have its own private domain operation system as the "moat" with its own service brand, steady and loyal customer base, promote the transformation, upgrading and development of the Company from "automobile dealer" to "provider of full life cycle service to automobile users", so as to improve the overall operating efficiency and reduce costs, as well as the simultaneous improvement of user stickiness and profitability.

The "Sharing Platform" will support the efficiency improvement

The increasingly fierce market competition makes us fully aware that we should keep pace with the times and realize the refined operation of the Company. We have determined the general strategies of "platform sharing" for future industrial development. Firstly, we will sort out functions and processes through organizational reform, break through the barriers set by regular department functions through integration, and achieve broader coverage of the functions of the middle office. Secondly, we will form a number of sharing platforms for unified management and operation to empower enterprises and employees, including clue management, customer operation, financial processing and human resources by virtue of the successful established data management system with data governance, data evaluation, data operation and data service as the core, thereby the front-line employees can serve customers more accurately and thoughtfully, and their work efficiency will be also significantly improved. The establishment of a one-stop "sharing platform" will be not only conducive to providing customers with more convenient automobile services, but also significantly improve the flow sharing and value creation capabilities among our business units (including traditional gasoline vehicles, new energy, pre-owned vehicles, etc.), so as to strengthen our ability to grasp the long-term value of customers in the whole life cycle, and ultimately achieve the Company's efficiency improvement and effective cost control.

Being people-centered, talent-based and shareholders-oriented

Looking forward, we will also strengthen the talent reserve in the field of new energy, pre-owned vehicles, new media and Internet in the future, optimize our appraisal management and incentive mechanism of the Company, and build a professional talent echelon with digital capability in line with the future trend. Winter will eventually pass, and spring is sure to come. Having experienced the market challenges in 2022, we will rely on a more complete product matrix, a more reasonable national marketing network, a more competitive new retail business model, a more efficient digital integrated marketing platform and a more comprehensive talent echelon, we will actively participate and continuously respond to the national "low carbon" strategy and commit itself to fulfilling ESG-related corporate social responsibilities, build the ability for long-term sustainable growth, so that we will always remain invincible in the future competitions, and return our shareholders and investors with more stable performance growth.

Directors and Senior Management

DIRECTORS

Executive Directors

CHEUNG Tak On (張德安), aged 56, is our Chairman and was appointed as our executive Director on January 18, 2012 and he is currently the vice chairman of the Shanghai Enterprise Confederation/Entrepreneur Association and the rotating chairman of the Shanghai Entrepreneur Association. Mr. Cheung has extensive experience in the passenger vehicle dealership sector and is responsible for setting the strategic vision, direction and goals of our Group and he participates in our Group's strategic and key operational decision-making processes. Mr. Cheung was brought up in the PRC. From November 1999 to February 2005 and from November 2005 to September 2018, Mr. Cheung has been the chairman of Shanghai Yongda Holding (Group) Limited (上海永達控股(集團)有限公司) ("Yongda Holding"), where he has been mainly responsible for overseeing its overall development and formulating corporate and business strategies. Mr. Cheung obtained an adult higher education training certificate in economic law jointly granted by The Open University of China (中央廣播電視大學) and China University of Political Science and Law (中國政法大學) in 1996 and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2001. Mr. Cheung also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from September 1999 to December 2001, and the China CEO Program jointly offered by Cheung Kong Graduate School of Business (長江商學院), Columbia Business School, IMD and London Business School in 2011. Mr. Cheung completed the course of China CEO Global Research Proposal (《中國CEO全球研修計劃》) organised by Overseas Education Collage of Shanghai Jiao Tong University (上海交通大學) in 2014. Mr. Cheung started to course of the Entrepreneur Scholar Program and PhD in Global Management of Tsinghua University-University of Minnesota sponsored by the School of Economics and Management of Tsinghua University in 2018.

CAI Yingjie (蔡英傑), aged 55, is our Vice-chairman and was appointed as our executive Director on January 18, 2012. Mr. Cai was re-designated from our President to Chief Executive Officer on March 23, 2015 and has ceased to act as the Chief Executive Officer due to work re-allocation and adjustment of the management team of the Company on December 21, 2021. Mr. Cai is responsible for overseeing our operations and investment, managing our relationships with automobile manufacturers and exploring new business opportunities for our Group. Mr. Cai is also the chairman or a director of several of our subsidiaries. From November 1998 to December 2011, and since September 2018, he was the director of Shanghai Yongda Group Company Limited ("Yongda CLS") and its general manager from November 1999 to December 2011. Before joining the Group, Mr. Cai worked in Shanghai Shenbao Automobiles Factory (上海申寶汽車廠) (later known as Shanghai Shenbao Automobiles Co., Ltd. (上海申寶汽車有限公司)), where he was responsible for automobiles inspection and management of the fleet of automobiles. Mr. Cai received the Executive Management Education Certificate from the Chinese Enterprise CEO Program at Cheung Kong Graduate School of Business in 2016 and graduated from Nanjing Army Command College (南京陸軍指揮學院) with an adult higher education bachelor diploma in law in 2002.

Directors and Senior Management

WANG Zhigao (王志高), aged 54, is our Vice-chairman, he served as our non-executive Director from January 2012 to March 2015, and was re-designated to executive Director on March 23, 2015. Mr. Wang is responsible for managing our strategies, remuneration and work in relation to professional capital market institutions and guiding the financial management and legal affairs of our Group. Mr. Wang served as a director of Yongda Holding since January 2005 and was re-designated to the chairman of Yongda Holding in September 2018. Mr. Wang served as a director of Yongda CLS since December 2003 and was re-designated to the chairman of it in September 2018. Mr. Wang is also currently the chairman or a director of several of our subsidiaries. Before joining the Group, Mr. Wang was a lawyer at Shanghai Xin Cheng Law Firm (上海信誠律師事務所) and Shanghai Jin Shi Law Firm (上海金石律師事務所). And from August 1992 to December 1996, he was a lecturer at East China University of Political Science and Law (華東政法大學). Mr. Wang graduated from East China University of Politics and Law with a bachelor's degree in economic law in 1992 and a master's degree in law in 1999. Mr. Wang also received a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in 2007.

XU Yue (徐悦), aged 47, was appointed as our executive Director on March 23, 2015, as our Vice-chairman on March 25, 2020 and as our Chief Executive Officer on December 21, 2021. Mr. Xu has served as our President from March 2015 to February 2016, and was re-appointed as our President on September 12, 2016. He is responsible for the overall business strategies of the Group and overseeing the operation and business strategies of the Group. Mr. Xu was our President from March 2015 to February 2016 and has been re-appointed as our President since September 12, 2016. Mr. Xu is also currently the chairman of Shanghai Yongda Automobile Group Co., Ltd. (上海永達汽車集團有限公司) ("Yongda Automobile Group"), which is an indirect wholly-owned subsidiary of the Company, and the chairman or a director of several of our subsidiaries. Mr. Xu joined our Group in 1999 and has more than 20 years of experience in the passenger vehicle dealership sector. He was the executive vice-president of the Company from January 2012 to March 2015 and the assistant to the chief executive officer of Yongda Holding from January 2009 to December 2011. From June 2004 to January 2009, Mr. Xu was the deputy general manager of Yongda CLS and the general manager of Shanghai Baozen Automobile Sales and Services Co. Ltd. (上海寶誠汽車銷售服務有限公司) ("Shanghai Baozen"). Between February 2002 and March 2004, Mr. Xu was the secretary to the chief executive officer of Yongda Holding, where he was mainly responsible for assisting the chief executive officer with daily administration. From November 2000 to February 2002, Mr. Xu was the general manager of Shanghai Yongda International Trading, Ltd. (上海永達國際貿易有限公司), where he was mainly responsible for the import of passenger vehicles. Between October 1999 and November 2000, Mr. Xu was the assistant to the general manager of Shanghai Yongda Automobile Pudong Sales and Services Co., Ltd. (上海永達汽車浦東銷售服務有限公司). Mr. Xu received a bachelor diploma in practical English and a secondary college diploma in international business and finance management from Shanghai Normal University (上海師範大學) in June 1997, and a master of science degree in business administration (leadership studies) from Madonna University, Michigan in December 2005. Mr. Xu also completed the Senior Seminar on MSBA Shanghai Program organized by Shanghai Institute of International Finance (上海國際金融學院), School of Business, Madonna University, Michigan and International Financial Center Association (國際金融中心協會) from October 2003 to July 2005. In 2015, Mr. Xu obtained a master's degree in Business Administration at China Europe International Business School (中歐國際工商學院).

CHEN Yi (陳昳), aged 50, was appointed as our executive Director on March 23, 2015 and was responsible for the operation and management of the automobile finance business and related management of our Group. Ms. Chen was re-appointed as our Vice-president on September 12, 2016 and since February 2016, Ms. Chen has been a director of Yongda Automobile Group. From March 2014 to February 2016, Ms. Chen was the vice-president of our Company and the general manager of the finance innovation department. She has over 20 years of experience in the banking and financial industry. Prior to joining us, Ms. Chen was the senior assistant to the president of the Transportation Finance Division and the director of Eastern China Automobile Business Division of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) (Shanghai Stock Exchange ("SSE") stock code: 600016 and Hong Kong Stock Exchange stock code: 01988) ("CMBC") from April 2013 to January 2014. From February 2004 to April 2013, Ms. Chen held several managerial positions in CMBC, including the senior customer manager of the Shanghai Anting branch of CMBC, the general manager of the Industrial and Commercial Enterprises Finance Division Two of CMBC, the general manager of the automobile finance department and the branch manager of the Shanghai Jiading branch of CMBC and the branch manager of the Shanghai Gubei branch of CMBC. From July 1995 to February 2004, she worked at the Credit Card Division, Personal Banking Division and Customer Service Division of Bank of Communications Co., Ltd. (交通銀行股份有限公司) (SSE stock code: 601328 and SEHK stock code: 03328). Ms. Chen obtained a professional diploma in International Finance from the Shanghai Institute of Finance (上海金融學院), formerly known as the Shanghai Higher Institute of Finance (上海金融高等學院) in 1995 and a bachelor's degree in currency and banking from Shanghai Jiao Tong University (上海交通大學) in 2000. She also obtained a master's degree in Executive Master of Business Administration from Shanghai Advanced Institute of Finance (上海高級金融學院) of Shanghai Jiao Tong University in 2014 and completed her DBA study in Global Financial Business Administration of Shanghai Advanced Institute of Finance in 2020.

TANG Liang (唐亮), aged 45, was appointed as our Vice-president since September 12, 2016 and was appointed as our executive Director since December 21, 2021. He is responsible for assisting the President of the Group in work execution related to the operation and management of the automobile sales service business. Mr. Tang is currently also a director of Yongda Automobile Group. Mr. Tang was the assistant to our President of the Group from March 2015 to February 2016. Mr. Tang joined us on May 4, 2010 and served as the deputy general manager and the general manager of Shanghai Baozen and the vice director of Baozen Business Division. Mr. Tang has over 18 years of working experience in the automobile industry. Prior to joining us, Mr. Tang worked at SGM Automobile Manufacturing Department (上海通用汽車製造部) from April 2004 to the end of 2008, during which period he held a number of managerial positions in respect of engineering and production, and later served as the assistant to the vice-president of SGM Automobile Marketing (上海通用汽車營銷) from the end of 2008 until he joined our Group. Mr. Tang graduated from the Material Science and Engineering Institute of Shanghai Jiao Tong University (上海交通大學) in 2001 with a bachelor's degree in material science and engineering, and obtained a master's degree in the same major in 2004. Mr. Tang received a master's degree in Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in September 2016.

Directors and Senior Management

Independent Non-executive Directors

ZHU Anna Dezhen (朱德貞), aged 65, was appointed as our independent non-executive Director on May 8, 2015, and is currently the chairman of the board of Xiamen De Yi Equity Investment Management Co., Ltd. (廈門德屹股權投資管理有限公司), where she is mainly responsible for operation and management of investment. Ms. Zhu has also served as a non-executive director of Fuyao Glass Industry Group Co., Ltd. (SSE stock code: 600660 and SEHK stock code: 03606) since November 2011. Ms. Zhu has over 30 years of extensive experience in financial analysis, market analysis, investment management and general corporate management. Before joining Xiamen De Yi Equity Investment Management Co., Ltd., Ms. Zhu was a senior manager of China National Offshore Oil Corporation, where she was mainly responsible for analysis of crude oil market, from October 1982 to September 1988. From March 1992 to June 1993, Ms. Zhu was an analyst at The Bank of New York Company, Inc., where she was mainly responsible for systems analysis. From June 1993 to September 1999, Ms. Zhu was the vice-chairman of business of JP Morgan Investment Bank of the United States, where she was mainly responsible for establishing the financial model. Ms. Zhu was a manager of Strategic Planning of Micron Technology, Inc. (New York Stock Exchange stock code: MU), where she was mainly responsible for strategic planning, from May 2000 to October 2001; the chief operating officer of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), from October 2001 to June 2003; and the president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), where she was mainly responsible for operations management, from June 2003 to May 2008. From May 2008 to December 2010, Ms. Zhu was the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, where she was mainly responsible for the operation and management of investment. From December 2010 to June 2016, Ms. Zhu was the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. Ms. Zhu has served as an independent director of Hunan TV & Broadcast Intermediary Co. Ltd. (SZSE stock code: 000917) from August 2016 to December 2019, and as an independent director of Bright Dairy & Food Co., Ltd. (SSE stock code: 600597) from April 2015 to June 2022. In the area of professional qualification, Ms. Zhu is a director of the Chinese Economists 50 Forum, a director of Heren Charitable Foundation and a director of the Western Returned Scholars Association. With respect to the academy, Ms. Zhu is a part-time professor in the School of Management of Xiamen University (廈門大學). Ms. Zhu received a bachelor's degree in literature from Xiamen University in 1982, a bachelor's degree in economics from College of Saint Elizabeth in 1990 and a master's degree in business administration from Pace University in 1992. Ms. Zhu obtained a doctor's degree in economics from Xiamen University in 2013.

LYU Wei (呂巍), aged 58, was appointed as our independent non-executive Director on January 18, 2012. Mr. Lyu is currently a professor of Management Department of Antai College of Economics and Management (安泰經濟與管理學院) at Shanghai Jiao Tong University (上海交通大學). From November 2014 to May 2015, Mr. Lyu was the head of preparatory group of the Faculty of the Cultural and Creative Industry of University of Southern California and Shanghai Jiao Tong University (上海交通大學美國南加州大學文化創意產業學院). From 2003 to November 2014, Mr. Lyu was the Associate Dean of the Antai College of Economics and Management at Shanghai Jiao Tong University. Between February 1997 and March 2003, Mr. Lyu was an assistant to the Dean of the School of Management of Fudan University (復旦大學) and a professor in its Department of Marketing from November 2001 to March 2003. From 1996 to 1997, Mr. Lyu was a visiting scholar at the Sloan School of Management of Massachusetts Institute of Technology. From 1994 to 1996, Mr. Lyu was a visiting scholar at the University of Southern California.

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

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

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

Directors and Senior Management

MU Binrui (牟斌瑞), aged 66, has been appointed as an independent non-executive Director of the Company with effect from 1 January 2019. Mr. Mu has over 35 years of extensive experience in the banking industry. Before joining the Company, Mr. Mu joined Bank of China in 1980, and was transferred to the headquarters of Bank of Communications in 1992, where he held the positions of deputy director, director and deputy general manager of the international business department as well as the deputy general manager of the corporate affairs department, respectively, during 1992 to 2004. Mr. Mu was appointed as general manager of the credit management department of the headquarters of Bank of Communications in 2004, and subsequently the deputy chief credit officer and general manager of the credit management department of Bank of Communications in 2013. Mr. Mu was awarded State Council Special Allowance by the People's Republic of China in February 2013, and retired in October 2016. From January 2017 to March 2018, Mr. Mu held the position of an independent non-executive director of Huabang Technology Holdings Limited (previously known as Huabang Financial Holdings Limited and Goldenmars Technology Holdings Limited) (stock code: 3638), a company listed on the main board of the Stock Exchange. Since September 2018, Mr. Mu has been an independent non-executive director of China Bohai Bank Co., Ltd. (stock code: 9668), a company listed on the main board of the Stock Exchange since July 2020. Mr. Mu graduated from Renmin University of China with a bachelor's degree in finance in 1987, and obtained the title of Senior Economist in 1997.

SENIOR MANAGEMENT

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

YE Ming (葉明), aged 45, was our Vice-president from January 2012 to February 2016 and was re-appointed as our Vice-president since September 12, 2016. He is responsible for our Group's enterprise management, network management, administration and other areas. Mr. Ye is also currently a director of several of our subsidiaries. From January 2009 to December 2011, Mr. Ye simultaneously held the offices of the assistant to chief executive officer of Yongda Holding and the deputy general manager of Yongda CLS. Mr. Ye held a number of managerial positions at Yongda CLS between 2003 and 2008, including the director of the business development department and assistant to the general manager. In 2002, Mr. Ye held the office of assistant to the general manager of Shanghai Yongda Automobile Rental Company (永達汽車租賃有限公司). Mr. Ye received a bachelor's degree in law from Shanghai University (上海大學) in 2001 and a master's degree of EMBA from Fudan University in June 2018.

DONG Ying (董穎), aged 53, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. Mr. Dong joined our Group in November 2011 and has been responsible for our financial management. Mr. Dong has 28 years of experience in corporate finance, accounting, auditing, risk management and internal control. Mr. Dong was the deputy head of financial control center of Yongda Holding between November 2011 and December 2011. Prior to joining us, Mr. Dong was the financial controller of a company whose shares are listed in Hong Kong from 2006 to 2011. Mr. Dong worked at PricewaterhouseCoopers Zhong Tian Limited Company CPAs (普華永道中天會計師事務所有限公司) from 2003 to 2006 as a senior manager in its risk management and internal control service department and from 1994 to 2003 as a senior manager in its audit department. He is a member of the Chinese Institute of Certified Public Accountants and the Institute of Chartered Accountants in Australia, and a Certified Public Accountant in California, America. Mr. Dong obtained a bachelor's degree in fine chemical engineering and a secondary diploma in international corporate management from East China University of Science and Technology (華東理工大學) in July 1993.

TANG Hua (唐華), aged 50, was our Vice-president from March 2015 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for the operation and management of public affairs center and new media business department of our Group. Mr. Tang is also the director of our certain subsidiaries. After joining us in 2002, Mr. Tang held various positions in our Group, such as the press spokesman, the director of the public affairs center, the secretary of the Youth League Committee of our Group. Mr. Tang is also the president of Shanghai Automobile Sales Trade Association (上海汽車銷售行業協會) and the vice president of the automobile chamber of the National Association of Industry and Commerce (全國工商聯汽車商會). Prior to joining our Group, Mr. Tang worked in Saic Motor Corporation Limited (上海汽車集團股份有限公司) and has 30 years of experience in the automobile industry. Mr. Tang obtained double bachelor's degree in economic management from Air Force Political Academy (空軍政治學院) and in administrative management from Fudan University (復旦大學) in 2001, and later obtained a master's degree in public administration from Fudan University (復旦大學) in 2005.

WEI Dong (衛東), aged 53, was our Vice-president from January 2012 to February 2016 and has been re-appointed as our Vice-president since September 12, 2016. He is responsible for the operation and management of pre-owned vehicle business. Mr. Wei is also currently a director of several of our subsidiaries. Mr. Wei has 20 years of experience in sales management. From January 2008 to December 2011, Mr. Wei was the deputy general manager of Yongda CLS. From November 2004 to December 2008, Mr. Wei was the general manager of Shanghai Yongda Automobile Trade Center Co., Ltd. (上海永達汽車貿易中心有限公司). From April 2002 to October 2004, he was the deputy general manager of Shanghai Number One Yongda Automobile Trading Co., Ltd. (上海一百永達汽車貿易有限公司). Between April 2000 and March 2002, he was the deputy general manager of the Songjiang store of the Shanghai Number One Department Store Co., Ltd. (上海第一百貨松江店有限公司). From October 1989 to July 1998, Mr. Wei was a salesman, deputy secretary and secretary of the Youth League Committee at the Shanghai Number One Department Store Co., Ltd. (上海市第一百貨商店股份有限公司). Mr. Wei obtained an adult higher education bachelor's diploma in business administration from Shanghai Second Polytechnic University (上海市第二工業大學) in 2002.

ZHANG Hong (張虹), aged 39, was re-designated as our Vice-president on March 25, 2020 and re-appointed as our joint company secretary on March 20, 2018. She is responsible for comprehensive affairs management, legal risk management and control, staff education and training and other areas of our Group, and participating in human resources management and the preparation of the interim reports and annual reports of the Company, and the organization of and preparation for the board meetings, board committee meetings and shareholders' meetings. Ms. Zhang joined us in July 2006 and has nearly 16 years of experience in automobile sales and service industry. She has held a number of positions in the Group, such as the assistant to the president, the assistant director, the deputy director and the executive director of the legal department of the Group, and served as our joint company secretary from June 30, 2015 to February 29, 2016. Ms. Zhang graduated from the department of economic laws of East China University of Political Science and Law (華東政法大學) with a bachelor's degree in Laws in June 2006.

TAO Wei (陶衛), aged 43, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting the management of Baozen Business Division. Mr. Tao was promoted from front-line sales consultant to sales manager, and was the manager of the BMW, Audi, Jaguar Land Rover and other 4S brand stores since joining the Group in 2001, and accumulated rich work experience. Mr. Tao worked as the general manager of Shanghai Baozen Store of Yongda Automobile Group and Shanghai Baozen Shenjiang Automobile Sales and Service Co., Ltd. (上海寶誠申江汽車銷售服務有限公司) from October 2017, the assistant to president of Yongda Automobile Group from March 2014 to October 2017 and the general manager of Shanghai Yongda Aocheng Automobile Sales and Service Co., Ltd. (上海永達奧誠汽車銷售服務有限公司) of Yongda Automobile Group from May 2012 to March 2014. Mr. Tao joined us in November 2001 and he has held a number of managerial positions in the Group, such as sales manager and general manager of the Taiyuan Baozen Store, sales manager and deputy sales manager of the Chinese brand and Audi brand and sales consultant of the Shanghai Volkswagen Brand. Mr. Tao graduated from Shanghai Jiao Tong University (上海交通大學) with a major in automotive construction in 2001 and obtained a degree of Master of Business Administration at Fudan University (復旦大學) in 2020.

SONG Jiamin (宋佳敏), aged 43, was appointed as the intern assistant to our President on November 29, 2019, responsible for assisting the President of the Group in operation and management of automobile sales service business, and assisting in management in the work relating to Baozen Business Division. Mr. Song currently serves as the general manager of Shanghai Baozen Yuexin Automobile Sales and Service Co., Ltd. (上海寶誠悦鑫汽車銷售服務有限公司) and the director of the northern area of Baozen Business Division since 2018. Mr. Song joined us in 2003 and has over 20 years of working experience in the automotive industry. He successively served as the general manager of Nantong Baozen Automobile Sales and Service Co., Ltd. (南通寶誠汽車銷售服務有限公司), Wuxi Baozen Automobile Sales and Service Co., Ltd. (無錫寶誠汽車銷售服務有限公司) and Beijing Baozen Baiwang Automotive Sales & Service Co., Ltd. (北京寶誠百旺汽車銷售服務有限公司). Mr. Song served as the marketing chief officer and assistant general manager of Shanghai Baozen Zhonghuan Automobile Sales and Service Co., Ltd. (上海寶誠中環汽車銷售服務有限公司) from October 2007 to June 2013, and the assistant director of the marketing center of Yongda Automobile Group from June 2003 to October 2007. Mr. Song graduated from Shanghai Tongji University (上海同濟大學) with a major in mechanical manufacturing and automation in 2003 and obtained a degree of Master of Business Administration at China Europe International Business School (中歐國際工商學院) in 2021.

Report of Directors

PRINCIPAL ACTIVITIES

We are a leading passenger vehicle retailer and comprehensive service provider in China focusing on luxury and ultra-luxury brands. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of luxury and ultra-luxury automobile brands, mainly including BMW/MINI, Mercedes-Benz, Audi, Porsche, Jaguar/Land Rover, Bentley, Aston Martin, Volvo, Cadillac, Lincoln and Lexus, mid- to high-end automobile brands, mainly including Buick, Volkswagen and Chevrolet, and independent new energy automobile brands, mainly including, BYD, AITO, ORA and Leapmotor.

The principal activities of the Group are as follows:

(i) sale of automobiles;

(ii) provision of after-sales services;

(iii) provision of automobile operating lease services; and

(iv) distribution of automobile insurance products, automobile financial products and suppliers' vehicles.

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

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the Consolidated Financial Statements on pages 129 to 265 of this annual report.

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting to be held on June 1, 2023 (Thursday) (the "AGM") for the distribution of a final dividend of RMB0.292 per share for the year ended December 31, 2022. The final dividend is expected to be paid on or about June 30, 2023 (Friday) to the Shareholders whose names are listed on the register of members of the Company on June 13, 2023 (Tuesday). On the basis of the total number of the Company's issued shares of 1,955,704,513 as of February 28, 2023 and after deducting 3,500,000 shares which were repurchased and are expected to be cancelled before June 8, 2023 (Thursday), it is estimated that the aggregate amount of final dividend would be approximately RMB570 million. The actual total amount of final dividends to be paid will be subject to the total number of issued shares of the Company as at the record date for determining the entitlement of Shareholders to the final dividend. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM. There is no arrangement that a shareholder has waived or agreed to waive any dividend.

SHARE CAPITAL

Details of the issued shares of the Company during the year are set out in note 30 to the Consolidated Financial Statements.

DEBENTURES ISSUED

Save as disclosed in note 33 to the Consolidated Financial Statements, no debentures were issued by the Company during the year ended December 31, 2022.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 134 to 135 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company has distributable reserves of RMB2,650 million in total available for distribution, of which RMB570 million has been proposed as final dividend payment for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 266 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the year are set out in note 32 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Save as disclosed in this annual report, as at December 31, 2022, the Company does not have any property held for development and/or sale or investment with any percentage ratio (as defined in Article 14.04(9)) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") exceeding 5%. Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the Consolidated Financial Statements.

CONTINGENT LIABILITIES

Save as disclosed on page 29 of this annual report, the Company did not have any material contingent liabilities as at December 31, 2022.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

BUSINESS REVIEW

Overview and performance of the Year

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management's Discussion and Analysis section on pages 13 to 32 of this annual report.

Environmental Policies and Performance

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

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

Compliance with Relevant Laws and Regulations

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

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

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

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

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

On taxation — the Group is subject to various taxation. Details of such taxes and compliance of the Group with such applicable tax laws are set out in notes 8 and 31 to Consolidated Financial Statements in this annual report.

On corporate compliance — the Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the Securities and Futures Ordinance (the "SFO") and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") for, among other things, the disclosure of information and corporate governance. The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code").

Key Relationships with Stakeholders

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

With respect to human resources management, the Group has been devoting continuous efforts in three aspects, namely, talent introduction, talent training and performance appraisal. A description of the Group's policies on human resources management is set out in the Management Discussion and Analysis section on page 22 of this annual report.

With respect to customer retention management, the Group has been committed in providing personalized, comprehensive, innovative and convenient services with high quality to our customers. Adhering to the concept of enhancing customer experience, the Group has provided services and e-commerce platforms to improve customers' satisfaction and attract new customers to visit the Group's outlets. Details of which are set out in the Management Discussion and Analysis section on page 22 of this annual report.

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

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

Key Risks and Uncertainties

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

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

Risk of damage to brand recognition

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

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

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

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

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

Market Risks

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

Significant Investments, Material Acquisitions and Disposals

Save as disclosed in this annual report, for the year ended December 31, 2022, the Company did not hold any significant investments or conduct any major acquisitions or disposals of subsidiaries, associates and joint ventures. Save as disclosed in this annual report, during the year ended December 31, 2022 and up to the date of this annual report, the Company has no plans to make significant investments or purchase capital assets in the future.

PROSPECTS

A description of the future development in the Company's business is provided in the Chairman's Statement and the Management Discussion and Analysis on pages 7 to 9 and pages 30 to 32 respectively of this annual report.

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, no events after the reporting period need to be brought to the attention of the Shareholders.

DIRECTORS

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

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

Independent Non-executive Directors
Ms. ZHU Anna Dezhen
Mr. LYU Wei
Mr. MU Binrui

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 33 to 40 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Ms. ZHU Anna Dezhen, Mr. LYU Wei and Mr. MU Binrui, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. The Company considers that the independent non-executive Directors have been independent from the date of their appointments to December 31, 2022 and remain so as of the date of this annual report.

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

As at December 31, 2022, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Capacity/Nature of Interest	Total number of Shares	Approximate Percentage of Shareholding (%)
Mr. CHEUNG Tak On(1)	Founder of a discretionary trust	405,509,500	20.622
	Interest of controlled corporation	167,080,000	8.497
	Beneficial owner	9,303,000	0.473
Mr. CAI Yingjie(2)	Interest of controlled corporation	60,788,000	3.091
	Beneficial owner	674,500	0.034
Mr. WANG Zhigao(3)	Interest of controlled corporation	8,660,000	0.440
	Beneficial owner	910,500	0.046
Mr. XU Yue(4)	Beneficial owner	3,158,000	0.161
	Interest of spouse	2,350,000	0.120
Ms. CHEN Yi	Beneficial owner	537,000	0.027
Mr. TANG Liang	Beneficial owner	1,005,000	0.051

Notes:

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

(ii) Asset Link Investment Limited ("Asset Link") is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 167,080,000 Shares held by Asset Link.

(iii) Mr. CHEUNG Tak On also holds 9,303,000 Shares as beneficial owner.

(2) Mr. CAI Yingjie holds 100% of the issued share capital of Ample Glory International Investment Company Limited ("Ample Glory") and he is deemed to be interested in the 60,788,000 Shares held by Ample Glory. He also holds 674,500 Shares as beneficial owner.

(3) Mr. WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited ("Golden Rock") and he is deemed to be interested in the 8,660,000 Shares held by Golden Rock. He also holds 910,500 Shares as beneficial owner.

(4) Mr. XU Yue holds 3,158,000 Shares as beneficial owner. In addition, he is deemed to be interested in the 2,350,000 Shares held by his spouse, Ms. ZHANG Yanyu.

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

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	Percent of underlying Shares over the Company's issued share capital (%)
Mr. XU Yue	Beneficial owner	3,000,000	0.153
Ms. CHEN Yi	Beneficial owner	800,000	0.041
Mr. TANG Liang	Beneficial owner	2,500,000	0.127

Save as disclosed above, as at December 31, 2022, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at December 31, 2022, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Shares and underlying Shares of the Company

Name of Substantial Shareholder	Capacity/Nature of Interest	Total number of Shares	Appropriate Percentage of Shareholdings (%)
Palace Wonder(1)	Beneficial owner	405,509,500	20.622
Regency Valley(1)	Interest of controlled corporation	405,509,500	20.622
HSBC International Trustee Limited(1)	Trustee	405,509,500	20.622
Asset Link(2)	Beneficial owner	167,080,000	8.497
FIDELITY FUNDS	Beneficial owner	137,711,470	7.003
FIL Limited(3)	Interest of controlled corporation	157,817,688	8.026
Pandanus Partners L.P.(3)	Interest of controlled corporation	157,817,688	8.026
Pandanus Associates Inc.(3)	Interest of controlled corporation	157,817,688	8.026
Brown Brothers Harriman & Co.(4)	Approved lending agent	137,815,918	7.009

Notes:

(1) Palace Wonder is wholly-owned by Regency Valley, which is in turn wholly-owned by HSBC International Trustee Limited as the trustee of the Family Trust. The Family Trust is a discretionary trust established by Mr. CHEUNG Tak On as settlor and protector with HSBC International Trustee Limited appointed as trustee on April 5, 2012. The beneficiaries of the Family Trust are Mr. CHEUNG Tak On and certain of his family members. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 405,509,500 Shares held by Palace Wonder.

(2) Asset Link is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 167,080,000 Shares held by Asset Link.

(3) Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which in turn holds as to 38.71% shareholding interest in FIL Limited. FIL Limited was deemed to be interested in these 157,817,688 Shares through a series of its subsidiaries.

(4) Brown Brothers Harriman & Co. held 137,815,918 Shares (long position) in the capacity of approved lending agent, all of which were lending pool.

Save as disclosed above, as at December 31, 2022, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Our History and Reorganization — Onshore Reorganization" in our prospectus dated June 29, 2012 and save for their respective interests in the Group, none of the Directors and controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2022.

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

The independent non-executive Directors have reviewed the compliance with the Deed of Non-competition in respect of the financial year ended December 31, 2022 based on the information and confirmation provided by or obtained from the controlling Shareholders, and were satisfied that the controlling Shareholders, including Mr. CHEUNG Tak On and Asset Link, have duly complied with the Deed of Non-competition.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

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

2021 New Properties Leasing Agreement

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

As Yongda Holding is a majority-controlled company indirectly held by Mr. CHEUNG Tak On, being the controlling Shareholder and a Director of the Company, Yongda Holding is a connected person of the Company and the transactions contemplated under the 2021 New Properties Leasing Agreement would therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

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

Yongda Finance Leasing Guarantees

On June 29, 2021, the Group entered into a series of equity transfer agreements to directly or indirectly dispose its 80% equity interest in Shanghai Yongda Finance Leasing Co., Ltd. ("Yongda Finance Leasing"), which was completed on December 22, 2021 (the "Disposal"). For details of the Disposal, please refer to the announcements of the Company dated June 29, 2021 and December 22, 2021. Before the Disposal, the Group has provided guarantees for a series of credits and the corresponding debts of Yongda Finance Leasing to certain banks in China.

The loans drawn by Yongda Finance Leasing as at December 31, 2021 and related to Previous Guarantees have all expired and repaid as at December 31, 2022. Therefore, the Group no longer assumes guarantee liabilities for such loans.

The credit guarantee limit was determined based on the funding needs of Yongda Finance Leasing's daily operations. These banks are registered financial institutions and are mainly engaged in banking business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, those banks and their ultimate beneficial owners are independent third parties.

Immediately upon the completion of the Disposal, Yongda Finance Leasing ceased to be a subsidiary of the Company. Yongda Investment, a member of the Group, is a shareholder of Yongda Finance Leasing, and Yongda CLS, a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of Yongda Finance Leasing. Therefore, as defined under Rule 14A.27 of the Listing Rules, Yongda Finance Leasing is a commonly held entity, and thus in accordance with Rule 14A.26 of the Listing Rules, the provision of financial assistance by providing credit guarantees by the Group to Yongda Finance Leasing constitutes a continuing connected transaction of the Group.

According to Rule 14A.60 of the Listing Rules, the provision of financial assistance by the Group to Yongda Finance Leasing before the completion of the Disposal is subject to the requirements for annual review, publication of announcements and annual reporting of continuing connected transactions after Yongda Finance Leasing becomes a commonly held entity of the Group. In the event of any change or renewal of these transactions, the Company will be in full compliance with all applicable reporting, disclosure and (if applicable) independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors are of the opinion that, the guarantees provide by the Group before the Disposal in favour of certain banks in the PRC in respect of a series of credits for Yongda Finance Leasing are normal financial assistance of the Group to its subsidiary and beneficial for the normal operation of such subsidiary before the expiry of the signed credit and guarantee agreements.

For details of the Previous Guarantees and the transactions contemplated thereunder, please refer to the announcements of the Company dated June 29, 2021, December 22, 2021 and March 15, 2022 and note 45 to the Consolidated Financial Statements.

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

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

For the work carried out by the management of the Company to confirm: (a) whether the relevant transaction has been carried out in accordance with the pricing policy or mechanism under the framework agreement; and (b) whether the internal control procedures of the Company are sufficiently effective to ensure that the relevant transaction is carried out properly, please refer to "Risk Management and Internal Controls" on pages 75 to 77 of this annual report.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Saved as disclosed in "Connected and Continuing Connected Transactions" section above, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of our Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2022 or at the end of the year ended December 31, 2022.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the "Connected and Continuing Connected Transactions" section above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2022.

MANAGEMENT CONTRACTS

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

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Company shall indemnify and hold harmless out of the assets of the Company, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any Director (including alternate Directors or person serves at the request of the Company as a Director) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative in which judgment is given in his favour, or in which he is acquitted, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Director. The Company has arranged appropriate directors' liability insurance coverage for the Directors during the year ended December 31, 2022. Except for aforementioned directors' liability insurance, at no time during the year and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or associated companies.

STAFF, REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at December 31, 2022, the Group had 16,936 employees (including employees in all regions of the Group). The remuneration of the employees includes salaries and allowances. The Group provides training to its staff to enhance technical and product knowledge. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group offers competitive remuneration packages to the Directors, and the Board is delegated by the Shareholders at general meeting to fixed the Directors' remuneration. The emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme pursuant to Chapter 17 of the Listing Rules on October 10, 2013 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time. Eligible persons include (a) any Director (whether executive or non-executive, including any independent non-executive Director) or employee (whether full time or part time) of the Group; (b) any supplier to the Group; (c) any customer of the Group; (d) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to the Group; (e) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (f) any joint venture partner, business or strategic alliance partner, in each case, of any member of the Group; and (g) any discretionary trust whose discretionary objects may be any person belonging to any of the above classes (a) to (f) (the "Eligible Persons"). The Share Option Scheme shall be valid and effective for a period of 10 years commencing from October 10, 2013, being the date on which the Shareholders approved the Share Option Scheme, and shall expire on October 13, 2023, after which period no further share option shall be granted. Therefore, as at December 31, 2022, the remaining life of the Share Option Scheme was approximately ten months.

Under the Share Option Scheme, the remuneration committee of the Company (the "Remuneration Committee") will from time to time propose for the Board's approval for grant of share options and the number of share options to be granted to the relevant grantees. The aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any new share option scheme of the Company which may be adopted hereafter must not, in aggregate, exceed 10 per cent of the total number of issued Shares as at the date of adoption of the Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30 per cent of the total number of Shares in issue from time to time. As at the date of this annual report, the number of Shares available for issue under the Share Option Scheme amounts to 80,139,150 Shares, representing approximately 4.10% of the total number of issued Shares.

No option shall be granted to any Eligible Person if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all share options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1 per cent of the total number of Shares in issue at such time. Any grant or further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting of the Company.

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

The vesting period is determined at the Company's discretion and is set out in the offer letters to the grantees (mostly three years from the date of grant of options accordingly to Company's common practice historically). An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of a grant. Unless the Board determines otherwise, there is no minimum period for which an option must be held before it can be exercised. The Board shall specify in an offer letter a date by which a grantee must accept an offer, being a date no later than 28 days after the date on which the option is offered or the date on which the conditions for the offer are satisfied. Payment of option price of RMB1.00 shall be made upon acceptance of the offer.

On March 17, 2022, the Company cancelled the outstanding share options (the "Outstanding Share Options") previously granted to certain individuals (the "Existing Grantees") to subscribe for a total of 12,000,000 Shares at the exercise price of HK$13.920 per Share with validity period of five years commencing on December 4, 2020. On the same day, the Company granted a total of 12,000,000 share options under the Share Option Scheme to the Existing Grantees to subscribe for a total of 12,000,000 Shares at the exercise price of HK$8.220 per Share with validity period of five years commencing on March 17, 2022, subject to their acceptance of cancellation of the Outstanding Share Options. For further details, please refer to the announcement of the Company dated March 17, 2022.

The number of options available for grant under the mandate of the Share Option Scheme as at January 1, 2022 and December 31, 2022 were 62,686,200 and 50,686,200 respectively. There is no service provider sublimit under the Share Option Scheme.

Details of movements in the options granted under the Share Option Scheme during the year ended December 31, 2022 are as follows:

Category and Name of grantee	As at January 1, 2022	Number of Share Options Modification during the year Granted during the year[1]	Cancelled during the year	Exercised during the year	Lapsed during the year	As at December 31, 2022	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options *HK$ per share*	Closing price of the Company's shares immediately before the grant date of options *HK$ per share*	Weighted average closing price of the Company's shares Immediately before the exercise dates *HK$ per share*	At dates of options exercise *HK$ per share*
Executive Director													
XU Yue	3,000,000	–	3,000,000	–	–	–	December 4, 2020	Three years from the date of grant of share options	December 4, 2020 to December 3, 2025	13.920	13.700	–	–
	–	3,000,000	–	–	–	3,000,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	–	–
CHEN Yi	800,000	–	800,000	–	–	–	December 4, 2020	Three years from the date of grant of share options	December 4, 2020 to December 3, 2025	13.920	13.700	–	–
	–	800,000	–	–	–	800,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	–	–
TANG Liang	500,000	–	–	500,000	–	–	June 19, 2017	Three years from the date of grant of share options	June 19, 2017 to June 19, 2022	8.140	8.020	8.100	8.130
	2,500,000	–	2,500,000	–	–	–	December 4, 2020	Three years from the date of grant of share options	December 4, 2020 to December 3, 2025	13.920	13.700	–	–
	–	2,500,000	–	–	–	2,500,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	–	–
Other employees in aggregate	2,281,900	–	–	385,500	1,896,400	–	June 19, 2017	Three years from the date of grant of share options	June 19, 2017 to June 19, 2022	8.140	8.020	8.570	8.748
	5,700,000	–	5,700,000	–	–	–	December 4, 2020	Three years from the date of grant of share options	December 4, 2020 to December 3, 2025	13.920	13.700	–	–
	–	5,700,000	–	–	–	5,700,000	March 17, 2022	Three years from the date of grant of share options	March 17, 2022 to March 16, 2027	8.220	8.370	–	–

Note:

(1) The average fair value of the options granted on March 17, 2022 was RMB1.603 per Share at the date of grant. For the fair value of options granted at the date of grant and the accounting standard and policy adopted, please refer to note 36 to the Consolidated Financial Statements.

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

On March 24, 2023, the Board has resolved to terminate the Share Option Scheme and adopt the 2023 share option scheme, which follow the terms of the Share Option Scheme to the extent compliant with and permitted under the Listing Rules. Please refer to the announcement of the Company dated March 24, 2023 for details.

AMENDED EMPLOYEE PRE-IPO INCENTIVE SCHEME

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

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

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

Unless terminated earlier by a resolution of the Board made in accordance with the terms of the trust deed, the Employee Pre-IPO Incentive Scheme has a term of 80 years from the listing date of the Company. Therefore, as at December 31, 2022, the remaining life of the Employee Pre-IPO Incentive Scheme was approximately 69 years and six months. On termination of the Employee Pre-IPO Incentive Scheme, BOCI HK Trustee will transfer the Scheme Shares to Yongda Holding, unless the board of directors of Yongda Holding requests the Scheme Shares to be transferred to such other employee incentive scheme trust as may be selected by the board of directors of Yongda Holding, provided that such other employee award scheme trust selected by the board of directors of Yongda Holding satisfies the reasonable requirements for the time being of BOCI HK Trustee, the Articles of Association and all applicable laws, failing which the Scheme Shares will be transferred directly to Yongda Holding.

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

On June 18, 2020, the Board resolved to amend the Amended Scheme (the "2020 Amended Scheme") to the effect that, and any reference in Amended Scheme to the previous trustee namely HSBC Trustee (Hong Kong) Limited shall be changed to the new trustee namely BOCI Trustee (Hong Kong) Limited.

During the year, 2,740,000 restricted Shares were awarded to eligible persons, in accordance with the terms of the 2020 Amended Scheme.

Details of movements in the restricted Shares granted under the Amended Scheme during the year ended December 31, 2022 are as follows:

	Number of awards of the restricted Shares										Weighted average closing price of the Company's Shares	
Category and Name of grantee	As at January 1, 2022	Granted during the year[1]	Vested during the year	Cancelled during the year	Lapsed during the year	As at December 31, 2022	Date of grant of the awards	Vesting period of the awards[2]	Purchase price of restrict Shares *HK$ per share*	Closing price of the Company's Shares immediately before the grant date of the awards *HK$ per share*	Immediately before the vesting dates *HK$ per share*	At dates of awards vested *HK$ per share*
Executive Director												
XU Yue	-	300,000	300,000	-	-	-	October 26, 2022	Vested at the date of grant	0	4.62	4.62	4.16
TANG Liang	-	100,000	100,000	-	-	-	October 26, 2022	Vested at the date of grant	0	4.62	4.62	4.16
Five highest paid individuals during the year ended December 31, 2022 in aggregate	-	570,000	570,000	-	-	-	October 26, 2022	Vested at the date of grant	0	4.62	4.62	4.16
Other employees in aggregate	-	30,000	30,000	-	-	-	January 14, 2022	Vested at the date of grant	0	9.63	9.63	9.60
	-	1,140,000	1,140,000	-	-	-	November 22, 2022	Vested at the date of grant	0	4.01	4.01	3.95
	-	1,000,000	1,000,000	-	-	-	December 16, 2022	Vested at the date of grant	0	5.44	5.44	5.50

Note:

(1) The average fair value of awards of the restricted Shares granted on January 14, 2022, October 26, 2022, November 22, 2022, and December 16, 2022 was RMB8.272, RMB3.638, RMB3.455 and RMB4.935 per Share at the date of grant, respectively. For the fair value of awards granted at the date of grant and the accounting standard and policy adopted, please refer to note 36 to the Consolidated Financial Statements.

(2) The restricted Shares awarded were subject to the satisfaction of performance and/or other conditions to be determined by the Board or the Remuneration Committee as specified in the notice of grant of awards.

SHARE AWARD SCHEME

The Company has adopted a share award scheme on June 1, 2022 (the "Share Award Scheme"). The specific objectives of the Share Award Scheme are (i) to recognize the contributions by certain participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The selected participants (the "Selected Participants") of the Share Award Scheme include any director or employee of any member of the Group (including persons who are granted Shares under the Share Award Scheme as an inducement to enter into employment contracts with any member of the Group) (the "Employee") at any time during the Trust Period (as defined below) selected by the Board for participation in the Share Award Scheme.

Unless terminated earlier by the Board pursuant to the provisions of the Share Award Scheme, the Share Award Scheme shall be valid and effective for ten years commencing from June 1, 2022 (the "Trust Period"), being the date on which the Share Award Scheme was adopted and a mandate to allot and issue Shares under the Share Award Scheme was granted upon the approval by the Shareholders, after which period no further awards (the "Award(s)") will be granted under the Share Award Scheme. Therefore, as at December 31, 2022, the remaining life of the Share Award Scheme was approximately nine years and five months.

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

Subject to the provisions of the Share Award Scheme, the Board may grant such number of Awards to any Selected Participant at such consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine. The grant price which shall be not less than the highest of: (a) 50% of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant notice, which must be a business day; (b) 50% of the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant notice; and (c) the nominal value of the Shares. Except for such grant price, delivery of the Shares underlying the Awards need not be accompanied by payment of any purchase price or the period within which payments or calls must or may be made or loans for such purposes must be repaid.

The Board is entitled to impose any conditions (including a period of continued service within the Group after the Award or conditions as to performance criteria), as it deems appropriate in its absolute discretion with respect to the vesting of the Awards on the Selected Participant. The Awards granted shall be subject to a vesting period as determined by the Board, which shall be at least 12 months commencing from the date of the grant notice. In the event that the Board does not receive the required transfer documents from the Selected Participant at least 10 business days prior to the vesting date, the Awards which would have otherwise vested in such Selected Participant shall automatically lapse.

The maximum number of Shares (the "Awarded Shares") underlying the Awards awarded by the Board under the Share Award Scheme (i) shall not exceed 10% of the total issued share capital of the Company from time to time throughout the Trust Period unless otherwise approved by the Shareholders; and (ii) shall be subject to an annual limit of 3% of the total issued share capital of the Company at the relevant time unless otherwise approved by the Shareholders. As at the date of this annual report, the number of Shares available for issue under the Share Award Scheme amounts to 195,570,451 Shares, representing approximately 10% of the total number of issued Shares. As at June 1, 2022 (being the date on which the Share Award Scheme was adopted) and December 31, 2022, the number of Awarded Shares underlying the Awards that can be granted under the Share Award Scheme amounts to 196,733,301 and 196,635,551 Shares respectively, representing approximately 10% and 10% of the total number of issued Shares respectively. There is no service provider sublimit under the Share Award Scheme.

The maximum number of Awarded Shares underlying the Awards which may be awarded to any Selected Participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period unless otherwise approved by the Shareholders or otherwise provided under the Share Award Scheme. Awards lapsed in accordance with the terms of the Share Award Scheme shall not be counted for the purpose of calculating the limit. The maximum number of Awarded Shares underlying the Awards which may be awarded to any Director, chief executive of the Company, substantial Shareholder of the Company or connected person of the Company under the Share Award Scheme shall not exceed 0.1% of the issued share capital of the Company in any 12-month period unless approved by the independent Shareholders.

During the period from the adoption of the Share Award Scheme to December 31, 2022, no awards have been granted, vested, cancelled or lapsed, in accordance with the terms of the Share Award Scheme.

Save as disclosed above, as at December 31, 2022, no participant with options and awards has been granted and to be granted in any 12-month period exceeding 1% of the issued share capital of the Company in issue, and no related entity participant or service provider with options and awards has been granted and to be granted in any 12-month period exceeding 0.1% of the issued share capital of the Company in issue, under the share schemes of the Company.

The number of Shares that may be issued in respect of options and awards granted under the Share Option Scheme and the Share Award Scheme during year ended December 31, 2022 divided by the weighted average number of Shares in issue for year ended December 31, 2022 was 0.61%.

On March 24, 2023, the Board has resolved to propose to amend the Share Award Scheme to bring it in line with the Listing Rules. Please refer to the announcement of the Company dated March 24, 2023 for details.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2022.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2022, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 35.0% and 76.0%. The percentage of the total sales attributable to the Group's five largest customers was below 30% of the total sales in the Group.

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

CHARITABLE DONATIONS

The donations by the Group for the year ended December 31, 2022 amounted to RMB10,200,000.

BREACH OF LOAN AGREEMENT

During the year ended December 31, 2022, the Company had not breached any terms of its loan agreements that are significant to the Group's operations.

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

During the reporting period, the Company repurchased a total of 13,751,000 ordinary shares (the "Shares Repurchased") of the Company on the Stock Exchange at an aggregate consideration of approximately HK$76,683,075. Particulars of the repurchases are as follows:

Month/Year	Number of Shares Repurchased	Price Paid per Share Highest	Price Paid per Share Lowest	Aggregate Consideration
		(HK$)	*(HK$)*	*(HK$)*
January 2022	1,300,000	9.5	8.78	11,776,670.00
July 2022	600,000	7.45	6.82	4,327,790.00
August 2022	200,000	5.6	5.51	1,108,220.00
September 2022	1,000,000	5.66	4.65	5,193,710.00
October 2022	258,500	3.62	3.5	913,487.30
November 2022	2,342,000	4.4	3.48	9,657,201.80
December 2022	8,050,500	5.71	4.81	43,705,995.75
Total	**13,751,000**			**76,683,074.85**

The 1,300,000 shares repurchased in January 2022, a total of 1,800,000 shares repurchased in July to September 2022 and a total of 10,651,000 shares repurchased in October to December 2022 were cancelled on February 11, 2022, November 4, 2022 and February 22, 2023, respectively. The repurchase of the Company's shares during the year ended December 31, 2022 was effected by the Directors pursuant to the general mandates granted to the Directors at the annual general meetings dated May 20, 2021 and June 1, 2022, with a view to benefiting the Company and the shareholders of the Company by enhancing the net asset value per share and/or earnings per share.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules and has complied with the code provisions in the CG Code during the reporting period.

AUDITOR

The Consolidated Financial Statements of the Group for the year ended December 31, 2022 have been audited by Deloitte Touche Tohmatsu, certified public accountants.

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

RECORD DATE OF AGM

Shareholders whose names appear on the register of members of the Company at the close of business on May 25, 2023 (Thursday) (the "Record Date") will be entitled to attend the AGM to be held on June 1, 2023 (Thursday). In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on the Record Date.

CLOSURE OF REGISTER OF MEMBERS FOR THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from June 9, 2023 (Friday) to June 13, 2023 (Tuesday), both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on June 8, 2023 (Thursday).

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

PRC, March 24, 2023

Corporate Governance Report

The Board of the Company is pleased to present this corporate governance report in the Group's annual report for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has applied the principles as set out in the CG Code in Appendix 14 to the Listing Rules.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company regularly reviews its corporate governance practices and the Company was in compliance with the code provisions of the CG Code during the year ended December 31, 2022.

A. THE BOARD

1. Responsibilities

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

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

2. Delegation of Management Function

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

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

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

3. Board Composition

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

Executive Directors	Mr. CHEUNG Tak On *(Chairman)* Mr. CAI Yingjie *(Vice-chairman)* Mr. WANG Zhigao *(Vice-chairman)* Mr. XU Yue *(Vice-chairman, President and Chief Executive Officer)* Ms. CHEN Yi *(Vice-president)* Mr. TANG Liang *(Vice-president)*
Independent Non-executive Directors	Ms. ZHU Anna Dezhen Mr. LYU Wei Mr. MU Binrui

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

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

During the year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

The Company has implementable and effective mechanisms to ensure independent views and input are available to the Board for the year ended December 31, 2022. The Directors are entitled to seek independent professional advice in performing their duties at the Company's expense. The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules during the reporting year. The Board has duly reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

4. Appointment and Re-election of Directors

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

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

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

5. Induction and Continuing Development for Directors

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

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

The training records of the Directors for year ended December 31, 2022 are summarized as follows:

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

6. **Board Meetings and General Meetings**

Number of Meetings and Directors' Attendance

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

The Board met four times during the year ended December 31, 2022 for discussing and approving, among others, the overall strategies and policies of the Company, reviewing and approving the audited annual results for the year ended December 31, 2021, unaudited interim results for the six months ended June 30, 2022, declaration of final dividend and connected transactions and continuing connected transactions.

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

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

* Four Board meetings were held during the year ended December 31, 2022 on March 15, 2022, June 24, 2022, August 29, 2022, and December 21, 2022 respectively.

** One annual general meeting was held during the year ended December 31, 2022 on June 1, 2022.

Practices and Conduct of Meetings

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

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

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

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

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

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

B. CHAIRMAN AND CHIEF EXECUTIVE

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

Mr. CHEUNG Tak On is the Chairman of the Board, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of our Group and he participated in our Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that good corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole. He holds a meeting with the independent non-executive Directors without other directors present at least annually.

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

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

C. BOARD COMMITTEES

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

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

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

1. **Remuneration Committee**

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

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

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The Remuneration Committee held one meeting during the year ended December 31, 2022 to review, among others, the remuneration policy and structure of the Company, consider and make recommendation to the Board on the remuneration for independent non-executive Directors as well as the proposal on special incentive of senior management, assess performance of executive Directors, approve the grant of options to management and staff under the Share Option Scheme, and ensure that share options offered by the Company to its Directors and senior management during the year ended December 31, 2022 are in accordance with Chapter 17 of the Listing Rules and the Share Option Scheme and the Share Award Scheme are in compliance with applicable laws and regulations.

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

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

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

The remuneration payable to the senior management of the Company (who are not the Directors) for the year ended December 31, 2022 is shown in the following table by band:

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

2. **Audit and Compliance Committee**

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

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

The Audit and Compliance Committee has (i) considered and reviewed the accounting principles and practices adopted by the Group, (ii) discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held two meetings during the year ended December 31, 2022 to, among others, review the unaudited interim results and report for the six months ended June 30, 2022, review the financial reporting and the compliance matters, review compliance with the corporate governance policy and practice, develop and review Group's policies and practices on corporate governance and make recommendations to the Board, review and monitor the training and continuous professional development of Directors and senior management, review and monitor the Group's policies and practices on compliance with legal and regulatory requirements, develop, review and monitor the code of conduct applicable to employees and Directors, review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report, review the audited annual results and financial report for the year ended December 31, 2021, review the financial, operational and compliance monitoring, review the risk management and internal control, review the work of the internal and external auditors, review the service fees due to the external auditor as well as review the re-appointment of external auditors.

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

Name of Director	Attendance/Number of Meeting(s)
Ms. ZHU Anna Dezhen	2/2
Mr. LYU Wei	1/2
Mr. MU Binrui	2/2

The Company's annual results for the year ended December 31, 2022 have been reviewed by the Audit and Compliance Committee on March 24, 2023.

3. Nomination Committee

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

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

The Nomination Committee held one meeting during the year ended December 31, 2022 to review, among others, the structure, size, composition and diversity (including the skills, knowledge, experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company, to assess the independence of the independent non-executive Directors, to consider the credentials of the executive Director candidate, and to discuss the Directors who retired by rotation in accordance with the Articles of Association, being eligible, had offered themselves for re-election at the 2022 annual general meeting of the Company.

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

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

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

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

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

D. DIVERSITY

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

Purpose:	The Board Diversity Policy aims to set out the approach to achieve diversity of the Board.
Board Diversity Policy statement:	With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.
Measurable Objectives:	Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board Diversity Policy is well implemented as evidenced by the fact that our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of passenger vehicle dealership, automobile sales service business, automobile finance business, business administration, investment management and general corporate management. Moreover, there are both male and female Directors ranging from 44 years old to 66 years old with different and experience from different industries and sectors. In particular, given that two out of nine of our Directors are female, our Board will, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, use its best endeavors to actively identify female individuals suitably qualified to become our Board members.

Two of ten of our senior management are female, and we have witnessed a balanced gender ratio in the workforce with a male to female ratio of approximately 8:5 as at December 31, 2022. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

E. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended December 31, 2022.

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

F. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The management has provided sufficient explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

G. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditor's Report" on pages 125 to 128 of this annual report.

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

During the year, the remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2022 amounted to RMB6.920 million and RMB1.333 million respectively. The non-audit services were in relation to the provision of advisory services on the preparation of the Group's 2022 Environmental, Social and Governance Report, tax and data security.

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

H. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit and Compliance Committee;

- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and

- Internal auditors provide independent assurance to the Board, the Audit and Compliance Committee and the management concerning the effectiveness of risk management and internal control systems.

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

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

- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit and Compliance Committee regarding the status of the systems;

- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. were in place.

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

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

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

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

On the basis of the aforesaid, during the year ended December 31, 2022, the Audit and Compliance Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal controls of the Company.

I. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company has an implementable and effective shareholders' communication policy in place in the year ended December 31, 2022. The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website at www.ydauto.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. To solicit and understand the views of shareholders and stakeholders, the Company has also set up channels and procedures for shareholder's enquiries, details of which are set out in subsection headed "Shareholders' Rights" below. During the year ended December 31, 2022, the Company did not make any changes to its memorandum and Articles of Association. An up-to-date version of the Company's memorandum and Articles of Association is also available on the websites of the Company and the Stock Exchange.

J. DIVIDEND DISTRIBUTION POLICY

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

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

K. SHAREHOLDERS' RIGHTS

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

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

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

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

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

L. JOINT COMPANY SECRETARIES

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

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

During the year ended December 31, 2022, each of Ms. ZHANG and Ms. SO has undertaken over 15 hours of professional training to update their skills and knowledge.

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

M. GOING CONCERN

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

Environmental, Social and Governance Report

1. ABOUT THE REPORT

Introduction

This Environmental, Social and Governance Report ("ESG Report", or the "Report"), issued by China Yongda Automobiles Services Holdings Limited (hereinafter referred to as "the Company") and its subsidiaries (hereinafter referred to as "Our Group", "Group", "Yongda", or " Yongda Group"), which sets out our specific work and achievements in practicing sustainability and fulfilling corporate social responsibilities in FY2022. Openly disclosed are our management measures for sustainable development to improve the Group's environmental, social, and governance work.

Reporting scope

This Report presents the overall business performance of the Group from January 1, 2022, to December 31, 2022 (hereinafter referred to as the "Reporting Period"), including our businesses in new passenger vehicle sales, repair and maintenance services, automobile extension products and services, automobile financial and insurance agency services, pre-owned vehicles, and automobile rental services. This year, the scope of entities covered by the Report is the same as last year (including 263 stores, 32 more compared with last year's 231).

Reference

The ESG Report is compiled and presented in accordance with the revised Appendix 27, the *Environmental, Social and Governance Reporting Guide* (hereinafter referred to as the "Guide"), to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (hereinafter referred to as the "Listing Rules") published by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "HKEX" or the "Stock Exchange") in December 2019, and other related documents. The Group has complied with the "Comply or Explain" provisions set out in the Guide. The Report follows relevant systems and procedures, including identifying key stakeholders, prioritizing important ESG-related issues, determining the scope of the ESG Report, collecting relevant information and data, compiling the Report based on that data, and examining the materials used in the Report.

Source of data

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

Download and feedback

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

Reporting principles

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

The Report was prepared with the following principles:

(1) Materiality – The Group believes that the EGS Report has a significant impact on investors and stakeholders. The Group disclosed the process of identifying material ESG factors, including identifying stakeholders and conducting substantive issue assessment using the importance matrix. Based on stakeholder communication mechanisms and the materiality principle, the Group identified key ESG-related factors and disclosed the corresponding measures in this Report.

(2) Quantitative – The Group quantified key performance indicators and disclosed the quantitative indicators per the HKEX Guide, and the calculation methods and assumptions.

(3) Balance – The Group undertakes that it has impartially and objectively presented the Group's environmental, social and governance performance.

(4) Consistency – The Group used consistent methods for statistic disclosure and made meaningful comparisons of data. Any changes in methodologies or key performance indicators are indicated.

2. SPOTLIGHTS

2.1 Thirtieth anniversary celebration marks the beginning of a new journey

In 2022, the Group took the opportunity of celebrating the 30th anniversary of Yongda's establishment to plan and hold a series of splendid activities based on the theme of "Gratitude to our customers and employees".

To thank our customers, the Group launched "Yongda Auto App" and the Grand Lucky Draw. The car delivery ceremony for the lucky draw winners was also held on November 20th. At the same time, the Group's Operation Management Center and all affiliates organized a series of marketing activities and customer care activities, so as to give back to the majority of new and old customer groups and effectively improve the Group's branding.

Car delivery ceremony for the lucky draw winners


Gift box to the lucky draw winners

To thank our employees, the Group prepared exclusively customized polo shirts and bone china mugs for all staff, and held the "30th anniversary staff symposium" and "Yongda story party" to retrospect Yongda footprints and stories. The activities spread the Group's culture and further enhanced the employees' sense of belonging and honour.


30th anniversary gifts for employees

Yongda story party

On November 17th, 2022, the Group held the "Embrace New Journey after Thirty Years of Progress" celebration. The Chairman Mr. Zhang De'an and Vice Chairman and President Mr. Xu Yue delivered important speeches for the celebration. Representatives of general managers and employees shared their growth experiences in Yongda. At the ceremony, the Group honoured a number of outstanding managers and employees who had made contributions to the development of Yongda in the past 30 years, and organized a gala with the theme of "Monument – Journey" to celebrate the grand event.

"Monument – Journey" Gala

2.2 Continuous business growth of the new energy sector

With the continuous explosive growth of new energy vehicles, the Group accelerates its integration into the industry chain and actively seeks cooperation with head enterprises. At the same time, it has set up dedicated organizations and teams to give full play to its leading advantages regarding service network, refined operation and management, digital customer operation and new social media operation, striving to quickly build the new energy sector into a growth business that will drive the Group's long-term development.

In 2022, the Group's new energy business grew rapidly in both network license and operational management. By further expanding the store license of head new energy vehicle brands, the Group obtained a total of 28 independent store licenses and 36 independent head stores of new energy brands, covering hot independent new energy brands such as AITO, Xiaopeng, BYD, Smart, Lotus, Ora, IM, Voyah, Avatr and Nezha, with numbers in the forefront among Lotus, Smart and IM. Store types cover comprehensive 4S stores and after-sales repair centers.

Yongda Xiaopeng Hangzhou Store

Yongda AITO License Store

In terms of sales, the Group's sales volume of new energy vehicles reached 24,603 in 2022, with a YoY growth of 54.5%, accounting for 12.9% of total sales volume. Despite the impact of the COVID-19 pandemic, the Group achieved great improvement in the operation and management of its independent business of new energy vehicle brands, achieving sales of 9,591 units, with a YoY growth of 221.2%, of which 5,730 units were sold under the distribution mode and 3,861 under the direct sales mode.

In terms of after-sales business, the Group's overall annual maintain service revenue was CNY44.69 million in 2022, up by 40% compared to last year. And the gross profit margin was 44%, up by 4% compared to last year. Among them, the average output value of AITO and Smart exceeds CNY2,000, basically reaching the level of mainstream luxury brands, which demonstrates the growth potential of the after-sales business in the new energy sector.

Meanwhile, the Group established a points system and community operation among the new energy vehicle owners. With 21,816 registrations in 2022, the operation side of Yongda new energy vehicles Wechat mini program has been able to display the full brand of the agent, user fission, user upgrade, card voucher issuance and points use, etc. A total of 230 activities were released, with 3,928 registrations, closely surrounding the users and further enhancing their stickiness.

3. INTEGRITY · RESPONSIBILITY

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

3.1 ESG management structure

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

During the Year, the Group recognized the significant issues on ESG-related risks and will ensure that ESG risk factors and opportunities are considered in the risk assessment and analysis. In addition, the Board recommends improvements to the management whenever significant business risks or impacts are identified. The Group insists on the importance of ESG within the Group to safeguard the Group's long-term and sustainable development.

The Group will pay close attention to the latest version of the *Environmental, Social and Governance Reporting Guide* issued by HKEX to adjust its focus and orientation of ESG governance in a timely manner, and will review the process to comply with all relevant requirements.

3.2 Communication with stakeholders

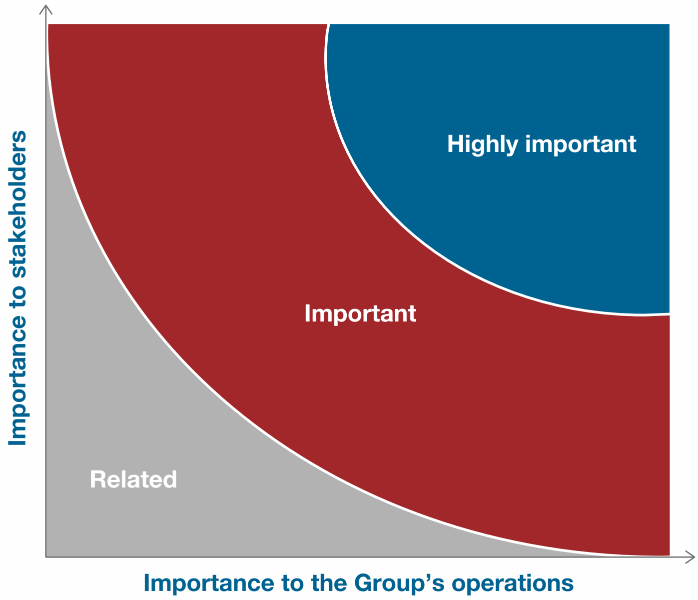
The Group regards the expectations and requirements of the stakeholders as important factors for developing sustainable strategies and figures out specific areas of action concerning the stakeholders through multiple methods. Currently, the Group's main stakeholders include but are not limited to investors,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

Stakeholders	Expectations	Main Communication Channel
Investors	• Safeguarding shareholders' rights and interests • Disclosing information accurately and timely • Improving corporate governance • Compliance in operation • Business and financial strategies	• General meeting of shareholders • Press release and public announcement • External report • News published on company website • Online and offline investor briefing • Hotline or e-mail
Government/ regulators	• Compliance in operation • Workplace safety and health • Creating economic benefits, promoting employment • Creating welfare for the community • Assuming environmental responsibilities • Responding to national policies • Fulfilling tax obligations in accordance with the laws	• Compliance report • Supervision and inspection • License application • Compliance-related meeting • Communication with local government
Employees	• Safeguarding employees' rights and interests • Competitive salary and welfare • Labor protection at the workplace • Training and career development • Employee involvement and policy democracy • Corporate culture • Personal physical and mental health	• Labor union/workers' congress • Safety and compliance meeting • Training and career development • Hotline or e-mail • Notice or publication of the Group • Team-building activities • Office platform and enterprise WeChat account

Stakeholders	Expectations	Main Communication Channel
Customer	• Customer service • Product quality • Privacy protection	• Key customers symposium • Systematic communication • Workplace visit • The Group's WeChat account (Yongda Qiche Darenhui) • 24-hour customer service hotline and e-mail • Online review platform • Customer satisfaction survey
Suppliers	• Supplier access management • Supplier assessment • Safeguarding suppliers' rights and interests • Supplier cooperation • Complying with business ethics and national laws and regulations	• Open bidding, seminar • Supplier access and assessment • Field visit • Leaders' meeting • Communication during daily operations
NGO	• Local development investment • Participating in local community projects • Assuming environmental responsibilities • Respecting human rights • Fair share of benefits	• Direct communication • Workplace visit
Community	• Local development • Assuming environmental responsibilities • Promoting employment • Creating opportunities for local products and services suppliers • Engaging in public benefit activities • Organizing community activities	• Community visit • Meeting for key groups • Notice on procurement requirements • Recruitment advertising • Communication with local government and organizations • Official website of the Group

3.3 Substantive issue assessment

In 2022, the Group collected many suggestions from our internal and external stakeholders. We identified 11 ESG issues after analysing the importance of the issues to the Group's operations and stakeholders, considering the industry background, development status, and strategic planning. The Group ranked these issues to reflect our impact on the environment and society to better respond to stakeholders' expectations and requirements. These issues will also be key areas of concern during the Group's sustainable development. The importance matrix is as follows:



Highly important
Business ethics
Product quality
Customer service and privacy protection
Supplier management
Training and development

Important
Labor relations
Community relations
Health and safety

Related
Energy
Waste
Air quality

3.4 Business ethics

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

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

The Group continues to build a professional compliance management team, and the operation compliance of all affiliates is under the management and supervision of the discipline inspection commission. In 2022, the Discipline Inspection Commission of the Group further improved the working mechanism of the inspection system, increased the inspection frequency, designed Q & A and took eight types of situations, such as integrity training, process supervision and behaviour supervision, as the main focus. In the meantime, 8 inspection teams were formed to conduct inspections on a weekly basis, on a total of 254 subsidiaries and business departments throughout the year. In addition, the Discipline Inspection Commission focused on the integrity of the management, including the revision of the "Integrity Responsibility Letter for Management Personnel" and the achievement of 100% signing of the "Commitment Letter on Integrity and Self-discipline" by management personnel, the revision of the integrity margin system to require 169 key management personnel's personal integrity deposits, as well as enhanced checks and prompts of gifts received.

In 2022, the Group also amended *Anti-Bribery Agreement for Suppliers* and the *Management Measures of Parts and Decoration Suppliers of the Group*, and continued to sign the "*Agreement*" with all external suppliers. During the year, the Group also constructed the "Bidding System", and launched online bidding for construction projects, parts procurement and information construction projects to enhance process transparency and efficiency.

Meanwhile, the Group followed the incorruptible conceptions—"To build up correct conceptions constantly and deal with business publicly", and carried out diversified integrity training activities to raise staff's awareness of integrity, including the following four types in year of 2022:

- Quarterly Group training to strengthen the integrity awareness of the Board, all management personnel and young talent.
- New staff orientation to interpret the concept of integrity and guide new employees to form proper occupational concept.
- Supplier training, including 2022 Supplier Integrity Conference, online interviews prior to the issuance of quarterly integrity settlement, and relevant education in the supplier WeChat group during holidays.
- Specified integrity training for staff from chain stores of pre-owned vehicles.

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

Quarterly integrity training

4. ENJOY QUALITY

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

In 2022, the Group received several honours, including “2022 Outstanding Member of China Automotive Distribution and Aftermarket Industry”, “No.4 of Top 100 Automotive Dealers Group of China” awarded by China Automobile Dealers Association, and “No.3 of Top 100 Private Automobile Distribution Enterprises of China” awarded by China Auto Dealers Chamber of Commerce. At the same time, the Group’s various brands also won awards in competitions held by manufacturers and gained high recognition.

4.1 Quality assurance

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

Inspection and acceptance of new vehicles

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

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

Qualification of pre-owned vehicles

When purchasing a pre-owned vehicle, the Group will check its maintenance, insurance claim records, and quality. Before selling a pre-owned vehicle, the Group will apply strict specialized renovation procedures according to the *Vehicle Delivery Standards of the Renovation Center* to eliminate faults and potential hazards to ensure that the vehicle passes the official certification of each brand or Yongda's pre-owned vehicle certification (including 178 items of 15 categories of strict tests).

Inspection of repaired vehicles

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

Inspection of repaired vehicles:

Pre-inspection

Pre-check the condition, functions, and reported faults of the vehicles, and fill out the pre-inspection checklist.

Process inspection

After the vehicles are repaired, the maintenance technicians independently inspect the vehicles they repaired, then they inspect each other's vehicles.

Completion inspection

The dedicated inspection personnel will strictly check the vehicles against the maintenance items after completion, and conduct road tests if necessary. Unqualified vehicles will be returned to the garage for further repair and maintenance. Repaired vehicles can only be delivered after passing all checks.

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

4.2 Dedicated services for customers

Customer satisfaction is the foundation of our business. The Group actively protects the rights and interests of consumers and makes improving customer satisfaction its top priority. In 2022, the Group continued to integrate online and offline marketing and services through digital technology. We improved our one-stop service system and implemented a series of measures to improve customer satisfaction.

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

Diversified online and offline services

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

By the end of 2022, the Group amassed over 20 million followers on TikTok, with cumulative short-video clicks exceeding 510 million and livestreaming view counts exceeding 160 million, marking a success in integrating online marketing with offline 4S store operations. In 2022, the Group won the first prize in National Automobile Dealers' Livestreaming Competition on TikTok platform.

In 2022, the Group also launched Yongda Auto App, an online 4S-store service platform for car owners. The APP supports various online service scenarios and interactive services, and provides customers with professional, efficient and convenient service experience. As of the end of the Reporting Period, Yongda Auto App had more than 1.05 million registered users.

Service highlights

To improve our customer service and customer experience, the Group's affiliates have launched various highlight service projects in 2022. Faw-Toyota dealerships launched shuttle bus service destined at Sam's Club, Solving the problem of boring maintenance waiting time for users; Porsche Fuzhou dealerships hosted special activity for female owners in March based on the interests of female car owners; Porsche Shanghai has partnered with SNOW51 to provide users with interactive communication activities such as skiing.

Special activity for female owners

SNOW51 communication activities

Pre-owned vehicle trading service system

The Group built a complete pre-owned vehicle trading system, and optimized the omni-channel and whole-chain trading method to provide consumers with an open, transparent, and convenient service environment and a more professional and comfortable experience, advancing the Group to become the “most respected automobile service platform”. In 2022, the Group continued to apply the “2+1” all-channel digital pre-owned vehicle retail trade model. It combines Yongda’s two channel systems (over 200 4S stores and Yongda’s pre-owned vehicle chain stores) with its used-car e-commerce platform (www.yducc.com.cn), allowing consumers to easily view and buy cars online. The Group also has a digital data centre for centralized pricing and allocation of vehicles. Therefore, we established a customer lifecycle-centred operation management system.

The Group owns rich brand certification resources for pre-owned vehicles and a strict pre-owned vehicle certification system. We promise that all the retail vehicles have passed 178 items of 15 categories of strict tests. We resolutely say no to flood-damaged, fire-damaged, and structurally-damaged cars, and provide trackable maintenance and insurance claim records. Official certifications from the brands and Yongda provide reassurance for customers to use the vehicles. In addition, the Group actively cooperates external top-quality platforms. We are the first dealership group to cooperate with the CADA Ningmengcha, a used-car information service platform built by China Automobile Dealers Association. By leveraging the resource superiority of the CADA Ningmengcha platform, the Group can timely and accurately obtain the key information of vehicles, such as frequency, date, status, and amount of insurance claims, repaired parts, etc., thus reducing used-car trading risks and improving consumer satisfaction.

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

Yongda used-car e-commerce platform

Listening to customers

The Group set up a 24-hour customer service hotline and Yongda Qiche Darenhui to collect customers' feedback and suggestions; besides, we collaborate with Shanghai Consumer Council to launch the industry's first online customer comments platform. In 2022, the Group received approximately 400,000 customer comments.

The Group also set up a sound customer feedback process. After receiving customer feedback, the Group's customer service centre will identify customer needs, convey the customer feedback to the relevant member companies and departments which will immediately contact the customers, and provide proper solutions. During the Reporting Period, the Group received 52 products and services-related complaints, all of which were effectively addressed.

4.3 Privacy protection: mutual-trust relationship

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

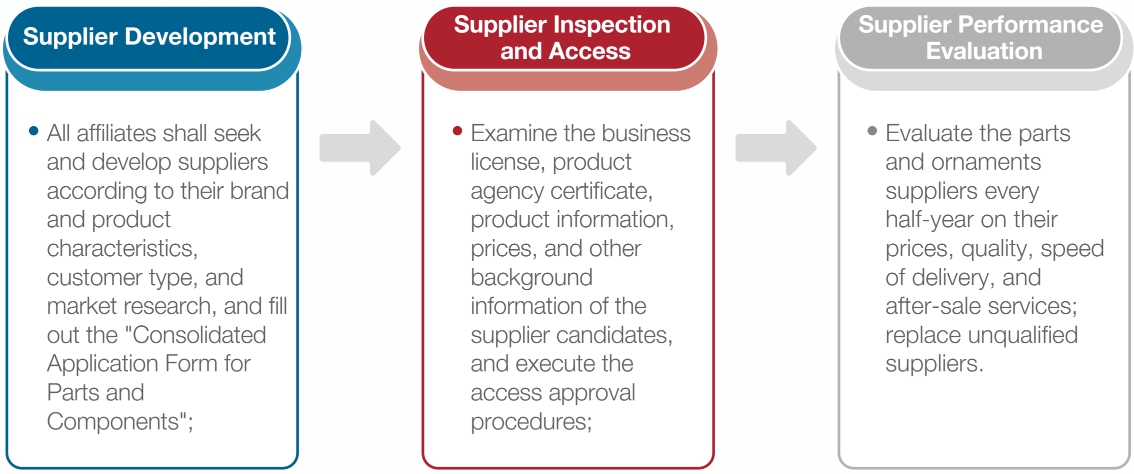
All employees of the Group have signed the *Confidentiality Agreement*, and resigned employees are required to sign the *Resignation Statement*, which specifies their information protection responsibilities and obligations, as well as their legal liabilities if any confidential information leaks because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

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

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

4.4 Cooperation: sustainable supply chain

The Group mainly cooperates with auto parts, ornaments, maintenance equipment, and office appliances suppliers and is committed to building an open, transparent and sustainable supply chain. The Group developed the *Management Measures for the Development and Introduction of Auto Parts and Ornaments,* the *Management Measures for Suppliers of Auto Parts and Ornaments,* and the *Management Regulations for Procurement of Automobile Maintenance Equipment and Tools* to regulate supplier development, inspection, access, and performance evaluation.

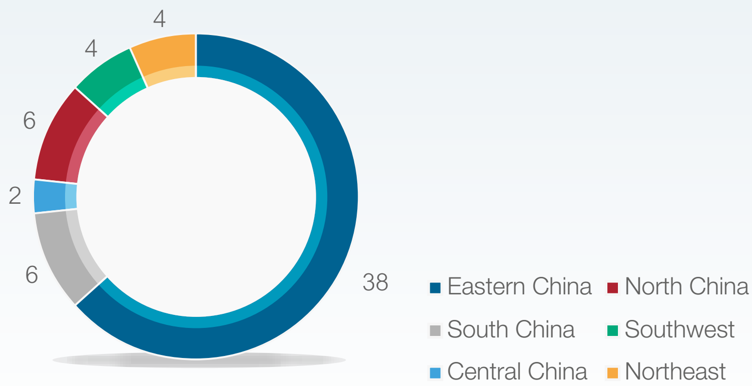


In 2022, the Group established a new SRM procurement management system to collect comprehensive supplier data (including basic info, staff info, financial info, authorization, etc.) in order to achieve total life cycle management. Besides, The Group classifies suppliers and compares their prices to control procurement costs effectively. The Group also launched WeChat mini programs for suppliers and affiliates to facilitate timely quotes and confirmation of business documents. A unified online digital procurement management platform will make the procurement process more automatic and transparent, reduce employee engagement and reduce compliance risks. Meanwhile, specifying suppliers, material and business data and establishing data models can help the Group maximize management effectiveness and control and reduce costs.

In addition, environmental and social risks are considered important factors for selecting suppliers. In 2022, the Group continued to require the suppliers to provide the labour contracts of their people stationed in Yongda stores, buy insurance, and provide medical examination reports of those working on the positions with risks of occupational diseases. Besides, for all parts purchased (except OEMs), the Group required the suppliers to provide a product authorization certificate and inspection reports of quality and environmentally hazardous substances to ensure the products meet environmental requirements. For example, the Group required the paint suppliers to provide relevant materials proving that the products meet the latest environmental requirements, along with VOCs content test reports and other inspection results, and refused to cooperate with suppliers who cannot provide the necessary materials.

The figure below shows the geographical distribution of the Group's 60 suppliers that accounted for more than 90% of the Group's total purchase amount during the Reporting Period.

Geographical Distribution of the Group's Suppliers



5. CHERISH TALENT

As the backbone of sustainable development, employees are a focus of the Group. The Group adheres to an equal and compliant employment policy, provide reasonable compensation and welfare, help employees grow, and create a healthy and safe working environment, laying the foundation for attracting various kinds of outstanding talent.

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

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

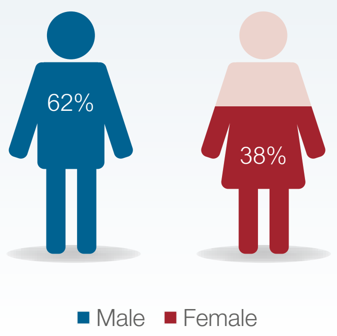
Principles

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

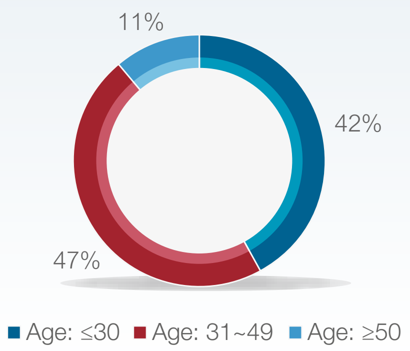
The Group allows flexible working hours within the Group for better work and life balance. The Group implements an eight-hour working system with at least one day off every week. We also provide statutory holidays (such as paid annual leave, wedding holidays, maternity leave, sick leave, and bereavement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

By the end of the Reporting Period, the Group had a total of 16,936 employees, increased by 1.43% compared with 2021, which is mainly due to the expansion in the new energy vehicle sector.

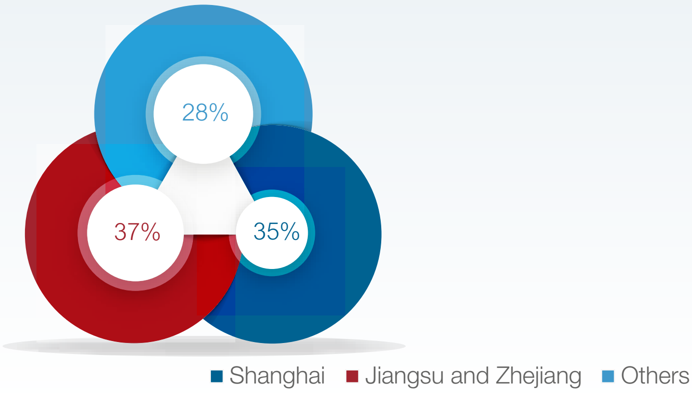
Male and Female Employees



Employees of Different Age Groups



Employees in Different Regions



Compensation system

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

The Group's employee compensation mainly includes fixed salary and performance bonus. There are clear performance evaluation indicators for different positions so that all employees fairly enjoy labour rewards. The Group will flexibly adjust employees' salaries every year according to their performance and the changes in the external environment to provide employees a salary that matches the value of their position and contributions.

Caring for employee

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

Work-life balance

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

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

Caring for employee families

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

Health and medical privilege

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

Low-income family assistance

The Group attaches great importance to poor employees, providing them with mental health counselling and emotional support, and putting efforts into contacting them. In 2022, the Group held the Spring Festival activity and the Double Ninth Festival activity, and donated consolation money totaling CNY 682,000 to 141 low-income families. The Group also assisted 130 families whose parents are over 75 or over 65 but suffering serious diseases or poverty, and donated consolation money totaling CNY 130,000.

Visits to poor employees during the Spring Festival

Other than the above welfare policies and caring activities, the Group pays constant attention to female employees' health and development and hosts various activities so they can go further in their career. In 2022, the Group established the *Notice of Caring for Female Employees*, and the *Initiative on Respecting Female Employees*. The "Warm Care Series Red Packet" is launched for female managers in key positions to provide warm care for female managers in key positions from various aspects such as birthday, health and family; and a garden party is held on Women's Day to enable female employees to spend a sweet and surprise holiday together through activities such as tea break, mystery boxes, souvenirs, manicure and Polaroid.

Party on International Women's Day

5.2 Employee training and development

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

Employee training

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

New employee	Orientation and on-the-job training
	• Help new employees understand the company culture and the job duties to fit in as soon as possible.
Professional talent	Internal business skills training and advanced certification training by external manufacturers
	• Help professional talent to quickly upgrade skills to fully realize their potential
Management personnel	Management ability enchancement training, general management courses, professional skill upgrading training
	• Help management personnel further expand their horizons and undertand the company's development strategies.

For four years, the Group has been cooperating with Korn Ferry to promote the"Talent Development Program"— Yongda EMP Class, which has fostered nearly 150 outstanding young management personnel through a professional assessment on competency and leadership potential and systematic training. After being promoted as a director or general manager, employees will continue to receive leadership training to meet daily management needs. The Group also encourages middle and high-level management personnel and outstanding young managers to attend the EMBA, MBA, and AMP courses of key institutions such as CEIBS, Shanghai Jiao Tong University, and Fudan University and covers their full tuition.

Daily training and activities of Yongda EMP Class

Roundtable discussion between management and young talents

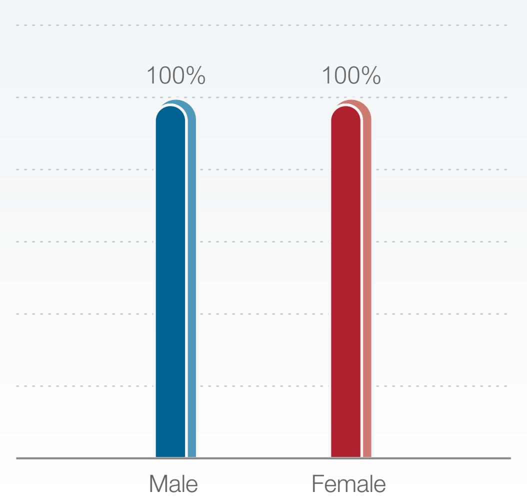
In addition, The Group held general managers' sharing four times in 2022 to further optimize the channel and mechanism of learning from and sharing general managers' experience and facilitate management system innovation. These activities combined the changing market environment and industry trends and key of the Group's operation and management strategies at different stages, and developed various themes and forms for sharing. Initiated by the Board and management, these sharings were participated by the function centre and directors of the automobile division, general managers and their core operation management team from each affiliate, management of the regional group and general managers from affiliates. These activities were carried out on-site and online, with more than 1,000 participants in each activity.

In 2022, the Group organized 18 online training sessions, which focused on leadership improvement and empowerment of the Group's key businesses and covered more than 1,000 management personnel, with a score of 9 out of 10 regarding the participants' satisfaction with each training session.

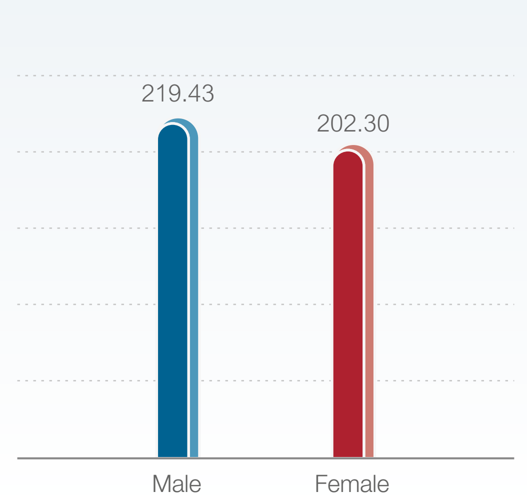
The Group has also set up a digital learning platform—Yongda Cloud University, which provides unified training on all employees through pre-charted learning maps and online courses, achieving digital employee management training. Employees can earn credits by logging in, studying and making class contributions in exchange for gifts, which increasing employee's engagement and enjoyment. In 2022, the platform provided 1,277 online courses, including 266 internal courses. The average number of logged-in accounts per month was 11,057, and the total learning time was approximately 1.3 million hours, with an average training time per capita completion rate of 100%.

During the Reporting Period, all employees received training, with a total training time of 3,604,800 hours and 212.85 hours of training per capita. The total training time decreased due to the COVID-19 pandemic compared to last year. The specific employee training rates and average training hours are as follows.

Male and female employees received training in 2022



Average training hours of male and female employees in 2022



Career development

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

The two routes are connected, and employees can switch between the two according to their competency, or they can change a position within the professional route to develop other capabilities to become versatile talent. Both routes will provide employees with proper positions and adequate opportunities to maximize their value and become mainstays of the Group. In 2022, the Group held an elite competition for its thirtieth anniversary, in which thirty elites selected from almost 1,000 candidates competed against each other. Employees were encouraged to enhance their skills and achieve long-term development through sales, after-sales service, new media, pre-owned vehicles and customer operation competitions.

Group 2022 Elite Competition Grand Final

5.3 Occupational health and safety

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

Occupational health

The Group tries its best to avoid occupational hazards and takes proper control measures to eliminate the potential health risks of employees. We provide employees working on the positions with potential occupational hazards with appropriate protective equipment, such as gas masks, earplugs, goggles, insulating gloves, and insulating shoes. We conduct regular environmental tests, occupational health examination which includes pre-job, in-job, and off-job physical examinations, to prevent occupational diseases and ensure employees' health.

In 2022, Shanghai recorded 50 days with a daily maximum temperature exceeding 35 degrees Celsius, 29 days more than usual. The Group provided necessities for after-sales employees in Shanghai affiliates who work in extreme weather conditions. Other than cooling supplies such as fans and iced mung bean soup, the Group also provided bottles of cooling spray to prevent heatstroke and accidents and protect employee safety and health. The Group continued to offer pandemic prevention supplies, such as caring packages (including N95 masks, disposable gloves, alcohol spray, hand sanitizer and alcohol wipes) to reduce COVID-19 infection cases.

Pandemic prevention supplies for employees

Safety

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

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

(1) The company shall require customers to provide their original identity card and driving license before the test drive, and carefully verify the identity of the customers.

(2) A *Test Drive Service Agreement* shall be signed with customers, which will be reviewed and confirmed by the vehicle administrator; then vehicle administrator can give the key to the sales consultant.

(3) The company shall install a Car Recorder on the vehicles to be tested and ensure that the recorder functions well during the test drive, to effectively reduce various kinds of potential safety hazards.

(4) When taking a customer to test a vehicle, the sales consultant or designated driver shall shut down the vehicle and take out the key before changing seats with the customer, and give the key to the customer after he/she is seated with the safety belt fastened. In the case of a Keyless-Go car, the key must be kept by the sales consultant or designated driver throughout the test drive.

(5) Customers are not allowed to test drive the vehicles under the influence of alcohol or drugs.

(6) Test drivers must undertake that they will comply with relevant laws and regulations, keep a safe distance during the test drive, and obey the arrangements and instructions of our text-driving escorts.

A customer is driving a car, accompanied by a designated driver after signing the *Test Drive Service Agreement*.

For operational safety problems in the maintenance workshop, the Group has established a system for safety inspection and hidden danger identification, required all affiliates to conduct a safety self-inspection every day and have the general manager conduct a monthly safety inspection. All affiliates must take immediate measures to eliminate hidden dangers found during daily self-inspection. If the hidden danger cannot be rectified immediately, the affiliates shall make a rectification plan and have designated people to implement the rectification measures. Meanwhile, the Group conducts safety inspections, and will timely record and make rectification suggestions for any safety hazards found. In 2022, the Group conducted surprise inspections on affiliates outside Shanghai through live-streaming video. These inspections covered 5S management (Organize, tidy up, clean up, cleanliness, literacy) in after-sales service workshops, equipment maintenance, old parts and waste management, and checked affiliates' ledgers. The Group carries out regular maintenance and overhaul of the equipment in the maintenance workshop in strict accordance with the maintenance system to ensure normal operation of the equipment. We will immediately stop using the faulty or unsafe equipment until it is repaired.

Safety inspections in workshops

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

Fire drill

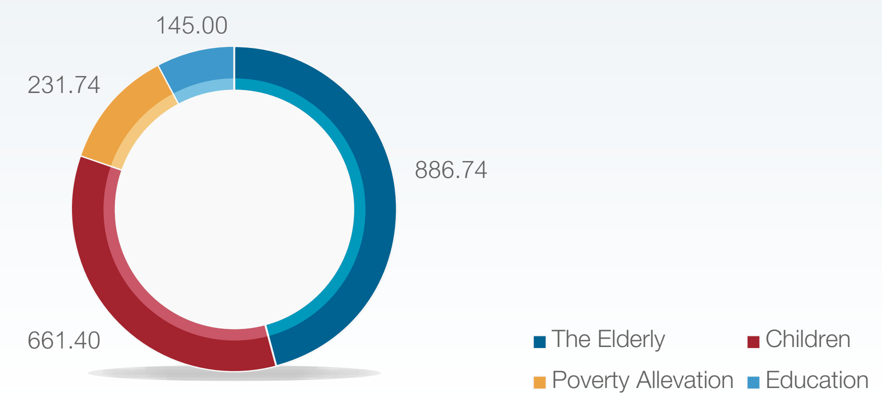
The Group also attaches great importance to enhancing employees' safety awareness and executes a sound safety education and training system. The Group ensures that employees have the necessary safety knowledge through training on general safety knowledge for new recruits, basic requirements training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

6. LOVE FOR SOCIETY

As a socially responsible corporate citizen, the Group actively contributes to society and participates in community activities while pursuing strategic growth. Since the establishment of Yongda Foundation in 2017, the Group has focused on "caring for children," "caring for the elderly," "caring for education", and "caring for poverty" to carry out various public welfare programs with an expenditure of over CNY 100 million.

In 2022, the Yongda Foundation invested in nearly 20 community projects which reached CNY 19,248.8 thousand.

Community Investment (RMB10,000)



6.1 Caring for the elderly

Great love begins with great kindness, and filial piety is one of the virtues to be held above all else. In today's society with an increasingly aging population, promoting a culture of respect for the elderly is of great importance to maintain family happiness and social harmony and stability. In 2022, Yongda Foundation continued to make prioritized caring for the elderly, especially their physical and mental health.

2022 was the fourth year for Yongda Foundation's "Yongda Lights Up the Sunset", an eye health care project for the elderly. The Foundation continued to conduct free diagnosis and treatment with an ophthalmologist team from Shanghai General Hospital, and funded 516 older adults with eye diseases to receive treatment. Meanwhile, the Foundation partnered with the People's Hospital of Ningxia and the People's Hospital of Zunyi to fund the elderly poor patients.

In addition to focusing on the physical health of the elderly, the Foundation also cares for their mental health. In 2022, the Foundation continued to carry out the "Love Around You" elderly companionship project, which conducted a series of activities such as the Double Ninth Festival activity, the "Echoes of Old Times" documentary, the newspaper donation activity and "Yongda Protect the Elderly" anti-epidemic special action, total expenditure of 8.8674 million yuan.

2022 “Love Around You” elderly companionship project

1. On Double Nine Festival in 2022, Yongda Foundation presented nearly 20,000 Double Ninth Festival gifts to nursing homes in Pudong, Shanghai, and organized an elderly greeting event at the Conference Centre of Yongda International Building with the theme of “Yongda Foundation-Making Life Better for the Elderly”, to facilitate a respectful, loving and helping society atmosphere for the elderly.
2. The Foundation recorded a public service documentary called “Echoes of Old Times”, which features 10 meritorious figures including national model worker Bao Qifan, auction professional Zhu Junbo and Chinese drama master Liang Boluo, and aims to keep image and sound archives of the old people who have made outstanding contributions in different fields and inspire the young generations.
3. To alleviate the aloneness of the elderly, the Foundation subscribed to Xinmin Wanbao for 165 nursing homes, providing richer cultural nourishment for nearly 20,000 old people, adhering to our “loving, respecting and greeting the elderly” philosophy.
4. The Foundation launched the “YONDA Care for the Elderly” anti-epidemic campaign, purchasing three batches of living and epidemic prevention materials, including milk, eggs and disinfection machines, to deliver care and warmth to 20,000 elderly people in 165 elderly institutions (service places) in Pudong New Area.

2022 Double Ninth Festival activity for the elderly

6.2 Caring for children

Children are the hope and future of our nation. The Group always cares about children's growth and carries out public service activities focusing on children's health and safety during the Reporting Period. The total investment amounts are CNY 6.614 million.

In 2022, Yongda Foundation continued to carry out the "Snow Angel Care Project," which funds the surgical treatment of children who have leukemia, hematologic tumors, and other diseases and provides humanistic care. The Group also funds the "Healthy Kids with Good Hearing and Sight" project, which is dedicated to helping children with severe congenital deafness, microtia and cataracts. During the Reporting Period, the "Snow Angel Care Project" had helped 27 children with hematologic tumors while the other had helped 80 children from low-income families receive surgery, including 18 children with cataracts, 24 children with congenital malformation of the middle and outer ears, and 38 children with severe congenital deafness.

Funding for child patients

The Foundation continued to carry out children-caring activities through Harmonia Capital Special Fund, and donated RMB605,000 to the Shanghai Renji Hospital to help children with liver diseases and jaundice from poor families.

In addition, to help improve children's awareness of traffic safety, Yongda Foundation joined hands with the Traffic Police Headquarters of Shanghai Public Security Bureau, Young Pioneers Council of Shanghai, People's Government of Pudong Heqing and other institutions to launch the "Adults and Children Walking on A Safe Path" – 2022 Yongda Charity • "Beautiful Rural Trip" Traffic Safety Lecture for pupils. In addition to donating traffic safety comic books to 200,000 first-grade students at primary schools in 16 districts and counties of Shanghai, the Group also gave a vivid and interesting traffic safety lecture in one representative school of each district and county, intending to help the children understand the basic traffic rules, enhance children's self-protection capabilities and reduce traffic accidents.

While caring for the health and safety of children, Yongda Foundation also hopes that every child can have a happy childhood. The Foundation continues to provide care for left-behind and disabled children in medical treatment, education and life through special caring projects for disabled children launched by the Ordos child welfare house in Inner Mongolia. During the Reporting Period, the Foundation helped the welfare house recruit eight graduates majoring in special education, which improved the quality of special education services; meanwhile, the Group also carried out a parent-child running activity for disabled children and invited 90 families to participate, which can enhance children's physical fitness, and help them adapt to society.

Traffic safety lecture in a primary school


Parent-child running activity for disabled children

6.3 Caring for education

A thriving education makes a thriving country, while a robust education makes a powerful country. The Group believes that education is one of the main driving forces for regional economic development. Therefore, we actively participate in public educational undertakings and have provided a special education fund for many years to support students and facilitate for the construction of excellent teaching teams. In 2022, our five special education funds, i.e., Shanghai Normal University-Yongda Special Education Fund, Pudong Heqing Town- Yongda Special Education Fund, Gyangzê County, Tibet – Yongda Special Education Fund, East China University of Political Science and Law – Yongda Special Education Fund, Yongda Class – Yongda Special Education Fund, continued to help create a good learning environment and provide adequate education resources for hundreds of children in remote and poor areas. The total amounts of investment are CNY 1.45 million.

Yongda's education assistance projects during the Reporting Period included:

Project	Expenditure (RMB10,000)	Number of beneficiaries (students)
Shanghai Normal University – Yongda Special Education Fund	10.00	18
Pudong Heqing Town – Yongda Special Education Fund	50.00	139
Gyangzê County, Tibet – Yongda Special Education Fund	50.00	220
East China University of Political Science and Law – Yongda Special Education Fund	20.00	40
Yongda Class – Yongda Special Education Fund (15 vocational schools)	15.00	459
Total	**145.00**	**876**

6.4 Caring for poverty

The Group is committed to targeted poverty alleviation and takes practical actions to help the poor and vulnerable groups, especially those sinking back into poverty due to illness., and the total amounts of investment are 2.3174 million. Through establishing the Wan Zhanggen Special Fund and Jiaqi Special Fund, Yongda Foundation has continued to help people suffering serious illnesses for four years. During the Reporting Period, the two funds were mainly used as consolation money for people suffering serious diseases, which helped more than 30 sick and poor people.

In addition, to support the local government to help the backward villages and towns, Yongda Foundation has been running a paired assistance project in Heqing Town and Xijia Village of Pudong New Area for four consecutive years. During the Reporting Period, the project has assisted 1,759 people, including 59 patients with uremia, 15 patients with leukemia, 100 patients with malignant tumors, 89 people from families that lost their only child, 135 people suffering from other difficulties, and sent Spring Festival gift packages to 1,361 seniors, continuously helping the poor from different living aspects.

The Foundation also initiated a caring project for injured and disabled athletes. During the Reporting Period, the Foundation has assisted 36 athletes, including male volleyball player Tang Miao, wrestler Chen Jicheng and trampolinist Zhou Bijun, of which four suffered from a first-degree injury, 32 suffered from other degrees of injuries, and one with leukemia (this athlete was given RMB100,000 as a donation).

7. ENVIRONMENTAL PROTECTION

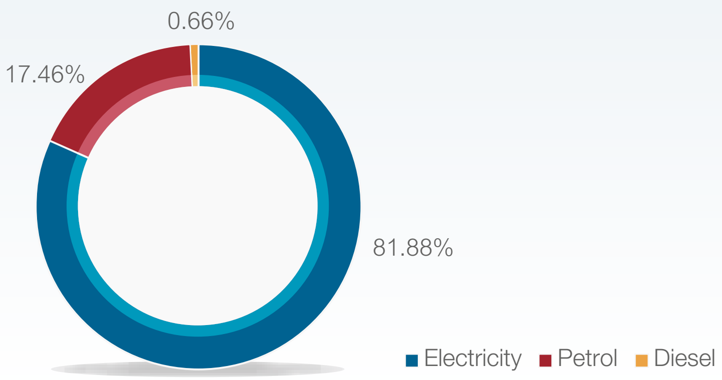
The Group is mainly engaged in automobile sales and services, which is not an energy-intensive industry and has a limited impact on the environment. However, the Group fully understands the environmental responsibilities enterprises should assume and takes practical actions to implement sustainable development during operations. The Group is committed to sincerely managing resources and minimizing carbon emissions and waste generation.

7.1 Low-carbon operation: rational utilization of resources

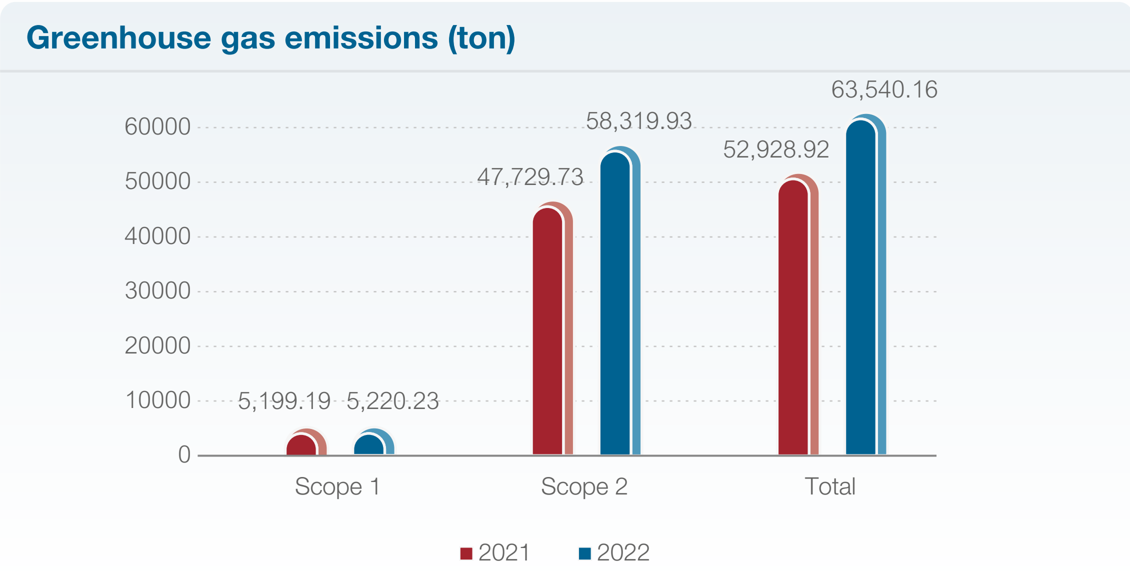
The Group has always attached importance to improving energy use efficiency and strictly abides by the *Environmental Protection Law of the People' Republic of China, the Law of the People's Republic of China on Conserving Energy*, and other laws and regulations. The Group mainly uses electricity, petrol,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

During the Reporting Period, the Group's energy consumption totalled 103,249.62 MWh, presenting a year-on-year increase of 18.66% compared to 2021. Specifically, the Group consumed 84,537.17 MWh of electricity, 18,024.50 MWh of petrol and 687.95 MWh of diesel. Meanwhile, the Group's water consumption totalled 954,123.10 tonnes, presenting a year-on-year increase of 23.31% compared with last year. The increase in energy and water consumption is mainly due to the expansion in the new energy sector.

Energy consumption



During the Reporting Period, the Group's greenhouse gas emissions totalled 63,540.16 tonnes. Specifically, the Group's Scope 1 direct greenhouse gas emission is mainly caused using petrol, with total greenhouse gas emissions (CO2 equivalent) of 5,220.23 tonnes in 2022. The Group's Scope 2 direct greenhouse gas is mainly generated from the use of electric power, with total emissions of 58,319.93 tonnes in 2022. In addition, the Group applied effective means to reduce use of paper, with total water consumption of 355.25 tonnes, a decrease of 7.85% compared with 2021.



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

Water saving

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

Paper saving

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

Electricity saving

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

7.2 Reducing pollutant discharge

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

Waste discharge management

At present, the non-hazardous waste generated by the Group is mainly household waste, iron scrap, aluminium scrap, waste plastic, and waste glass, among others; the hazardous waste mainly includes waste oil, lead battery scrap and other hazardous incineration waste. In 2022, the Group continued to cooperate with suppliers in waste discharge management to reduce waste and improve reuse and recycling approach.

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

In addition, the Group established a hazardous waste ledger to record the generation, disposal and storage of waste oil, lead battery scrap and other hazardous waste. We ensure that hazardous waste is disposed of through legal and compliant channels, and regularly inspect the management of hazardous waste.

During the Reporting Period, the Group generated 67,612.18 tonnes of non-hazardous and 2,447.81 tonnes of hazardous waste, and the emission density are 519.97 tonnes/10,000m^2 and 18.82 tonnes/10,000m^2 tonnes respectively, presenting a year-on-year decrease of 7.99% and 27.25% compared with last year.

Exhaust emission management

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

For the small amount of exhaust gas generated during the repair of vehicles, the Group has introduced exhaust gas purification devices in the paint room and other places. We will test the exhaust gas and ensure it meets the relevant national standards before discharging it. We regularly replace the consumables of the exhaust gas purification devices, such as the filter cotton and activated carbon, and actively implement the equipment maintenance plans to ensure legal and compliant emission of exhaust gases.

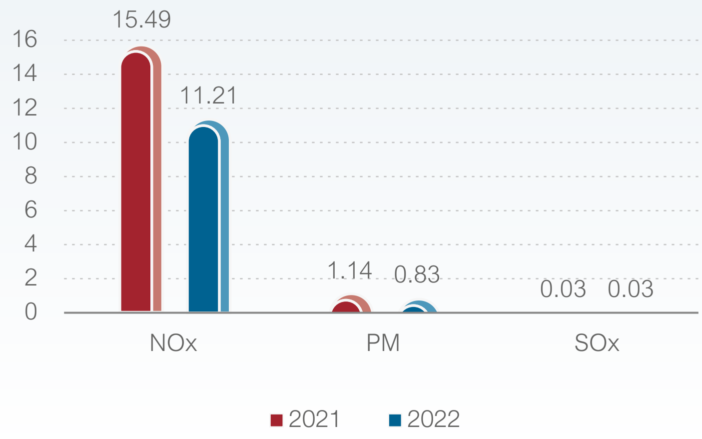
In 2022, the Group established a regional metal spray centre as a result of the integration of the Shanghai Shenjiang affiliate to effectively control paint and energy costs, reduce exhaust emissions and improve efficiency and reduce costs:

- The cost of paint auxiliary materials for single-sided painting saved about 16% on average compared to 2021 for a single store;
- Single-sided painting electricity and environmental protection expenses saved about 25% on average compared to 2021 for a single store;
- Paint technician single person monthly painting surface number increased about 17% on average compared to 2021 for a single store.

Regional metal spray centre established in 2022

In 2022, the Group's exhaust emissions totalled 12.07 tonnes (11.21 tonnes of NOX, 0.83 tonnes of PM and 0.03 tonnes of SOX), decreased by 27.55% compared with 2021.

Total exhaust emission (tons)



Sewage discharge management

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

7.3 Addressing climate changes

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

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

8. APPENDIX

8.1 Data overview

- ***Environmental***

A1.1 The types of emissions	Unit	2022	2021
Total NOx emissions	tons	11.21	15.49
Total SOx emissions	tons	0.03	0.03
Total PM emissions	tons	0.83	1.14
Total exhaust emission	tons	12.07	16.66
Intensity of exhaust emission	tons/hm^2	0.09	0.15

A1.2 Total GHG emissions	Unit	2022	2021
GHG emissions- scope1	tons	5,220.23	5,199.19
GHG emissions- scope2	tons	58,319.93	47,729.73
Total GHG emissions	tons	63,540.16	52,928.92
Intensity of total GHG emissions (scope1&scope 2)	tons/hm^2	488.66	463.68

A1.3 Total hazardous waste produced	Unit	2022	2021
Total emissions of hazardous waste	tons	2,447.81	2,952.57
Intensity of hazardous waste	tons/hm^2	18.82	25.87

A1.4 Total non-hazardous waste produced	Unit	2022	2021
Total emissions of non-hazardous waste	tons	67,612.18	64,512.36
Intensity of non-hazardous waste	tons/hm^2	519.97	565.15

A2.1 Total energy consumption by type	Unit	2022	2021
Electricity	MWh	84,537.17	69,379.65
Petrol	MWh	18,024.50	17,203.15
Diesel	MWh	687.95	431.54
Total energy consumption	MWh	103,249.62	87,014.34
Intensity of energy consumption	MWh/hm^2	794.04	762.28

A2.2 Water consumption	Unit	2022	2021
Total water consumption	tons	954,123.10	773,747.72
Intensity of water consumption	tons/hm^2	7,337.72	6,778.34

- ***Social***

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

B1.2 Employee turnover rate by gender, age and geographical region		2022	2021
Gender	Male	28.73%	26.43%
	Female	29.57%	26.91%
Age	Age: ≤30	40.27%	40.48%
	Age: 31~49	25.07%	20.76%
	Age: ≥50	4.67%	5.92%
Region	Shanghai	24.09%	31.33%
	Jiangsu and Zhejiang	34.65%	21.21%
	Others	27.73%	27.93%

B2.1 Number and rate of work-related fatalities	2022	2021	2020	2019
The number of work-related fatalities	0	0	0	0
The rate of work-related fatalities	0	0	0	0

B2.2 Lost days due to work injury	2022	2021
Lost days due to work injury	0	0

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

B3.2 Average training hours completed by per employee by gender and employee category		2022	2021
Gender	Male	219.43	258.93
	Female	202.30	255.97
Employee category	Senior management	131.60	105.00
	Middle management	218.33	190.90
	Junior management	215.17	232.55
	Staff	212.72	260.45

5.1 Number of suppliers by geographical region	2022	2021
Eastern China	38	62
South China	6	7
Central China	2	2
North China	6	5
Northwest	0	0
Southwest	4	3
Northeast	4	5

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

B8 Community Investment	Unit	2022	2021
Total community investment	RMB10,000	1,924.88	1,668.79

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

1. Greenhouse gases include carbon dioxide, methane, nitrous oxide and sulfur hexafluoride. Scope 1 GHG is calculated by default values of common fossil fuel characteristic parameters issued by the National Development and Reform Commission of China; Scope 2 GHG is calculated by region based on the average CO2 emission factors of China's regional power grids published by the National Development and Reform Commission of China.

2 NOx. SOx. PM data sources were monitoring systems installed or third-party commissioned for monitoring. The calculation was based on factors from the EMFAC-HK Vehicle Emission Calculation issued by the Hong Kong Environmental Protection Department.

3. The Hazardous waste was classified according to "hazardous waste" as stipulated in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal as mentioned in the Guidelines on Reporting of Environmental Key Performance Indicators published by the HKEX. The data sources were the relevant records and ledgers.

4. The non-hazardous waste was all waste that does not fall within the definition of "hazardous waste" of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. The data sources were the relevant records and ledgers.

5. Water consumption: the data sources were municipal water purchase volume.

6. Energy consumption: the calculation was based on purchased electricity and fuel consumption, with relevant conversion factors provided by the International Energy Agency.

8.2 ESG content index

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

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

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

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

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Yongda Automobiles Services Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 129 to 265, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising from acquisitions of businesses as a key audit matter due to significance of the Group's goodwill in the context of the Group's consolidated financial statements, combined with the complexity and significant judgements and management estimation involved in the assessment process. Determining whether goodwill is impaired required management's estimation of the value in use of the cash generating units ("CGUs") to which goodwill has been allocated. As disclosed in Note 4 to the consolidated financial statements, the impairment assessment of goodwill is dependent on certain significant inputs and assumptions including the discount rates, sales volume growth rates, changes in selling prices and direct costs that involve the management's estimations. As at December 31, 2022, the carrying amount of goodwill was approximately RMB1,672,160,000. No impairment loss has been recognized against goodwill for the year then ended. Details of such judgements and estimations are disclosed in Note 18 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill arising from acquisitions included: • Obtaining an understanding of the management's control processes over impairment assessment of goodwill; • Assessing the methodology used by the management to determine the recoverable amounts which are the value in use of CGUs to which goodwill has been allocated; • Obtaining the value in use calculations of the CGUs to which the goodwill has been allocated and understanding the key management assumptions adopted in these calculations through enquiries with management; • Evaluating key inputs and assumptions used by the management in estimations of value in use, on sample basis, including discount rates applied, sales volume growth rates, selling prices and direct costs; and • Comparing cash flow projections to supporting evidence, on sample basis, such as approved budgets, and evaluating the reasonableness of these budgets with reference to the past performance and future prospects of respective CGU as well as our knowledge of the business.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Joseph Wing Ming Chan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 24, 2023

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Continuing operations			
Revenue			
Goods and services		**71,532,452**	77,389,975
Rental		**491,436**	526,579
Total revenue	*5A/B*	**72,023,888**	77,916,554
Cost of sales and services		**(65,634,545)**	(70,163,869)
Gross profit		**6,389,343**	7,752,685
Other income and other gains and losses	*6*	**1,549,711**	1,404,527
Distribution and selling expenses		**(3,799,708)**	(3,534,258)
Administrative expenses		**(1,835,484)**	(1,813,993)
Profit from operations		**2,303,862**	3,808,961
Share of (losses) profits of joint ventures	*19*	**(800)**	1,481
Share of profits of associates	*20*	**90,293**	70,710
Finance costs	*7*	**(320,688)**	(506,390)
Profit before tax	*9*	**2,072,667**	3,374,762
Income tax expense	*8*	**(587,090)**	(837,027)
Profit for the year from continuing operations		**1,485,577**	2,537,735
Discontinued operations			
Profit for the year from discontinued operations – net		**–**	80,338
Profit for the year		**1,485,577**	2,618,073

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

	NOTE	2022 RMB'000	2021 RMB'000
Profit for the year attributable to:			
Owners of the Company			
– from continuing operations		**1,425,439**	2,399,760
– from discontinued operations		**–**	80,338
		1,425,439	2,480,098
Profit for the year attributable to the non-controlling interests			
– from continuing operations		**60,138**	137,975
		1,485,577	2,618,073
EARNINGS PER SHARE			
From continuing and discontinued operations			
– basic	*13*	**RMB0.72**	RMB1.26
– diluted	*13*	**RMB0.72**	RMB1.26
From continuing operations			
– basic	*13*	**RMB0.72**	RMB1.22
– diluted	*13*	**RMB0.72**	RMB1.22

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	2022 *RMB'000*	2021 *RMB'000*
Profit for the year	**1,485,577**	2,618,073
Other comprehensive expense		
Item that will not be reclassified to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	**(1,254)**	(3,532)
Total comprehensive income for the year	**1,484,323**	2,614,541
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,424,185**	2,476,566
Non-controlling interests	**60,138**	137,975
	1,484,323	2,614,541
Total comprehensive income for the year attributable to the owners of the Company		
– from continuing operations	**1,424,185**	2,396,228
– from discontinued operations	**–**	80,338
	1,424,185	2,476,566
Total comprehensive income for the year attributable to the non-controlling interests		
– from continuing operations	**60,138**	137,975
	1,484,323	2,614,541

Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	14	**6,059,015**	5,838,423
Right-of-use assets	15	**2,995,670**	3,129,191
Goodwill	16, 18	**1,672,160**	1,672,160
Other intangible assets	17	**2,817,249**	2,860,100
Deposits paid for acquisition of property, plant and equipment		**94,196**	82,871
Deposits paid for acquisition of right-of-use assets		**144,728**	34,653
Equity instruments at FVTOCI	22	**8,035**	9,415
Financial assets at fair value through profit or loss ("FVTPL")	21	**312,142**	350,180
Interests in joint ventures	19	**51,951**	47,632
Interests in associates	20	**750,178**	666,636
Deferred tax assets	31	**255,875**	186,868
Other assets	23	**68,195**	71,195
Time deposits	26	**2,500**	–
		15,231,894	14,949,324
Current assets			
Inventories	24	**4,555,391**	4,037,703
Trade and other receivables	23	**8,017,640**	9,126,717
Financial assets at FVTPL	21	**255,011**	2,453
Amounts due from related parties	45	**69,809**	147,626
Cash in transit	25	**68,816**	81,845
Time deposits	26	**5,000**	8,100
Restricted bank balances	26	**2,008,024**	962,523
Bank balances and cash	26	**2,185,797**	2,250,347
Derivative financial assets	29	**3,878**	–
		17,169,366	16,617,314
Current liabilities			
Trade and other payables	27	**8,390,619**	5,569,010
Amounts due to related parties	45	**87,396**	58,690
Tax liabilities		**1,205,786**	1,277,046
Borrowings	32	**2,287,511**	3,595,518
Contract liabilities	28	**1,723,948**	2,479,537
Lease liabilities	34	**274,157**	235,685
Medium-term note – current	33	**369,763**	–
Derivative financial liabilities	29	**–**	112,014
		14,339,180	13,327,500
Net current assets		**2,830,186**	3,289,814
Total assets less current liabilities		**18,062,080**	18,239,138

Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Borrowings	32	**1,079,905**	911,478
Lease liabilities	34	**1,508,717**	1,894,076
Deferred tax liabilities	31	**808,583**	776,066
Medium-term note	33	**–**	368,653
		3,397,205	3,950,273
Net assets		**14,664,875**	14,288,865
Capital and reserves			
Share capital	30	**16,233**	16,262
Treasury shares	30	**(46,659)**	(8,953)
Reserves		**14,191,192**	13,701,157
Equity attributable to owners of the Company		**14,160,766**	13,708,466
Non-controlling interests	35	**504,109**	580,399
Total equity		**14,664,875**	14,288,865

The consolidated financial statements on pages 129 to 265 were approved and authorized for issue by the Board of Directors on March 24, 2023 and are signed on its behalf by:

Cheung Tak On
DIRECTOR

Xue Yue
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 *(note a)*	Treasury shares RMB'000 *(Note 30)*	Special reserve RMB'000 *(note b)*	Share-based payments reserve RMB'000	FVTOCI reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2021	16,306	2,291,194	1,683,958	–	45,472	162,368	(5,752)	7,638,190	11,831,736	523,923	12,355,659
Profit for the year	–	–	–	–	–	–	–	2,480,098	2,480,098	137,975	2,618,073
Other comprehensive expense for the year	–	–	–	–	–	–	(3,532)	–	(3,532)	–	(3,532)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(3,532)	2,480,098	2,476,566	137,975	2,614,541
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	22,686	22,686
Disposal of partial interest of subsidiaries without losing control	–	–	–	–	(4,548)	–	–	–	(4,548)	10,037	5,489
Acquisition of non-controlling interests	–	–	–	–	192	–	–	–	192	(913)	(721)
Repurchase and cancellation of shares *(Note 30(a))*	(55)	(64,597)	–	(8,953)	–	–	–	–	(73,605)	–	(73,605)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	222	222
Recognition of equity-settled share-based payments *(Note 36)*	–	–	–	–	–	37,870	–	–	37,870	–	37,870
Exercise of share options	11	9,309	–	–	–	–	–	–	9,320	–	9,320
Transfer to statutory reserve	–	–	489,510	–	–	–	–	(489,510)	–	–	–
Dividends recognized as distributions *(Note 12)*	–	(569,065)	–	–	–	–	–	–	(569,065)	–	(569,065)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(113,531)	(113,531)
At December 31, 2021	16,262	1,666,841	2,173,468	(8,953)	41,116	200,238	(9,284)	9,628,778	13,708,466	580,399	14,288,865
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,425,439**	**1,425,439**	**60,138**	**1,485,577**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,254)**	**–**	**(1,254)**	**–**	**(1,254)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,254)**	**1,425,439**	**1,424,185**	**60,138**	**1,484,323**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,170**	**1,170**
Disposal of partial interest of subsidiaries without losing control	**–**	**–**	**–**	**–**	**32**	**–**	**–**	**–**	**32**	**120**	**152**
Acquisition of non-controlling interests *(Note 37)*	**–**	**–**	**–**	**–**	**(5,092)**	**–**	**–**	**–**	**(5,092)**	**(21,076)**	**(26,168)**
Repurchase and cancellation of shares *(Note 30(a))*	**(37)**	**(31,169)**	**–**	**(37,706)**	**–**	**–**	**–**	**–**	**(68,912)**	**–**	**(68,912)**
Recognition of equity-settled share-based payments *(Note 36)*	**–**	**–**	**–**	**–**	**–**	**44,748**	**–**	**–**	**44,748**	**–**	**44,748**
Exercise of share options	**8**	**6,157**	**–**	**–**	**–**	**–**	**–**	**–**	**6,165**	**–**	**6,165**
Transfer to statutory reserve	**–**	**–**	**565,002**	**–**	**–**	**–**	**–**	**(565,002)**	**–**	**–**	**–**
Dividends recognized as distributions *(Note 12)*	**–**	**(948,826)**	**–**	**–**	**–**	**–**	**–**	**–**	**(948,826)**	**–**	**(948,826)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(116,642)**	**(116,642)**
At December 31, 2022	**16,233**	**693,003**	**2,738,470**	**(46,659)**	**36,056**	**244,986**	**(10,538)**	**10,489,215**	**14,160,766**	**504,109**	**14,664,875**

Notes:

a. As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve. An appropriation to such reserve is made out of net profit after tax as reflected in the statutory financial statements of the PRC subsidiaries with the amount and allocation basis to be decided by the respective boards of directors annually. The appropriation is 10% of profit after tax at a minimum and should cease when it reaches 50% of the registered capital of the relevant PRC subsidiaries. The statutory surplus reserve, which is non-distributable, can be used (i) to make up for prior year losses, if any, and/or (ii) in capital conversion.

b. The special reserve mainly consisted of:

   (i) an amount of RMB333,647,000 representing deemed distribution to the owners of the subsidiaries of the Group pursuant to a group reorganization which was effected in 2011; and

   (ii) a reduction of reserve of approximately RMB297,591,000 (2021: RMB292,531,000) representing the accumulated difference between the consideration paid/received and the carrying amount of the non-controlling interests upon acquisition or disposal of partial interests in subsidiaries.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax from continuing and discontinued operations	**2,072,667**	3,491,498
Adjustments for:		
Finance costs	**320,688**	506,390
Interest income on bank deposits	**(35,642)**	(60,491)
Loss on disposal of subsidiaries	**559**	14,510
Loss on disposal of an associate	**–**	3,644
Gain on disposal of joint ventures	**–**	(2,231)
Depreciation of property, plant and equipment	**803,848**	791,697
Depreciation of right-of-use assets	**371,893**	284,062
Amortization of other intangible assets	**100,886**	78,600
Share-based payment expenses	**44,748**	37,870
Loss (gain) on disposal of property, plant and equipment and other intangible assets	**13,446**	(27,378)
Gain on fair value change of financial assets at FVTPL	**(24,053)**	(6,922)
Reversal of impairment of loan receivables	**–**	(2,467)
Gain on changes in fair value of derivative financial instruments, net	**(71,640)**	(98,470)
Foreign exchange loss	**71,640**	98,470
Share of profits of associates	**(90,293)**	(70,710)
Share of losses (profits) of joint ventures	**800**	(1,481)
Operating cash flows before movements in working capital	**3,579,547**	5,036,591
(Increase) decrease in inventories	**(543,381)**	879,434
Decrease (increase) in trade and other receivables	**922,301**	(2,047,190)
Decrease in finance lease receivables	**–**	37,923
Decrease in loan receivables	**–**	116,388
Decrease in cash in transit	**13,029**	13,094
Decrease in other liabilities	**–**	(7,203)
(Decrease) increase in contract liabilities	**(755,589)**	110,339
Increase in trade and other payables	**2,781,319**	804,744
Decrease (increase) in amounts due from related parties	**(24,653)**	(12,833)
Increase (decrease) in amounts due to related parties	**903**	(186)
Withdrawal of restricted bank balances	**962,523**	1,720,094
Placement of restricted bank balances	**(2,008,024)**	(962,523)
Cash generated from operations	**4,927,975**	5,688,672
Income taxes paid	**(695,499)**	(673,866)
NET CASH FROM OPERATING ACTIVITIES	**4,232,476**	5,014,806

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 *RMB'000*	2021 *RMB'000*
INVESTING ACTIVITIES		
Additions to and deposits paid for property, plant and equipment	**(1,381,225)**	(1,040,412)
Purchase of intangible assets	**(72,203)**	(60,405)
Purchase of financial assets at FVTPL	**(327,163)**	(471,000)
Refund of financial assets at FVTPL	**136,696**	782,748
Refund of financial assets at FVTOCI	**126**	–
Payments for right-of-use assets	**(323,000)**	(1,267)
Proceeds on disposal of property, plant, equipment, intangible assets and right-of-use assets	**505,790**	387,831
Advance to related parties	**(33,604)**	(1,005)
Advance to non-controlling shareholders	**(4,000)**	(15,870)
Collection of advance to non-controlling interests	**24,651**	23,600
Collection of advance to related parties	**14,906**	46,230
Collection of advance to independent third parties	**5,430**	–
Settlement of consideration for prior year acquisition of subsidiaries	**(41,225)**	(73,150)
Acquisition of subsidiaries	**–**	(606,961)
Withdraw (payments) for rental deposits	**1,231**	(18,170)
Proceeds on disposal of subsidiaries	**473**	301,551
Proceeds on disposal of an associate	**–**	2,069
Proceeds on disposal of a joint venture	**–**	23,188
Proceeds on deemed acquisition of a subsidiary	**–**	12,578
Interest received	**35,644**	60,792
Dividends received from joint ventures	**2,780**	2,579
Dividends received from associates	**22,108**	12,145
Investment in an associate	**(15,357)**	–
Investment in joint ventures	**(7,899)**	(4,300)
Placement of time deposits	**(7,500)**	(23,100)
Withdrawal of time deposits	**8,100**	378,175
NET CASH USED IN INVESTING ACTIVITIES	**(1,455,241)**	(282,154)

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	**26,567,117**	23,978,304
Repayment of borrowings	**(27,822,589)**	(27,898,489)
Repayment of super short-term commercial papers	**–**	(100,000)
Payment for transaction costs of issue of medium term note	**(1,110)**	(1,110)
Repayment of leases liabilities	**(237,357)**	(162,491)
Repayment of advance from a related party	**(52,849)**	(28,302)
Capital injection by non-controlling interests	**1,170**	22,686
Acquisition of non-controlling interests	**(26,168)**	(26,907)
Proceeds from partial disposal of subsidiaries without losing control	**152**	5,489
Advance from non-controlling interests	**–**	124
Advance from related parties	**80,652**	54,899
Repayment of advance from non-controlling interests	**(8,418)**	(90,387)
Interest paid	**(317,899)**	(514,563)
Placement of deposits to entities controlled by suppliers for borrowings	**(39,778)**	(149,057)
Withdrawal of deposits to entities controlled by suppliers for borrowings	**155,399**	84,105
Dividends paid as distribution	**(948,826)**	(569,065)
Dividends paid to non-controlling interests	**(128,534)**	(103,123)
Proceeds from exercise of share options	**6,165**	9,320
Share repurchase and cancellation	**(68,912)**	(73,605)
NET CASH USED IN FINANCING ACTIVITIES	**(2,841,785)**	(5,562,172)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(64,550)**	(829,520)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,250,347**	3,079,867
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,185,797**	2,250,347

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the Group's annual periods beginning on January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to IFRSs	*Annual Improvements to IFRSs 2018 – 2020*

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or January 1, 2024.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on January 1, 2023. As at December 31, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB1,744,949,000 and RMB1,781,420,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payments arrangements of the acquiree or share-based payments arrangements of the Group entered into to replace share-based payments arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

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

Goodwill

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

Changes in the Group's interests in associates and joint ventures (continued)

Acquisition of additional interests in associates or joint ventures

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

Revenue from contracts with customers

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

Output method

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

Principal versus Agent

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

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

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

Leases

Definition of a lease

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and make a corresponding adjustment to the related right-of use assets. A lease modification is required by the interest rate benchmark reform if and only if both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognized as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognized (i.e. the lease payments which are not yet contractually due) as at the effective date of modify.

(ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognized and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognized in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognize the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognized in profit or loss at the effective date of modification.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Share based payments

Equity-settled share based payments transactions

Restricted shares/Share options granted to the directors and employees of the Company

Equity-settled share-based payments to the directors and employees are measured at the fair value of the equity instruments at the grant date.

The fair values of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve.

When share options are exercised or the share granted are vested, the amount previously recognized in share-based payments reserve will continued to be held in share-based payments reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will also continue to be held in share-based payments reserve.

Modification to the terms and conditions of the share-based payment arrangement

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirement to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly, and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash -generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are calculated using the individually method or weighted average method based on their nature, respectively. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognized in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Vendor rebates

Incentive rebates provided by vendors are recognized on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract. Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicles purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial assets are held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial assets are held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and other gains and losses" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, other assets, cash in transit, time deposits, restricted bank balances and bank balances) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and amounts due from related parties (trade nature). The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings, estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management purposes, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceeding, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables – goods and service using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Generally, ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the interest rate determined at initial recognition. For a lease receivable, the cash flow used for determining the ECL is consistent with the cash flow used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition/modification of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retain substantially all the risk and rewards of ownership and continues to control the transfer asset, the Group recognize its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transfer financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition/modification of financial assets (continued)

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flow as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from the original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flow under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modification contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortized over the remaining term. Any adjustment to the carrying amount of the financial asset is recognized in profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and other payables, amounts due to related parties and mid-term note are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortized cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (continued)

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidate statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amount; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, including the calculation of the value in use. The value in use calculation requires the Group to estimate the key inputs including discount rate applied, sales volume growth rates, changes in selling price and direct costs in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at December 31, 2022, the carrying amount of goodwill is RMB1,672,160,000 (2021: RMB1,672,160,000). Details of the recoverable amount calculation are disclosed in Note 18.

Deferred tax assets

As at December 31, 2022, a deferred tax asset of approximately RMB223,229,000 (2021: RMB166,578,000) in relation to unused tax losses for certain operating subsidiaries has been recognized in the Group's consolidated statement of financial position.

No deferred tax asset has been recognized on the tax losses of RMB21,626,000 (2021: RMB8,730,000) due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement

Certain financial assets of the Group amounting to RMB310,660,000 as at December 31, 2022 (2021: RMB346,663,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See Note 42(c) for further disclosures.

Provision of ECL for trade receivables

Except for trade receivables with significant balances which are assessed for ECL individually, the Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of debtors as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the Group's trade receivables and the ECL are disclosed in Note 23 and Note 42(b) respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated useful lives and impairment of intangible assets acquired through business combinations

The Group's management determines the estimated useful lives and the amortization method in determining the related amortization charges for the intangible assets acquired through business combinations, namely, dealership agreement and customer relationship (see Note 17 for details). The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition. Management will increase the amortization charges when useful lives become shorter than previously estimated. In addition, determining whether the intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.. As at December 31, 2022, the carrying amounts of intangible assets acquired in business combinations are approximately RMB2,311,001,000 (2021: RMB2,385,840,000).

Estimated useful lives and impairment of property, plant, and equipment

The Group's management determines the estimated useful lives in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect recoverable amounts. Management will increase the depreciation charge when useful lives become shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the year in which such event takes place. As at December 31, 2022, the carrying amounts of property, plant and equipment are approximately RMB6,059,015,000 (2021: RMB5,838,423,000).

5A. REVENUE

(i) Disaggregation of revenue from contracts with customers for continuing operations

	2022 RMB'000	2021 RMB'000
Types of goods or services		
Sale of new vehicles:		
– Luxury and ultra-luxury brands *(note a)*	50,388,466	53,751,031
– Mid-to-high-end brands *(note b)*	6,808,491	9,723,985
– Independent new energy brands *(note c)*	870,992	134,869
Sale of pre-owned vehicles distribution *(note d)*	3,369,991	2,243,011
	61,437,940	65,852,896
Services		
– After-sales services	10,094,512	11,537,079
Total	71,532,452	77,389,975
Geographical markets		
Mainland China	71,532,452	77,389,975
Timing of revenue recognition		
A point in time	61,437,940	65,852,896
Over time	10,094,512	11,537,079
Total	71,532,452	77,389,975

Notes:

a. Luxury and ultra-luxury brands include BMW, MINI, Audi, Porsche, Jaguar, Land Rover, Bentley, Aston Martin, Infiniti, Lincoln, Cadillac, Volvo, Mercedes-Benz and Lexus.

b. Mid-to-high-end brands include Buick, Chevrolet, Volkswagen, Ford, Skoda, Toyota, Honda, Roewe, Hyundai, Mazda, Lynk and others.

c. Independent new energy brands include BYD, AITO, Great Wall ORA and Leapmotor.

d. The revenue on sale of pre-owned automobile business under the distribution model was recognized on a gross basis.

5A. REVENUE (continued)

(i) **Disaggregation of revenue from contracts with customers for continuing operations** (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Sale of passenger vehicles	After-sales services	Sale of passenger vehicles	After-sales services
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue disclosed in segment information				
External customers	**61,437,940**	**10,094,512**	65,852,896	11,537,079
Inter-segment	**123,702**	**4,569**	171,964	5,495
Total	**61,561,642**	**10,099,081**	66,024,860	11,542,574
Eliminations	**(123,702)**	**(4,569)**	(171,964)	(5,495)
Revenue from contracts with customers	**61,437,940**	**10,094,512**	65,852,896	11,537,079

(ii) **Performance obligations for contracts with customers**

The Group sells passenger vehicles directly to customers through its own 4S outlets. Revenue on sale of new or pre-owned passenger vehicles is recognized when (or as) the passenger vehicles are transferred to the customers and the customers obtain control of the vehicles.

For after-sales services, since the Group's performance enhances the vehicle that's within the customer's control, revenue is recognized over time.

Generally, no credit period is allowed for sales of passenger vehicles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers for passenger vehicle sales and after-sales services, a credit period of not exceeding 60 days is granted.

5A. REVENUE (continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of sales of passenger vehicles and after-sales services as the related contracts have an original expected duration of less than one year.

(iv) Revenue from other segments

	2022	2021
	RMB'000	*RMB'000*
Automobile operating lease services	**491,436**	526,579

5B. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the Group's chief operating decision makers who review the segment revenue and results when making decisions about allocating resources and assessing performance, focuses on the products and services delivered or provided. For passenger vehicle sales and services, and automobile operating lease services business, the executive directors of the Company review the financial information of each outlet or entity, hence each outlet or entity constitutes a separate operating segment. However, the outlets and entities possess similar economic characteristics, and are similar in terms of products and services, customers, methods used to distribute products and provide services, and regulatory environment. Therefore, all outlets or entities are aggregated into respective reportable segment, namely "passenger vehicle sales and services" and "automobile operating lease services" for segment reporting purposes.

The Group's reportable segments are as follows:

- Passenger vehicle sales and services – (i) sale of passenger vehicles; and (ii) provision of after-sales services, including primarily repair and maintenance services, certain auxiliary passenger vehicles sales related services and provision of other passenger vehicles-related services; and

- Automobile operating lease services.

5B. OPERATING SEGMENTS (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Continuing operations

	Passenger vehicle sales and services *RMB'000*	Automobile operating lease services *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
For the year ended December 31, 2022				
External revenue	71,532,452	491,436	–	72,023,888
Inter-segment revenue	128,271	6,718	(134,989)	–
Segment revenue *(note a)*	71,660,723	498,154	(134,989)	72,023,888
Segment cost *(note b)*	(65,401,456)	(361,361)	128,272	(65,634,545)
Segment gross profit	6,259,267	136,793	(6,717)	6,389,343
Service income	1,496,673	–	–	1,496,673
Segment results	7,755,940	136,793	(6,717)	7,886,016
Other income and other gains and losses *(note c)*				53,038
Distribution and selling expenses				(3,799,708)
Administrative expenses				(1,835,484)
Finance costs				(320,688)
Share of loss of joint ventures				(800)
Share of profit of associates				90,293
Profit before tax				2,072,667

5B. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

Continuing operations (continued)

	Passenger vehicle sales and services RMB'000	Automobile operating lease services RMB'000	Eliminations RMB'000	Total RMB'000
For the year ended December 31, 2021				
External revenue	77,389,975	526,579	–	77,916,554
Inter-segment revenue	177,459	11,388	(188,847)	–
Segment revenue *(note a)*	77,567,434	537,967	(188,847)	77,916,554
Segment cost *(note b)*	(69,927,461)	(413,867)	177,459	(70,163,869)
Segment gross profit	7,639,973	124,100	(11,388)	7,752,685
Service income	1,306,992	–	(18,428)	1,288,564
Segment results	8,946,965	124,100	(29,816)	9,041,249
Other income and other gains and losses *(note c)*				115,963
Distribution and selling expenses				(3,534,258)
Administrative expenses				(1,813,993)
Finance costs				(506,390)
Share of profit of joint ventures				1,481
Share of profit of associates				70,710
Profit before tax				3,374,762

5B. OPERATING SEGMENTS (continued)

Segment revenue and results (continued)

Continuing operations (continued)

Notes:

a. The segment revenue of passenger vehicles sales and services for the year ended December 31, 2022 was approximately RMB71,660,723,000(2021: RMB77,567,434,000) which included the sales of passenger vehicles amounting to approximately RMB61,561,642,000 (2021: RMB66,024,860,000) and the after-sales services revenue amounting to approximately RMB10,099,081,000 (2021: RMB11,542,574,000), respectively.

b. The segment cost of passenger vehicles sales and services for the year ended December 31, 2022 was approximately RMB65,401,456,000 (2021: RMB69,927,461,000) which included the cost of sales of passenger vehicles amounting to approximately RMB59,828,273,000 (2021: RMB63,591,116,000) and the cost of after-sales services amounting to approximately RMB5,573,183,000 (2021: RMB6,336,345,000).

c. The amount excludes the service income generated from the passenger vehicle sales and services segment, which is included in the segment results above.

The accounting policies of the operating segments are the same as those of the Group described in *Note 3*. Segment result represents the profit before tax earned by each segment without allocation of other income and other gains and losses other than service income (*Note 6*), distribution and selling expenses, administrative expenses, finance costs, share of (losses) profits of joint ventures and share of profits of associates. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment. No analysis of segment assets and liabilities are presented as it is not regularly reviewed by the executive directors of the Company.

Geographical information

Substantially all of the Group's revenue is generated in the PRC; and all of the Group's principal non-current assets for operation are located in the PRC.

Information about major customers

No single customer accounted for 10% or more of the Group's revenue for the years ended December 31, 2022 and 2021.

6. OTHER INCOME AND OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Continuing operations		
Other income comprises:		
Service income *(note a)*	**1,496,673**	1,288,564
Government grants (note b)	**28,100**	30,968
Interest income on bank deposits	**35,642**	57,958
	1,560,415	1,377,490
Other gains and losses comprise:		
(Loss) gain on disposal of property, plant and equipment and other intangible assets	**(13,446)**	27,378
Gain on fair value change of financial assets at FVTPL	**24,053**	6,922
Net foreign exchange loss	**(77,420)**	(96,819)
Net gain on changes in fair value of derivative financial instruments	**71,640**	98,470
Loss on disposal of subsidiaries	**(559)**	(10,411)
Loss on disposal of an associate	**–**	(3,644)
Gain on disposal of a joint venture	**–**	2,231
Others	**(14,972)**	2,910
	(10,704)	27,037
Total	**1,549,711**	1,404,527

Notes:

a. Service income was primarily related to agency income derived from distribution of automobile insurance products, automobile financial products and suppliers' vehicles in the PRC. It is recognized when the agency services have been completed, which is the point of time being when the services are accepted by customers. The normal credit term is 30 to 60 days upon invoiced. The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of service income as the related contracts have an original expected duration of less than one year.

b. Government grants represent unconditional grants received from local finance bureaus in compensation for expenses incurred by the Group.

7. FINANCE COSTS

	2022 *RMB'000*	2021 *RMB'000*
Continuing operations		
Interest on:		
– bank loans	**160,136**	304,644
– other borrowings from entities controlled by suppliers	**19,957**	37,270
– reimbursement to suppliers *(note a)*	**25,055**	30,346
– super short-term commercial papers	**–**	208
– medium-term note	**17,760**	17,738
– lease liabilities	**97,636**	116,085
Release of capitalized transaction cost in relation to issue of super short-term commercial papers	**–**	49
Release of capitalized transaction cost in relation to issue of medium-term note *(Note 33)*	**1,110**	1,110
Less: interest capitalized *(note b)*	**(966)**	(1,060)
	320,688	506,390

Notes:

a. The Group is required to undertake part of the finance costs incurred by suppliers of the Group in relation to discounting bank acceptance notes issued by the Group to the suppliers for purchase of new passenger vehicles.

b. Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 4.90% (2021: 5.32%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Continuing operations		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**640,593**	888,540
(Over) under provision of PRC EIT in prior years	**(16,354)**	489
	624,239	889,029
Deferred tax *(Note 31)*:		
Current year credit	**(37,149)**	(52,002)
	587,090	837,027

The income tax expense for the year can be reconciled to the profit before tax as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**2,072,667**	3,374,762
Tax at the PRC EIT rate of 25% (2021: 25%)	**518,167**	843,691
Tax effect of expenses not deductible for tax purpose	**42,095**	49,406
Tax effect of income not taxable for tax purpose	**(57,907)**	(44,353)
Tax effect of share of results of associates and joint ventures	**(22,373)**	(18,870)
Effect of withholding tax associated with interest income arising from intra-group borrowings	**2,189**	9,176
Effect of withholding tax associated with distributed earnings of subsidiaries in PRC	**146,250**	20,000
Tax effect of preferential tax rates for certain subsidiaries	**(28,260)**	(19,075)
Utilization of tax losses previously not recognized	**(2,121)**	(3,439)
Tax effect of tax loss not recognized	**5,404**	2
(Over) under provision of PRC EIT in prior years	**(16,354)**	489
Income tax expense for the year	**587,090**	837,027

The Company and Sea of Wealth International Investment Company Limited, a subsidiary of the Company, are tax exempted companies incorporated in the Cayman Islands and British Virgin Islands, respectively.

8. INCOME TAX EXPENSE (continued)

Grouprich International Investment Holdings Limited and Hongda Automobiles Co., Ltd., both subsidiaries of the Company, are incorporated in HK and had no assessable profits subject to Hong Kong Profits Tax in the years ended December 31, 2022 and 2021.

Under the Law of the PRC on EIT and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The income tax rate of 25% is applicable to all of the Company's PRC subsidiaries, except for some small profit-making PRC subsidiaries which are entitled to a preferential tax rate of 2.5% to 10% with the expiry date on December 31, 2024.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB9,375,396,000 (2021: RMB9,615,374,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

9. PROFIT BEFORE TAX

Profit before tax from continuing operations has been arrived at after charging (crediting):

	2022 *RMB'000*	2021 *RMB'000*
Staff costs, including directors' remuneration *(Note 10)*:		
Salaries, wages and other benefits	2,146,680	1,995,592
Retirement benefits scheme contributions	159,406	146,238
Share-based payment expenses	44,748	37,870
Total staff costs	2,350,834	2,179,700
Auditors' remuneration:		
– in respect of audit service for the Company	6,920	6,920
– in respect of the statutory audits for the subsidiaries of the Company	2,718	3,735
Total auditors' remuneration	9,638	10,655
Cost of inventories recognized as an expense	64,685,462	69,718,751
Depreciation of property, plant and equipment	803,848	787,831
Depreciation of right-of-use assets	371,893	284,062
Amortization of other intangibles assets	100,886	78,600
Covid-19-related rent concessions (deducted in the related expenses)	(18,922)	–

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the chief executive and the directors of the Company for the year are as follows:

	2022 RMB'000	2021 RMB'000
Fees	840	1,120
Other emoluments		
Salaries and other benefits	7,136	7,715
Performance-based bonus	899	998
Contributions to retirement benefits scheme	345	317
Share-based payments	10,392	7,544
	19,612	17,694

The emoluments of the chief executive and the directors of the Company on a named basis are as follows:

For the year ended December 31, 2022

	Fees RMB'000	Salaries and other benefits RMB'000	Performance based bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payments RMB'000 (Note 36)	Total RMB'000
Executive Directors						
Mr. Cheung Tak On	–	2,252	180	63	–	2,495
Mr. Cai Yingjie	–	1,069	180	63	–	1,312
Mr. Wang Zhigao	–	1,006	180	36	–	1,222
Mr. Xu Yue	–	1,152	128	63	5,565	6,908
Ms. Chen Yi	–	890	112	57	1,789	2,848
Mr. Tang Liang	–	767	119	63	3,038	3,987
Independent Non-Executive Directors						
Mr. Lyu Wei	280	–	–	–	–	280
Ms. Zhu Anna Dezhen	280	–	–	–	–	280
Mr. Mu Binrui	280	–	–	–	–	280
	840	7,136	899	345	10,392	19,612

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the chief executive and the directors of the Company on a named basis are as follows:(continued)

For the year ended December 31, 2021

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Performance based bonus *RMB'000*	Contributions to retirement benefits scheme *RMB'000*	Share-based payments *RMB'000* *(Note 36)*	Total *RMB'000*
Executive Directors						
Mr. Cheung Tak On	–	2,464	200	57	–	2,721
Mr. Cai Yingjie	–	1,156	200	57	–	1,413
Mr. Wang Zhigao	–	993	200	32	–	1,225
Mr. Xu Yue	–	1,234	142	57	3,866	5,299
Ms. Chen Yi	–	976	124	57	1,225	2,382
Mr. Tang Liang	–	892	132	57	2,453	3,534
Non-Executive Director						
Mr. Wang Liqun*	280	–	–	–	–	280
Independent Non-Executive Directors						
Mr. Lyu Wei	280	–	–	–	–	280
Ms. Zhu Anna Dezhen	280	–	–	–	–	280
Mr. Mu Binrui	280	–	–	–	–	280
	1,120	7,715	998	317	7,544	17,694

* Mr. Wang Liqun has retired as a non-executive director of the Company on December 21, 2021. His emoluments shown above were for his services as a director of the Company in 2021.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the chief executive and the directors of the Company on a named basis are as follows:(continued)

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. Other than the share-based payments disclosed above and the share options granted to certain directors as disclosed in Note 36 (a), no directors' emoluments consist of a benefit otherwise than in cash.

Mr. Cheung Tak On is the Chairman of the Board of Directors of the Company and his emoluments disclosed above include those services rendered by him as the director of the Company and the Group.

Mr. Cai Yingjie is the Vice-chairman and a director of the Company. His emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Mr. Wang Zhigao is the Vice-chairman and a director of the Company and his emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Mr. Xu Yue is the Vice-chairman, President, Chief Executive Officer and a director of the Company. His emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Ms. Chen Yi is the Vice-president and a director of the Company and her emoluments disclosed above include those services in connection with the management of the affairs of the Company and the Group.

Mr. Tang Liang is the Vice-president and a director of the Company and his emoluments include those services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group for the year included four executive directors for the year ended December 31, 2022 (2021: four). The remuneration of the remaining individual for the year ended December 31, 2022 is as follows:

	2022 RMB'000	2021 RMB'000
Employee		
Salaries and other benefits	547	628
Performance-based bonus me	122	136
Contributions to retirement benefits scheme	63	57
Share-based payments	1,422	1,067
	2,154	1,888

The emolument of the five highest paid individuals fell within the following bands:

	Number of individuals	
	2022	2021
Hong Kong dollars ("HK$") HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	1	1
HK$4,000,001 – HK$4,500,000	1	1
HK$6,000,001 – HK$6,500,000	–	1
HK$7,500,001 – HK$8,000,000	1	–
	5	5

During the year ended December 31, 2022, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors of the Company waived or agreed to waive any emoluments during both of the years.

12. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends for ordinary shareholders of the Company recognized as distribution during the year:		
2021 final dividends – RMB0.479 per share (2020 final dividends – RMB0.288 per share)	**948,826**	569,065

A final dividend of RMB0.292 per share with the total amount of approximately RMB570 million in respect of the year ended December 31, 2022 has been proposed by the Board of Directors and is subject to approval by the shareholders in the upcoming annual general meeting.

13. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings from continuing and discontinued operations per share attributable to owners of the Company is based on the following data:

	2022 RMB'000	2021 RMB'000
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	**1,425,439**	2,480,098

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,966,529**	1,974,777
Effect of dilutive potential ordinary shares:		
Share options	**392**	1,293
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,966,921**	1,976,070

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the repurchase and cancellation of ordinary shares including treasury shares during the year ended December 31, 2022.

13. EARNINGS PER SHARE (continued)

From continuing operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2022 RMB'000	2021 RMB'000
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	**1,425,439**	2,480,098
Less: Profit for the year from discontinued operations attributable to owners of the Company	–	80,338
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**1,425,439**	2,399,760

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings and diluted earnings per share for the discontinued operations in 2021 was based on the profit for the year from the discontinued operations of RMB80 million in 2021 and the denominators detailed above for both basic and diluted earnings per share in 2021.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At January 1, 2021	2,679,201	578,200	2,126,941	561,043	2,208,531	252,517	8,406,433
Additions	34,831	49,331	107,021	94,371	781,092	90,830	1,157,476
Acquired on acquisition of subsidiaries	49,862	3,310	3,968	3,288	18,837	–	79,265
Transfer	27,666	–	23,334	–	–	(51,000)	–
Transfer to other intangible assets	–	–	–	–	–	(130,891)	(130,891)
Deemed acquisition of a subsidiary	–	343	1,218	276	1,599	–	3,436
Disposals	(30,224)	(22,157)	(2,328)	(47,122)	(711,665)	(12,067)	(825,563)
Disposal of subsidiaries	(13,165)	(2,204)	(4,696)	(18,007)	(1,617)	–	(39,689)
At December 31, 2021	2,748,171	606,823	2,255,458	593,849	2,296,777	149,389	8,650,467
Additions	215,688	31,150	262,126	80,185	800,772	137,768	1,527,689
Transfer	43,152	–	55,940	–	–	(99,092)	–
Disposals	(83,360)	(36,780)	(112,099)	(55,901)	(837,539)	–	(1,125,679)
Disposal of subsidiaries	–	(195)	(1,300)	(117)	–	–	(1,612)
At December 31, 2022	2,923,651	600,998	2,460,125	618,016	2,260,010	188,065	9,050,865
DEPRECIATION							
At January 1, 2021	514,208	374,844	651,871	342,669	510,541	–	2,394,133
Provided for the year	97,247	54,714	178,605	61,139	399,992	–	791,697
Eliminated on disposals	(11,442)	(15,484)	(2,090)	(36,559)	(287,020)	–	(352,595)
Eliminated on disposals of subsidiaries	(3,555)	(1,246)	(3,102)	(12,553)	(735)	–	(21,191)
At December 31, 2021	596,458	412,828	825,284	354,696	622,778	–	2,812,044
Provided for the year	129,156	50,432	178,029	66,314	379,917	–	803,848
Eliminated on disposals	(48,010)	(24,760)	(108,141)	(54,866)	(387,834)	–	(623,611)
Eliminated on disposal of subsidiaries	–	(58)	(334)	(39)	–	–	(431)
At December 31, 2022	677,604	438,442	894,838	366,105	614,861	–	2,991,850
CARRYING VALUES							
At December 31, 2021	2,151,713	193,995	1,430,174	239,153	1,673,999	149,389	5,838,423
At December 31, 2022	2,246,047	162,556	1,565,287	251,911	1,645,149	188,065	6,059,015

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, taking into account their estimated residual values, at the following rates per annum where applicable:

Buildings	Over the shorter of the remaining lease term of land on which buildings are located and useful life of buildings of 20 – 40 years
Plant and machinery	12% – 32%
Leasehold improvements	10% – 20%
Furniture, fixtures and equipment	19%
Motor vehicles	14% – 19%

Details of the Group's buildings and motor vehicles pledged to secure bank borrowings granted to the Group are set out in Note 32.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group leases out a number of motor vehicles under operating lease. The leases typically run for an initial period of one to three years (2021: one to three years). None of the leases include the variable lease payments. The reconciliation of the carrying amount at the beginning and end of the year are set out as below:

	Motor vehicles *RMB'000*
COST	
At January 1, 2021	1,310,527
Additions	196,092
Disposals	(194,279)
At December 31, 2021	1,312,340
Additions	146,946
Disposals	(285,029)
At December 31, 2022	1,174,257
DEPRECIATION	
At January 1, 2021	358,826
Provided for the year	214,437
Eliminated on disposals	(127,675)
At December 31, 2021	445,588
Provided for the year	185,220
Eliminated on disposals	(190,315)
At December 31, 2022	440,493
CARRYING VALUES	
At January 1, 2022	866,752
At December 31, 2022	733,764

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at December 31, 2022			
Carrying amount	1,249,347	1,746,323	2,995,670
As at December 31, 2021			
Carrying amount	1,287,437	1,841,754	3,129,191
For the year ended December 31, 2022			
Depreciation charge	(45,018)	(326,875)	(371,893)
For the year ended December 31, 2021			
Depreciation charge	(44,158)	(239,904)	(284,062)

	2022 *RMB'000*	2021 *RMB'000*
Expense relating to short-term leases	**51,397**	65,913
Total cash outflow for leases	**(709,390)**	(344,489)
Additions to right-of-use assets *(note)*	**414,556**	383,306

Note: Amount includes right-of-use assets resulting from business combinations and new lease contracts entered into.

For both years, the Group leases various leasehold lands and properties, offices and warehouses for its operations. Lease contracts are entered into for fixed term of 2 to 20 years. Lease terms are negotiated on an individual basis and contain similar terms and conditions. In determining the lease term and assessing the length of the non-cancellable lease period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effect on changes in lease payment due to the forgiveness or waiver by the lessors for relevant leases of RMB18,922,000 (2021: RMB nil) were recognized as negative variable lease payments.

15. RIGHT-OF-USE ASSETS (continued)

Details of the Group's leasehold land pledged to secure bank borrowings granted to the Group are set out in Note 32.

16. GOODWILL

	2022 RMB'000	2021 RMB'000
COST		
At the beginning of the year	1,672,160	1,396,802
Acquisitions of subsidiaries	–	275,358
At the end of the year	1,672,160	1,672,160

Particulars regarding impairment testing on goodwill are disclosed in Note 18.

17. OTHER INTANGIBLE ASSETS

	Dealership agreements RMB'000	Customer relationship RMB'000	Vehicle licence plates RMB'000	Software RMB'000	Total RMB'000
COST					
At January 1, 2021	1,913,968	211,919	352,304	65,038	2,543,229
Acquisition of subsidiaries	506,700	7,900	–	–	514,600
Transfer from property, plant and equipment	–	–	–	130,891	130,891
Additions	–	–	29,427	30,978	60,405
Disposal	–	–	(7,861)	(10,211)	(18,072)
Disposal of subsidiaries	–	–	(87,166)	–	(87,166)
At December 31, 2021	2,420,668	219,819	286,704	216,696	3,143,887
Additions	–	–	32,381	39,822	72,203
Disposal	–	–	(14,168)	–	(14,168)
At December 31, 2022	2,420,668	219,819	304,917	256,518	3,201,922
AMORTIZATION					
At January 1, 2021	144,712	45,834	–	19,337	209,883
Provided for the year	50,679	13,422	–	14,499	78,600
Eliminated on disposals	–	–	–	(4,696)	(4,696)
At December 31, 2021	195,391	59,256	–	29,140	283,787
Provided for the year	60,854	13,985	–	26,047	100,886
At December 31, 2022	256,245	73,241	–	55,187	384,673
CARRYING VALUES					
At December 31, 2021	2,225,277	160,563	286,704	187,556	2,860,100
At December 31, 2022	2,164,423	146,578	304,917	201,331	2,817,249

17. OTHER INTANGIBLE ASSETS (continued)

Dealership agreements, customer relationship and software are stated at cost less any impairment losses and are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of these intangible assets are as follows:

Dealership agreements	40 years
Customer relationship	15 years
Software	5-10 years

The majority of vehicle licence plates were issued by the relevant authorities in Shanghai and Guangzhou with no expiration dates. As such, the management of the Group considers such licence plates to have an indefinite useful life and they are carried at cost less any subsequent impairment losses, if any.

The licence plates will not be amortized until the respective useful life is determined to be finite. Instead, they will be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. The management of the Group determined that there was no impairment of licence plates as their market value exceeds their carrying amount as at the end of the reporting periods.

18. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 16 has been allocated to certain individual cash generating units ("CGUs") by different brands and locations which were all included in passenger vehicle sales segment. The carrying amounts of goodwill are as follows:

	Goodwill	
	2022	2021
	RMB'000	*RMB'000*
CGU A	**192,236**	192,236
CGU B	**178,167**	178,167
CGU C	**148,267**	148,267
CGU D	**120,183**	120,183
CGU E	**107,670**	107,670
CGU F	**81,803**	81,803
CGU G	**72,159**	72,159
CGU H	**73,355**	73,355
CGU I	**64,959**	64,959
CGU J	**178,611**	178,611
CGU K	**96,747**	96,747
Others	**358,003**	358,003
Total	**1,672,160**	1,672,160

18. IMPAIRMENT TESTING ON GOODWILL (continued)

In opinion of the directors of Company, the goodwill comprises the fair value of future profit from expected business synergies arising from acquisitions, which is not separately recognized.

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, sale volume growth rates, changes in selling prices and direct costs. The management of the Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to CGUs. The growth rates are by reference to industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year ended December 31, 2022, the Group performed impairment review for goodwill dealership agreements and customer relationship of CGUs based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by the management using pre-tax discount rates ranging from 12% to 13% (2021: 12% to 13%) which reflect current market assessments of the time value of money and the risks specific to CGUs. The cash flows beyond the next five years are extrapolated using a growth rate of 3% per annum (2021: 3%). The growth rates are by reference to industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. During the years ended December 31, 2022 and 2021, the management of the Group determines that there are no impairments on any of its CGUs containing goodwill. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts to exceed the recoverable amounts.

19. INTERESTS IN JOINT VENTURES

	2022	2021
	RMB'000	*RMB'000*
Cost of unlisted investments in joint ventures	**49,655**	41,756
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,296**	5,876
	51,951	47,632

19. INTERESTS IN JOINT VENTURES (continued)

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entities *(note a)*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2022	2021	**2022**	2021	
					%	%	**%**	%	
Shanghai Yongda Changrong Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Changrong") 上海永達長榮汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4S dealership
Harbin Yongda International Automobile Plaza Co., Ltd. ("Harbin Yongda") 哈爾濱永達國際汽車廣場有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**41**	41	**41**	41	Property investment
Shanghai Zhilin Automobile Supplies Service Co., Ltd. ("Shanghai Zhilin") *(note b)* 上海智霖汽車用品服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	–	**50**	–	Passage vehicle related service
Shanghai Linheng Automobile Supplies Service Co., Ltd. ("Shanghai Linheng") *(note b)* 上海霖恒汽車用品服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	–	**50**	–	Passage vehicle related service
Shanghai Miaojeng Network Technology Co., Ltd. ("Shanghai Miaojeng") *(note b)* 上海妙橙網絡科技有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**60**	–	**60**	–	Network technology service
Beijing Miaojeng Network Technology Co., Ltd. ("Beijing Miaojeng") *(note b)* 北京妙橙網絡科技有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**60**	–	**60**	–	Network technology service

19. INTERESTS IN JOINT VENTURES (continued)

Notes:

a. The English names of all joint ventures established in the PRC are translated for identification purpose only.

b. Pursuant to the Article of these entities, relevant activities require 2/3 of the voting rights to consent, the Group has joint control of the arrangement and has rights to the net assets of the joint arrangement.

None of the joint ventures are considered individually material, and the aggregate information of all the joint ventures are as follows:

	2022 RMB'000	2021 RMB'000
The Group's share of (loss) profit and other comprehensive (expense) income for the year	(800)	1,481

20. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of unlisted investments in associates	477,110	461,753
Share of post-acquisition profits and other comprehensive income, net of dividends received	273,068	204,883
	750,178	666,636

20. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entities*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2022 %	2021 %	2022 %	2021 %	
Shanghai Yongda Fengdu Automobile Sales and Services Co., Ltd. ("Shanghai Yongda Fengdu Automobile") 上海永達風度汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**50**	50	**50**	50	4s dealership property investments
Shanghai Oriental Yongda Automobile Sales Co., Ltd. ("Shanghai Oriental Yongda") 上海東方永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	49	**49**	49	Sale of passenger vehicles
Shanghai Jinjiang Toyota Automobile Sales and Services Co., Ltd. 上海錦江豐田汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**20**	20	**20**	20	4S dealership
Changjiang United Finance Leasing Co., Ltd. ("Changjiang United") *(note)* 長江聯合金融租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**12**	12	**12**	12	Finance leasing
Guandao Network Technology (Shanghai) Co., Ltd. 觀道網路科技(上海)有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**30**	30	**30**	30	Software development
Anhui Jiajia Yongda Automobile Sales Co., Ltd. ("Anhui Jiajia Yongda") 安徽家家永達汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**49**	49	**49**	49	Sale of used cars
Shanghai Shenbei Lexus car sales Co., Ltd. ("Shenbei Lexus") 上海申北雷克薩斯汽車銷售服務有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	**30**	30	**30**	30	4S dealership

20. INTERESTS IN ASSOCIATES (continued)

Details of each of the Group's associates at the end of the reporting period are as follows: (continued)

Name of entities*	Form of entity	Country of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group		Proportion of voting power held		Principal activity
					2022 %	2021 %	2022 %	2021 %	
Guangzhou Xianghe Zhongyue Industrial Development Co., Ltd. ("Guangzhou Xianghe Zhongyue") 廣州祥和眾悦實業發展有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	47	47	47	47	4S dealership property investments
Nanjing Yongda Haoxiang Automobile Sales Co., Ltd. ("Yongda Haoxiang") 南京永達好享汽車銷售有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	49	49	49	49	Sale of passenger vehicles
Shanghai Yongda Finance Leasing Co., Ltd. ("Yongda Finance Leasing") 上海永達融資租賃有限公司	Domestic limited liability enterprise	PRC	PRC	Registered capital	20	20	20	20	Finance leasing
Honexun Technology (BVI) Limited ("Honexun Technology")	Overseas enterprise	The British Virgin Islands	The British Virgin Islands	Registered capital	49	–	49	–	Network technology service

* The English names of all associates established in the PRC are translated for identification purpose only.

Note: Pursuant to the articles of Changjiang United, the Group has the right to appoint one out of six directors of the board. As such, the Group considers it could have significant influence over Changjiang United and treated it as an associate.

20. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associates

Summarized financial information in respect of the Group's material associates are set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

Changjiang United

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current assets	**1,404,703**	1,119,238
Non-current assets	**32,900,060**	31,937,484
Current liabilities	**27,194,332**	26,897,664
Non-current liabilities	**2,689,889**	2,187,556

	2022	2021
	RMB'000	*RMB'000*
Revenue for the year	**1,268,036**	1,141,245
Profit and other comprehensive income for the year	**581,051**	441,297
The Group's share of profit and other comprehensive income of Changjiang United for the year	**71,121**	54,015
Dividend received from Changjiang United for the year	**16,188**	12,145

20. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associates (continued)

Changjiang United (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net asset of Changjiang United	4,420,542	3,971,502
Proportion of the Group's ownership interest in Changjiang United	12.24%	12.24%
Carrying amount of the Group's ownership interest in Changjiang United	541,167	486,234

Yongda Finance Leasing

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Current assets	1,032,228	1,276,676
Non-current assets	2,243,461	2,776,340
Current liabilities	1,628,398	2,898,099
Non-current liabilities	1,014,671	594,241

	2022 RMB'000	2021* RMB'000
Revenue for the year	267,383	23,963
Profit and other comprehensive income for the year	71,944	2,529
The Group's share of profit and other comprehensive income of Yongda Finance Leasing for the year	14,389	506

* For the period from the date of acquisition to December 31, 2021

20. INTERESTS IN ASSOCIATES (continued)

Summarized financial information of material associates (continued)

Yongda Finance Leasing (continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Net asset of Yongda Finance Leasing	632,620	560,676
Proportion of the Group's ownership interest in Yongda Finance Leasing	20.00%	20.00%
Carrying amount of the Group's ownership interest in Yongda Finance Leasing	126,524	112,135

Aggregate information of associates that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of profit and other comprehensive income of these associates for the year	4,783	16,189
Aggregate carrying amount of the Group's interests in these associates	82,487	68,267

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
– Fund investments (a)	**255,011**	2,453
– Equity investments (b)	**312,142**	350,180
Total	**567,153**	352,633
Analyzed for reporting purposes as:		
Current assets	**255,011**	2,453
Non-current assets	**312,142**	350,180
Total	**567,153**	352,633

(a) Fund investments

During the year ended December 31, 2022, the Group entered into several contracts to purchase fund instruments from financial institutions amounting to RMB302,684,000 (During the year ended December 31, 2021: RMB461,000,000), and accounted for such investments as financial assets at FVTPL at initial recognition. The return of the fund investments is determined by reference to the performance of the underlying debt and equity instruments and the expected return rate stated in the contracts. As at December 31, 2022 and 2021, all the fund investments are having maturity date within 12 months from the reporting date. A fair value gain of RMB259,000 (2021: RMB6,846,000) was recognized in profit or loss in the current year.

(b) Equity investments

	2022 RMB'000	2021 RMB'000
– Listed equity security (i)	**1,482**	3,517
– Limited partnership enterprises (ii)	**210,993**	246,996
– Unlisted equity securities (iii)	**99,667**	99,667
Total	**312,142**	350,180

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Equity investments (continued)

i. For the year ended December 31, 2022, a fair value loss of RMB2,035,000 (2021: gain of RMB76,000) based on the quoted bid prices in an active market is recognized in the profit or loss in the current year.

ii. During the year ended December 31, 2022, the Group increased investments in certain limited partnership enterprises amounting to RMB24,479,000 (2021: RMB10,000,000), which are also measured at FVTPL, and disposed certain investments in limited partnership enterprises amounting to RMB60,482,000 (2021: RMB9,154,000). A disposal gain of RMB25,829,000 (2021: RMB nil) was recognized in profit or loss in the current year.

iii. The fair value as at December 31, 2022 has been arrived at on the basis of valuation carried out by the Group's internal valuers who have appropriate qualifications and recent experience in the valuation of similar financial instruments and they determined that there was no significant change of fair value during the year.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 42(c).

22. EQUITY INSTRUMENTS AT FVTOCI

	2022	2021
	RMB'000	*RMB'000*
Listed equity securities *(note)*	**8,035**	9,415

Note:

The above listed equity investments represent ordinary shares of an entity listed on The Stock Exchange of Hong Kong Limited. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended December 31, 2022, the Group withdrew the investment amounting to RMB126,000 (2021: RMB nil) and a fair value loss of RMB1,254,000 (2021: loss of RMB3,532,000) was recognized in the FVTOCI reserve.

23. TRADE AND OTHER RECEIVABLES/OTHER ASSETS

The Group's credit policies towards its customers are as follows:

a. In general, deposits and advances are required and no credit period is allowed for sales of automobiles, while after-sales services are typically settled on a cash basis upon completion of the relevant services. However, for certain corporate customers of passenger vehicles sales and after-sales services, a credit period not exceeding 60 days is granted;

b. For automobile operating lease services, the Group typically allows a credit period of 30 to 90 days to its customers.

23. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

	2022 *RMB'000*	2021 *RMB'000*
Current		
Trade receivables	**976,182**	915,739
Bills receivables	**–**	6,354
	976,182	922,093
Current		
Prepayments and other receivables comprise:		
Prepayments to suppliers	**3,101,871**	4,681,462
Deposits to suppliers	**476,606**	394,735
Deposits to entities controlled by suppliers for borrowings	**128,177**	243,798
Prepayments and rental deposits on properties	**171,571**	196,378
Rebate receivables from suppliers	**2,443,162**	2,077,110
Finance and insurance commission receivables	**258,908**	177,342
Staff advances	**3,531**	5,079
Value-added tax recoverable	**203,964**	196,787
Advances to non-controlling interests *(note a)*	**36,510**	57,161
Advances to independent third parties *(note a)*	**2,090**	7,520
Others	**215,068**	167,252
Less: allowance for impairment losses under ECL model *(Note 42(b))*	**–**	–
	7,041,458	8,204,624
	8,017,640	9,126,717
Non-current		
Other assets:		
Receivables from disposal of land use right	**68,195**	71,195

Note:

a. The balances were unsecured, interest-free and repayable on demand for the year ended December 31, 2022. Except for RMB6,900,000 which carried at a fixed interest rate of 4.9% per annum, the remaining balances were unsecured, interest-free and repayable on demand for the year ended December 31, 2021.

23. TRADE AND OTHER RECEIVABLES/OTHER ASSETS (continued)

As at January 1, 2021, December 31, 2021 and December 31, 2022, trade receivables from contracts with customers amounted to RMB941,397,000, RMB827,865,000 and RMB851,025,000 respectively.

The following is an ageing analysis of the Group's trade and bills receivables presented based on the invoice date or the issue date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2022	2021
	RMB'000	*RMB'000*
0 to 90 days	**976,182**	922,093

None of the trade receivables is past due but not impaired as at the end of the reporting period. The Group does not notice any deterioration in the credit quality of its trade receivables. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Details of impairment assessment on trade and other receivables, and other assets are set out in Note 42(b).

24. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Motor vehicles	**4,007,158**	3,504,540
Spare parts and accessories	**548,233**	533,163
	4,555,391	4,037,703

As at December 31, 2022, certain inventories of the Group with an aggregate carrying amount of RMB1,191,716,000 (2021: RMB1,202,793,000) were pledged as securities for the Group's borrowings (Note 32).

As at December 31, 2022, certain inventories of the Group with an aggregate carrying amount of RMB2,177,567,000 (2021: RMB1,123,451,000) were pledged as security for the Group's bills payables.

25. CASH IN TRANSIT

Cash in transit represents sales settled by credit cards, which has yet been credited to the Group by banks.

26. TIME DEPOSITS/RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

As at December 31, 2022, the Group had fixed-term time deposits in banks with carrying amount of approximately RMB7,500,000 (2021: RMB8,100,000), which carry interest rate is 3.60% (2021: from 1.95% to 3.60%) per annum.

The Group also pledged certain of its bank balances with carrying amount of RMB2,008,024,000 (2021: RMB962,523,000) to banks as security for bills payables and these restricted bank balances carry variable-rate interest rates ranging from 0.25% to1.6% (2021: 0.3% to 1.3%) per annum. The restricted bank balances are classified as current assets as they will be released upon the settlement of the relevant bills payables.

The remaining bank balances carry variable-rate interest rates ranging from 0.001% to 0.25% (2021: 0.001% to 0.30%) per annum.

The Group's time deposits, restricted bank balances, bank balances and cash that are denominated in currencies other than RMB are set out below:

	2022	2021
	RMB'000	*RMB'000*
United States Dollars ("US$")	**4,000**	40,261
HK$	**11,290**	17,403
Euro ("EUR€")	**1,502**	952
Great Britain Pound ("GBP £")	**–**	2
	16,792	58,618

27. TRADE AND OTHER PAYABLES

	2022 *RMB'000*	2021 *RMB'000*
Current		
Trade payables	**926,892**	832,292
Bills payables	**6,537,661**	3,781,745
	7,464,553	4,614,037
Other payables		
Other tax payables	**152,664**	165,607
Payable for acquisition of property, plant and equipment	**79,707**	43,086
Salary and welfare payables	**249,077**	224,837
Accrued interest	**25,860**	24,181
Accrued audit fee	**5,320**	5,600
Consideration payables for acquisition of subsidiaries	**6,783**	48,008
Advance from non-controlling interests *(note)*	**39,211**	47,629
Dividend payable to non-controlling interests	**448**	12,340
Other accrued expenses	**93,873**	117,521
Others	**273,123**	266,164
	926,066	954,973
	8,390,619	5,569,010

Note: The balances were unsecured, interest-free and repayable on demand.

The Group's trade payables mainly relate to purchase of spare parts and accessories. A credit period not exceeding 90 days is generally granted by certain suppliers to the Group for the purchase of spare parts and accessories. Bills payables primarily relate to the Group's use of bank acceptance notes to finance its purchase of passenger vehicles, with a credit period of one to six months. The Group pledged certain of its bank balances and/or certain inventories to banks as security for bills payables disclosed in Note 26 and Note 24, respectively.

27. TRADE AND OTHER PAYABLES (continued)

The following is an ageing analysis of the Group's trade and bills payables presented based on invoice date at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
0 to 90 days	7,399,105	4,489,419
91 to 180 days	65,448	124,618
	7,464,553	4,614,037

28. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Advances and deposits from customers	1,723,948	2,479,537

Advances and deposits from customers are mainly from passenger vehicle sales and typically no credit period is allowed. The Group classifies all contract liabilities as current because the Group expects to realize them in their normal operating cycle.

All the contract liabilities at the beginning of the period have been realized to revenue in the reporting period and no revenue recognized in the reporting period from the performance obligations satisfied in prior periods. The balance of contract liabilities as at January 1, 2021 is RMB2,369,198,000.

29. DERIVATIVE FINANCIAL ASSETS (LIABILITIES)

At the end of the reporting period, the Group held certain derivatives as follows:

	2022	2021
	RMB'000	*RMB'000*
Foreign currency forward contracts	**3,878**	(112,014)

Foreign currency forward contracts

The foreign currency forward contracts that the Group has entered with banks in order to manage the currency risk of Group's foreign bank loans and remain outstanding are as follows:

For the year ended December 31, 2022

	Receiving Currency	**Selling Currency**	**Maturity date**	**Weighted average forward exchange rate**	**Fair value assets (liabilities)**
	'000	***RMB'000***			***RMB'000***
Contract A	**US$19,000**	**RMB128,611**	**May 17, 2023**	**USD:RMB at 1:6.769**	**2,698**
Contract B	**US$5,000**	**RMB33,920**	**May 17, 2023**	**USD:RMB at 1:6.784**	**(951)**
Contract C	**US$2,800**	**RMB18,942**	**May 19, 2023**	**USD:RMB at 1:6.765**	**1,020**
Contract D	**US$2,200**	**RMB14,848**	**May 19, 2023**	**USD:RMB at 1:6.749**	**1,111**

For the year ended December 31, 2021

	Receiving Currency	**Selling Currency**	**Maturity date**	**Weighted average forward exchange rate**	**Fair value liabilities**
	'000	*RMB'000*			*RMB'000*
Contract A	US$14,000	RMB91,027	March 18, 2022	USD:RMB at 1:6.5019	2,039
Contract B	US$35,000	RMB247,503	May 23, 2022	USD:RMB at 1:7.0715	20,626
Contract C	US$10,000	RMB69,400	May 22, 2022	USD:RMB at 1:6.94	4,759
Contract D	US$110,000	RMB777,700	May 22, 2022	USD:RMB at 1:7.07	64,140
Contract E	US$40,000	RMB278,080	May 22, 2022	USD:RMB at 1:6.952	20,450

The above foreign currency forward contracts are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements"). These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognized amount. These derivative instruments will be net settled and the Group's net profit or loss in deliverable RMB is for the final principal exchange for different USD/deliverable RMB spot rates on termination date.

30. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorized:		
At January 1, 2021, December 31, 2021 and 2022	2,500,000	25,000

	Number of shares	Amount	Shown in financial statements as
	'000	*HK$'000*	*RMB'000*
Issued and fully paid:			
At January 1, 2021	1,974,839	19,748	16,306
Exercise of share options *(Note 36)*	1,361	14	11
Cancellation of shares *(note a)*	(6,629)	(66)	(55)
At December 31, 2021	1,969,571	19,696	16,262
Exercise of share options *(Note 36)*	886	9	8
Cancellation of shares *(note a)*	(4,100)	(41)	(37)
At December 31, 2022	1,966,357	19,664	16,233

Note:

a. In accordance with a shareholders' resolution passed by the shareholders of the Company at the annual general meeting held on June 1, 2022, the directors of the Company were granted a general mandate to repurchase up to 196,727,001 shares (2021: 197,591,541 shares) of the Company, representing 10% of the total number of issued shares on that date. In 2022, the Company had re-purchased an aggregate of 13,751,000 shares (2021: 7,629,000 shares) of the Company at a price ranging from HK$3.5 to HK$11.2 per share (2021: HK$10.78 to HK$12.18 per share), for a total cash consideration of approximately RMB68,912,000 (2021: RMB73,605,000), which had been fully paid in 2022. The Company has then cancelled 4,100,000 (2021: 6,629,000) re-purchased shares and the cumulative remaining 10,651,000 (2021: 1,000,000) re-purchased shares with carrying amount of approximately RMB46,659,000 (2021: RMB8,953,000) are recorded as treasury shares.

31. DEFERRED TAXATION

(a) Deferred tax assets

The following are the major deferred tax assets recognized and movements thereon during the current and prior years:

	Tax losses	Property, plant and equipment impairment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	184,650	13,394	10,932	208,976
Charge to profit or loss	(14,302)	(143)	(889)	(15,334)
Eliminated on disposal of subsidiaries	(3,770)	–	(3,004)	(6,774)
At December 31, 2021	166,578	13,251	7,039	186,868
Credit (charge) to profit or loss	57,310	(179)	12,535	69,666
Eliminated on disposal of subsidiaries	(659)	–	–	(659)
At December 31, 2022	223,229	13,072	19,574	255,875

The deferred tax balances have reflected the tax rates that are expected to apply in the respective years when the asset is realized or the liability is settled.

The Group's unused tax losses of approximately RMB892,916,000 and RMB666,312,000 as at December 31, 2022 and 2021, respectively have been recognized as deferred tax assets as at the end of the reporting period.

Balances of unused tax losses for which no deferred tax assets have been recognized due to the unpredictability of future profits stream are as follows:

	2022	2021
	RMB'000	*RMB'000*
Tax losses	**21,626**	8,730

31. DEFERRED TAXATION (continued)

(a) Deferred tax assets (continued)

The unrecognized tax losses will be carried forward and expire in years as follows:

	2022 RMB'000	2021 RMB'000
2023	–	8,482
2024	–	238
2025	–	–
2026	10	10
2027	21,616	–
	21,626	8,730

(b) Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Accelerated tax depreciation RMB'000	Withholding taxes on the earnings anticipated to be remitted by subsidiaries RMB'000	Total RMB'000
At January 1, 2021	560,010	145,885	–	705,895
Credit to profit or loss	(19,927)	(47,409)	–	(67,336)
Acquired on acquisition of subsidiaries	137,507	–	–	137,507
At December 31, 2021	677,590	98,476	–	776,066
(Credit) charge to profit or loss	(22,863)	5,380	50,000	32,517
At December 31, 2022	654,727	103,856	50,000	808,583

As at December 31, 2022, the Group recognized the relevant deferred tax liabilities of RMB50,000,000 (2021: RMB nil) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future.

32. BORROWINGS

	2022 RMB'000	2021 RMB'000
Bank loans	**2,955,380**	2,687,246
Other borrowings *(note)*	**412,036**	1,819,750
	3,367,416	4,506,996
Secured borrowings, by the Group's assets	**1,962,168**	2,097,754
Unsecured borrowings	**1,405,248**	2,409,242
	3,367,416	4,506,996
Unguaranteed borrowings	**3,367,416**	4,506,996
Fixed-rate borrowings	**2,948,182**	4,014,996
Variable-rate borrowings	**419,234**	492,000
	3,367,416	4,506,996

	2022 RMB'000	2021 RMB'000
Carrying amount repayable:		
Within one year	**2,287,511**	3,595,518
More than one year, but not exceeding two years	**73,105**	470,478
More than two years, but not exceeding five years	**1,006,800**	358,500
More than five years	**–**	82,500
	3,367,416	4,506,996
Less: amounts due within one year shown under current liabilities	**2,287,511**	3,595,518
Amounts shown under non-current liabilities	**1,079,905**	911,478

Note: Other borrowings are mainly obtained from entities controlled by suppliers.

32. BORROWINGS (continued)

The ranges of effective interest rates on the Group's bank and other borrowings are as follows:

	2022	2021
Effective interest rate (per annum):		
Fixed-rate borrowings	**3.10% to 6.45%**	3.40% to 6.09%
Variable-rate borrowings	**4.00% to 6.45%**	4.00% to 5.70%

The Group's variable-rate bank borrowings carry interest at the loan prime rate ("LPR") plus a premium, Secured Overnight Financing Rate ("SOFR") plus a margin.

At the end of the reporting period, other borrowings (i) are of a term less than one year; (ii) are interest-free from the first 15 days to four months after drawdown; and (iii) carry interest at the People's Bank of China benchmark rate plus a premium as the borrowings are extended beyond the initial interest-free period.

During the years ended December 31, 2022 and 2021, the Group entered into various borrowing agreements with banks and financial institutions to finance its business operations and expansion. Such borrowings were secured against the Group's assets with carrying amounts as follows:

	2022 *RMB'000*	2021 *RMB'000*
Right-of-use assets (leasehold land)	**81,191**	124,833
Property, plant and equipment (buildings and motor vehicles)	**33,859**	46,481
Inventories	**1,191,716**	1,202,793
Total	**1,306,766**	1,374,107

As at December 31, 2022, the Company has also pledged the equity interests of certain subsidiaries in favour of banks in respect of the Group's bank borrowings, the principal balance of which is amounted to RMB635 million (2021: RMB492 million) in total.

The Group's borrowings that are denominated in currencies other the functional currency of the relevant group entities are set out below.

	US$ *RMB'000*
At December 31, 2022	198,452
At December 31, 2021	1,174,207

33. MEDIUM-TERM NOTE

On May 24, 2018, Shanghai Yongda Investment received a notice of acceptance of registration issued from National Association of Financial Market Institutional Investors to issue a medium-term note with an aggregate registered amount of RMB1.2 billion. According to the notice, the registered amount shall be effective for two years commencing from the date of issuance.

On March 17, 2020, Shanghai Yongda Investment issued a medium-term note with an aggregate registered amount of RMB370 million, which is repayable within three years from the date of issuance. As at December 31, 2022, the medium-term note will be matured within 12 months from end of the reporting date and reclassified to current liabilities.

The medium-term note is unsecured and carries interest at a rate of 4.8% per annum. The interest is payable annually. The medium-term note was issued to domestic institutional investors in the PRC which are independent third parties. The net proceeds from the issue of the medium-term note are intended to be used for repayment of bank loans.

Movements of the medium-term note during the year ended December 31, 2022 are as follows:

	RMB'000
At December 31, 2021	368,653
Add: interest expense – amortization of transaction costs	1,110
At December 31, 2022	369,763

34. LEASE LIABILITIES

	2022 **RMB'000**	2021 *RMB'000*
Lease liabilities payable:		
Within one year	**274,157**	235,685
Within a period of more than one year but not more than two years	**252,899**	223,313
Within a period of more than two years but not more than five years	**387,790**	437,153
Within a period of more than five years	**868,028**	1,233,610
	1,782,874	2,129,761
Less: Amount due for settlement with 12 months shown under current liabilities	**274,157**	235,685
Amount due for settlement after 12 months shown under non-current liabilities	**1,508,717**	1,894,076

Lease liabilities of RMB1,783 million (2021: RMB2,130 million) are recognized with the relevant right-of-use assets of RMB1,746 million (2021: RMB1,842 million) as at December 31, 2022 using the weighted incremental borrowing rate of 6% (2021: 6%) per-annum. The lease agreements do not impose any covenants and the related leased assets may not be used as security for borrowing purposes.

As at December 31, 2022, the full amount of lease liabilities are secured by rental deposits with carrying amount of RMB23 million (2021: RMB27 million).

35. NON-CONTROLLING INTERESTS

	RMB'000
At January 1, 2021	523,923
Profit for the year	137,975
Capital injection by non-controlling interests	22,686
Disposal of partial interest of subsidiaries without losing control	10,037
Acquisition of non-controlling interests	(913)
Disposal of subsidiaries	222
Dividends paid to non-controlling interests	(113,531)
At December 31, 2021	580,399
Profit for the year	60,138
Capital injection by non-controlling interests	1,170
Disposal of partial interest of subsidiaries without losing control	120
Acquisition of non-controlling interests	(21,076)
Dividends paid to non-controlling interests	(116,642)
At December 31, 2022	504,109

36. SHARE-BASED COMPENSATION

(a) Share Option Scheme

The Company's share option scheme was adopted by the Company on October 10, 2013 (the "Share Option Scheme") for the primary purpose of giving the grantees an opportunity to have a personal stake in the Company and motivating the grantees to optimize their performance and efficiency, and retaining the grantees whose contributions are important to the Group's long-term growth and profitability. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including the directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted must be taken up within 28 days from the date of grant, upon payment of RMB1.00. The exercise price of the share options shall be determined by the Board of Directors of the Company with reference to future earnings potential of the Company and notified to the eligible grantees.

36. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

The share options shall be vested in three tranches, the first 1/3 from the first anniversary after the date of grant, the second 1/3 from the second anniversary after the date of grant and the remaining from the third anniversary after the date of grant.

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the years ended December 31, 2022 and 2021:

	Grant/modification date	Exercised price *(HK$)*	Outstanding as at January 1, 2022	Modification during the year	Number of options exercised during the year *(Note 30)*	Lapsed / expired during the year	Outstanding as at December 31, 2022
Directors:							
Mr. Xu Yue	December 4, 2020	13.92	3,000,000	(3,000,000)	–	–	–
	March 17, 2022	8.22	–	3,000,000	–	–	3,000,000
Mr. Tang Liang	June 19, 2017	8.14	500,000	–	(500,000)	–	–
	December 4, 2020	13.92	2,500,000	(2,500,000)	–	–	–
	March 17, 2022	8.22	–	2,500,000	–	–	2,500,000
Ms. Chen Yi	December 4, 2020	13.92	800,000	(800,000)	–	–	–
	March 17, 2022	8.22	–	800,000	–	–	800,000
Employees and other grantees	June 19, 2017	8.14	2,281,900	–	(385,500)	(1,896,400)	–
	December 4, 2020	13.92	5,700,000	(5,700,000)	–	–	–
	March 17, 2022	8.22	–	5,700,000	–	–	5,700,000
			14,781,900	–	(885,500)	(1,896,400)	12,000,000
Option exercisable at the end of the year			6,781,900				–
Weighted average exercise price (HK$)			12.83	8.22	8.14	8.14	8.22

36. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

	Grant date	Exercised price (HK$)	Outstanding as at January 1, 2021	Number of options exercised during the year (Note 30)	Lapsed/ expired during the year	Outstanding as at December 31, 2021
Directors:						
Mr. Xu Yue	December 4, 2020	13.92	3,000,000	–	–	3,000,000
Mr. Tang Liang	June 19, 2017	8.14	500,000	–	–	500,000
	December 4, 2020	13.92	2,500,000	–	–	2,500,000
Ms. Chen Yi	December 4, 2020	13.92	800,000	–	–	800,000
Employees and other grantees	June 19, 2017	8.14	4,620,500	(1,360,600)	(978,000)	2,281,900
	December 4, 2020	13.92	5,700,000	–	–	5,700,000
			17,120,500	(1,360,600)	(978,000)	14,781,900
Option exercisable at the end of the year			5,120,500			6,781,900
Weighted average exercise price (HK$)			12.19	8.14	8.14	12.83

As at December 31, 2022, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 12,000,000 (2021: 14,781,900), representing 0.6% (2021: 0.8%) of the shares of the Company in issue at that date.

In respect of the share options exercised during the year ended December 31, 2022, the weighted average share price at the dates of exercise is HK$8.40 (2021: HK$14.59).

36. SHARE-BASED COMPENSATION (continued)

(a) Share Option Scheme (continued)

Granted on March 17, 2022

During the year ended December 31, 2022, the Company repriced certain of its outstanding options. The exercise price was reduced from HK$13.92 to the then current market price of HK$8.22. The incremental fair value of RMB12,261,000 from modification of the terms of the share-based payment arrangements will be expensed over the exercise period of 5 years. The Company used the following inputs to measure the fair value of the old and new options.

The estimated granted date fair value of these options granted is RMB19,236,000. The fair value is calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

	March 17, 2022
Weighted average share price	HK$7.70
Exercise price	HK$8.22
Expected volatility	50.23%
Excepted life	5 years
Risk-free interest rate	1.68%
Excepted dividend yield	4.97%

The risk-free rate was based on the market yield rate of Hong Kong Government Bond with a maturity of two to five years. Expected volatility was determined by using the historical volatility of entities with the business in which the Group is engaged and historical pattern of share prices of the Company.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized an expense of approximately RMB11,123,000 (2021: RMB9,180,500) for the year ended December 31, 2022 in relation to the share options granted by the Company under the Share Option Scheme.

36. SHARE-BASED COMPENSATION (continued)

(b) Employee Pre-IPO Incentive Scheme

The Company's employee pre-IPO incentive scheme was adopted by the Company on April 3, 2012 (the "Employee Pre-IPO Incentive Scheme") for the primary purpose of recognition of the contributions of the beneficiaries under the Employee Pre-IPO Incentive Scheme and to incentivize them. Under the Employee Pre-IPO Incentive Scheme, the Board of Directors of the Company may make cash awards to eligible employees, including directors (other than independent non-executive directors) of the Company and its subsidiaries. Only the dividend payments on the shares held by HSBC Trustee (Hong Kong) Limited via special purpose vehicle under the Employee Pre-IPO Incentive Scheme (the "Scheme Shares")will be distributed to the beneficiaries, and the Scheme Shares themselves will not be vested in the beneficiaries of the Employee Pre-IPO Incentive Scheme.

On August 30, 2013, the Board of Directors of the Company resolved to amend the Employee Pre-IPO Incentive Scheme (the "Amended Scheme") to the effect that, in addition to the previously allowed cash awards, awards of restricted share could be granted to eligible persons ("Grantee") pursuant to the terms of the Amended Scheme. The scope of the eligible persons under the Amended Scheme was amended to include any director, including independent non-executive directors. No Grantee shall be entitled to any dividend, income or any other right for which the record date is prior to the date on which the restricted shares are completed and actually transferred into the Grantee's account. The unvested restricted shares do not carry any right to vote at general meetings of the Company.

During the year ended December 31, 2022, awards of approximately 2,740,000 (2021: 3,890,000) restricted shares have been made pursuant to the Amended Scheme. Details of which are set out as follows:

	Number of shares *'000*	Service period	Total fair value *RMB'000*
Year 2017	9,413	1-28 years	63,888
Year 2018	10,080	10 years	68,718
Year 2019	2,667	10 years	11,131
Year 2020	4,615	5 years	35,869
Year 2021	3,890	5 years	41,905
Year 2022	2,740	5 years	11,195

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

The Group recognized an expense of approximately RMB33,625,000 (2021: RMB28,689,000) for the year ended December 31, 2022 in relation to such awards made by the Company under the Amended Scheme.

37. ACQUISITION OF NON-CONTROLLING INTERESTS

In March, May, August and December of 2022, the Group acquired 7% of equity interests in Guangzhou Palladium Auto Parts Co., Ltd., 6% of equity interests in Guangzhou South Zhongyue Auto Products Co., Ltd., 30% equity interests in Suzhou Suiyue Auto Technology Co., Ltd., 30% equity interests in Guangzhou Guanghang Automobile Service Co., Ltd., 22% equity interests in Wenzhou Baocheng Automobile Sales Service Co., Ltd., 22% equity interests in Yueqing Youjia Automobile Consulting Service Co., Ltd., 30% equity interests Hangzhou Yongda New Energy Vehicle Service Co., Ltd. and 39% equity interests in Fujian Yongda Tongcheng Automobile Sales Service Co., Ltd. from their respective non-controlling shareholders for a total cash consideration of RMB26,168,000. The difference between the consideration paid and the non-controlling interests acquired was approximately RMB5,092,000, which was recognized in the special reserve in the consolidated statement of changes in equity.

38. OPERATING LEASING ARRANGMENTS

The Group as lessor

At the end of reporting period, the Group had contracted with automobile renters for the following future undiscounted minimum lease payments:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**178,721**	188,230
In the second year	**75,590**	88,800
In the third year	**37,334**	34,061
In the fourth year	**15,781**	13,831
In the fifth year	**–**	5,133
	307,426	330,055

The Group provides automobile operating lease services for fixed rentals.

39. CAPITAL COMMITMENTS

	2022	2021
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**47,208**	30,280

40. CONTINGENT LIABILITIES

Before the disposal of Shanghai Yongda Finance Leasing Co., Ltd. in 2021("the Disposal"), the Group has provided guarantees (the "Previous Guarantees") in favour of certain banks in the PRC in respect of a series of credits (the "Existing Credits") and corresponding debts of Yongda Finance Leasing respectively. As at December 31, 2022, the above borrowings drawn by Yongda Finance Leasing relevant to the Previous Guarantees were due and paid. Upon the repayment of the above amount by Yongda Finance Leasing, the Group no longer have guarantee obligations for the above borrowings.

Upon the Disposal, the Group guaranteed the additional credits (the "Additional Credits") and corresponding debts of Yongda Finance Leasing in proportion to the Group's 20% shareholding in Yongda Finance Leasing. These guarantees were conducted on normal commercial terms and on several basis. As at December 31, 2022, the balance for the borrowings drawn under the Additional Credits of Yongda Finance Leasing was RMB1,181 million (2021: RMB643 million), of which the guarantee amount provided by the Group was RMB236 million (2021: RMB129 million).

As at December 31, 2022, save for the above, the Group did not have any material contingent liabilities.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, amounts due to related parties, medium-term note, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on an ongoing basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, capital injection, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortized cost (including cash and cash equivalents)	**8,895,963**	7,430,078
Financial assets at FVTPL	**567,153**	352,633
Equity instruments at FVTOCI	**8,035**	9,415
Derivative financial assets	**3,878**	–
Other items	**125,157**	94,228
	9,600,186	7,886,354
Financial liabilities		
Derivative financial liabilities	**–**	112,014
Financial liabilities at amortized cost	**11,726,963**	10,021,814
	11,726,963	10,133,828

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, other assets, amounts due from related parties, cash in transit, time deposits, restricted bank balances, bank balances and cash, trade and other payables, amounts due to related parties, derivative financial assets/liabilities, medium-term note and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Most of the Company's sales, purchase and expenditure are denominated in RMB. However, certain financial assets (principally bank balances and amounts due from related parties) and financial liabilities are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group mainly exposes to foreign currency of US$. During the year ended December 31, 2022, the Group entered into several US$/RMB foreign currency forward contracts with banks in order to manage the Group's currency risk associated with currency risk (see Note 29 for details).

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the financial assets and financial liabilities denominated in foreign currencies of the group entities at the end of each reporting period are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Assets		
US$	4,000	40,261
HK$	11,290	17,403
EUR€	1,502	952
GBP£	–	2
Liabilities		
US$	198,452	1,174,207

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies of the group entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates of foreign currencies of the group entities. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies of the group entities and adjusts their translation at the end of each reporting period for a 5% change in related currency rates.

A positive number below indicates an increase in post-tax profit where foreign currencies of the group entities weaken 5% against RMB. For a 5% strengthen of foreign currencies of the group entities against RMB, there would be an equal and opposite impact on the post-tax profit.

	Foreign currencies of the Group entities impact	
	2022 *RMB'000*	2021 *RMB'000*
Increase in post-tax profit for the year	6,812	41,795

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Forward foreign exchange contracts

In addition, the Group has assessed that the exposure of 5% foreign exchange rate changes on the derivative financial assets or liabilities, a decrease in post-tax profit amounted to RMB7,574,000 (2021: RMB49,970,000) where foreign currencies of the group entities weaken 5% against RMB, whereas a negative number indicates a decrease in post-tax profit.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, medium-term note, other borrowings and lease liabilities. The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposures and will consider hedging significant interest rate exposures should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, time deposits, restricted bank balances and variable-rate borrowings. It is the Group's policy to keep a portion of its financial assets and liabilities at floating rate of interests so as to minimize the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates and LIBOR.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

A fundamental reform of major interest rate benchmarks has been undertaken globally to replace some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Total interest revenue/income from financial assets that are measured at amortized cost or at FVTOCI is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Interest revenue		
Financial assets at amortized cost	**–**	247,543
Other income		
Financial assets at amortized cost	**35,642**	60,491
Revenue/Interest income under effective interest method	**35,642**	308,034

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

Bank balances, pledged bank deposits and borrowings are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances is insignificant.

Other price risk

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk.

If the prices of those financial assets at FVTPL had been 5% higher/lower, the Group's post-tax profit for the year ended December 31, 2022 would increase/decrease by RMB21,268,000 (2021: RMB13,224,000).

Credit risk and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

In order to minimize credit risk, the Group has developed and maintained the credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related parties, other assets, cash in transit, time deposits, restricted bank balances and bank balances and cash.

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables – goods and services and amounts due from related parties – trade nature	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	Amount is written-off

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

	Notes	**Internal credit rating**	**12m or lifetime ECL**	**December 31, 2022 Gross amount** *(RMB'000)*	**December 31, 2021 Gross amount** *(RMB'000)*
Financial assets at amortized cost					
Trade receivables – goods and services	23	note 2	Lifetime ECL	851,025	827,865
Amounts due from related parties	45	note 1a	12m ECL	56,106	123,928
			Lifetime ECL	13,703	23,698
Other receivables and other non-current assets	23	note 1b	12m ECL	3,704,992	3,151,772
Cash in transit	25	note 4	12m ECL	68,816	81,845
Time deposits	26	note 4	12m ECL	7,500	8,100
Restricted bank balances	26	note 4	12m ECL	2,008,024	962,523
Bank balances and cash	26	note 4	12m ECL	2,185,797	2,250,347
Other items					
Trade receivables – automobile operating lease services	23	note 3	12m ECL	125,157	94,228

Notes:

1a: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, amounts due from related parties are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For the purpose of impairment assessment for the amounts due from related parties- non trade portion of RMB56,106,000, the Group has applied the 12-month ECL approach. For the amounts due from related parties-trade portion of RMB13,703,000, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The directors of the Company considered that the 12-month ECL and lifetime ECL allowance are insignificant as at January 1, 2022 and December 31, 2022.

1b: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the purposes of impairment assessment, other receivables and other assets are considered to have low credit risk as the counterparties to these financial assets have a high credit rating.

For other receivables and other assets, debtors with significant outstanding balances with gross carrying amounts of RMB3,048 million as at December 31, 2022 were assessed individually. These individually assessed receivables mainly comprised deposits and rebate receivables from certain suppliers of passenger vehicles in the PRC as at December 31, 2022.

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

The Group reviews the recoverable amount of each individual balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In order to further minimize the credit risk, the management of the Group delegates teams to deal with these suppliers on expected delivery schedules of inventories, purchase volume, settlement timeline of outstanding balances with suppliers and the suppliers' financial position, etc. And the Group could choose to offset the payables for the passenger vehicles purchase from the suppliers as agreed. The delegated teams also reconcile with these suppliers on outstanding balances and transactions recorded in relevant reporting period annually to ensure trading information is properly recorded. In view of the actions taken by the Group and the fact that the counterparties are the sino-foreign joint ventures of renowned automobile manufacturers with high credit quality, the Group considers that credit risk in rebate receivables and deposits made to suppliers is significantly reduced.

The Group's advances to non-controlling interests of RMB37 million consist of several balances with different non-controlling interests in the PRC and there is no concentration of credit risk. The Group considers that credit risk in advances to non-controlling interests is insignificant.

For the purpose of impairment assessment for the remaining other receivables with carrying amount of RMB620 million the Group has applied the 12-month ECL approach. The directors of the Company considered that the 12-month ECL and lifetime ECL allowance are insignificant as at January 1, 2022 and December 31, 2022.

2: For trade receivables – goods and services, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix.

The Group's trade receivables consist of a large number of customers located in the PRC which poses insignificant concentration of credit risk. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The directors of the Company considered that the life time ECL allowance are insignificant as at January 1, 2022 and December 31, 2022.

3: For trade receivables – automobile operating lease services, the Group has applied the 12m ECL approach in IFRS 9 to measure the loss allowance. The directors of the Company considered that the 12m ECL allowance are insignificant as at January 1, 2022 and December 31, 2022.

4: The credit risk in relation to the Group's cash in transit, time deposits, bank balances and cash and restricted bank balances is not significant because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants, if any.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for their financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date the Group can be required to pay, representing the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rates, the undiscounted amount is derived from the applicable interest rates at the end of each reporting period.

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	After 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2022							
Trade and other payables	0	7,876,528	–	–	–	7,876,528	7,876,528
Amounts due to related parties	0	87,396	–	–	–	87,396	87,396
Borrowings	3.26	627,188	1,686,382	1,198,739	–	3,512,309	3,378,689
Medium-term note	4.80	388,148	–	–	–	388,148	384,350
		8,979,260	1,686,382	1,198,739	–	11,864,381	11,726,963
Lease liabilities	6.00	95,249	243,548	791,733	1,485,988	2,616,518	1,782,874
		9,074,509	1,929,930	1,990,472	1,485,988	14,480,899	13,509,837

42. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average interest rate	Repayable on demand or within 3 months	3 months to 1 year	1 year to 5 years	After 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021							
Non-derivative financial liabilities							
Trade and other payables	–	5,063,294	–	–	–	5,063,294	5,063,294
Amounts due to related parties	–	58,690	–	–	–	58,690	58,690
Borrowings	4.15	1,996,082	1,603,420	893,192	82,805	4,575,499	4,517,115
Medium-term note	4.80	17,154	13,567	373,799	–	404,520	382,715
		7,135,220	1,616,987	1,266,991	82,805	10,102,003	10,021,814
Lease liabilities	6.00	105,099	125,987	937,417	2,045,036	3,213,539	2,129,761
Derivative financial liabilities -net settlement							
Foreign currency forward contracts		2,039	109,975	–	–	112,014	112,014
		7,242,358	1,852,949	2,204,408	2,127,841	13,427,556	12,263,589

42. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at			
Financial assets	**December 31, 2022** ***RMB'000***	December 31, 2021 *RMB'000*	Fair value hierarchy	Valuation technique and key inputs
Financial assets at FVTPL	**Fund instruments 255,011**	Fund instruments 2,453	Level 2	Fair value is referenced to the investment statement issued at the reporting date by the financial institution in which funds were purchased from.
Financial assets at FVTPL	**Listed securities 1,482**	Listed securities 3,517	Level 1	Quoted bid prices in an active market
Financial assets at FVTPL	**Unquoted equity instruments: 310,660**	Unquoted equity instruments: 346,663	Level 3	Share of the net asset values of the financial asset, determined with reference to the fair value of underlying assets and liabilities and adjustments of related expense, if any; Price-to-Sales multiples of selected comparable listed companies in a similar business model and adjusted for the lack of marketability
Equity investments at FVTOCI	**Listed securities 8,035**	Listed securities 9,415	Level 1	Quoted bid prices in an active market

42. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

There were no transfers among Level 1, 2 and 3 during the year.

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL *RMB'000*
At January 1, 2021	351,493
Purchases	10,000
Disposals	(14,830)
At January 1, 2022	346,663
Purchases	24,479
Disposals	(60,482)
At December 31, 2022	310,660

The Group measured derivative financial assets (liabilities) at fair value on a recurring basis.

Financial assets	**Fair value as at** **December 31, 2022** ***RMB'000***	December 31, 2021 *RMB'000*	Fair value hierarchy	Valuation technique and key inputs
Foreign currency forward contracts	**Fund instruments 3,878**	Fund instruments (112,014)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximate their fair values.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	Super short-term commercial papers	Medium-term Note	Lease liabilities	Dividend payable	Accrued interest	Advance from non-controlling interests	Consideration payables for acquisition of non-controlling interests	Amounts due to related parties non-trade	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note32)		*(Note33)*	*(Note34)*	*(Note27)*	*(Note27)*	*(Note27)*	*(Note27)*	*(Note45)*	
At January 1, 2021	9,654,415	99,951	367,543	1,946,765	1,932	32,453	137,892	26,186	31,252	12,298,389
Financing cash flows	(3,920,185)	(100,000)	–	(278,576)	(672,188)	(398,478)	(90,263)	(26,907)	26,597	(5,460,000)
Non-cash changes in finance costs	–	49	1,110	116,085	–	390,206	–	–	–	507,450
Net foreign exchange loss	218,621	–	–	–	–	–	–	–	–	218,621
Addition due to acquisition of subsidiaries	39,438	–	–	–	–	–	–	–	–	39,438
Decrease due to disposal of subsidiaries	(1,485,293)	–	–	(23,385)	–	–	–	–	–	(1,508,678)
New leases entered	–	–	–	368,872	–	–	–	–	–	368,872
Acquisition of non – controlling interests	–	–	–	–	–	–	–	721	–	721
Dividends recognized as distributions and paid to non – controlling interests	–	–	–	–	682,596	–	–	–	–	682,596
At December 31, 2021	4,506,996	–	368,653	2,129,761	12,340	24,181	47,629	–	57,849	7,147,409
Financing cash flows	(1,255,472)	–	–	(334,993)	(1,077,360)	(220,263)	(8,418)	(26,168)	27,803	(2,894,871)
Non – cash changes in finance costs	–	–	1,110	97,636	–	221,942	–	–	–	320,688
Net foreign exchange loss	115,892	–	–	–	–	–	–	–	–	115,892
Addition due to acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–
Leases termination	–	–	–	(216,404)	–	–	–	–	–	(216,404)
New leases entered	–	–	–	125,796	–	–	–	–	–	125,796
Acquisition of non-controlling interests	–	–	–	–	–	–	–	26,168	–	26,168
Dividends recognized as distributions and paid to non – controlling interests	–	–	–	–	1,065,468	–	–	–	–	1,065,468
Covid – 19- related rent concessions	–	–	–	(18,922)	–	–	–	–	–	(18,922)
At December 31, 2022	3,367,416	–	369,763	1,782,874	448	25,860	39,211	–	85,652	5,671,224

44. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The total costs charged to the consolidated statement of profit or loss and comprehensive income of RMB159,406,000 for the year ended December 31, 2022 (2021: RMB147,912,000) represent contributions paid and payable to the scheme by the Group for the year.

45. RELATED PARTY DISCLOSURES

I. Amounts due from related parties

	2022 *RMB'000*	2021 *RMB'000*
Current		
Associates held by the Group		
Honexun Technology	**30,943**	–
Yongda Finance Leasing	**10,955**	8,003
Guangzhou Xianghe Zhongyue	**470**	470
Shanghai Oriental Yongda	**9**	–
Shenbei Lexus	**–**	8,500
Joint venture held by the Group		
Harbin Yongda	**27,432**	130,653
	69,809	147,626
Analyzed as:		
Trade-related *(note a)*	**13,703**	23,698
Non trade-related *(note b)*	**56,106**	123,928
	69,809	147,626

Notes:

a. The Group offers at its discretion certain related parties a trade credit period up to 90 days.

b. The maximum amount outstanding related to non trade-related balance during the year ended December 31, 2022 is RMB157,533,000 (2021: RMB170,158,804).

All the above balances are interest-free, unsecured and repayable on demand.

45. RELATED PARTY DISCLOSURES (continued)

II. Amounts due to related parties

	2022 RMB'000	2021 RMB'000
Joint venture held by the Group		
Harbin Yongda	–	91
Associates held by the Group		
Yongda Finance Leasing	79,638	52,849
Shanghai Yongda Fengdu Automobile	7,746	5,750
Shanghai Oriental Yongda	12	–
	87,396	58,690
Analyzed as:		
Trade-related *(note a)*	1,744	841
Non trade-related *(note b)*	85,652	57,849
	87,396	58,690

Notes:

a. A credit period of not exceeding 90 days is given to the Group by the related parties.

b. Except the balance of finance lease payables to Yongda Finance Leasing, the remaining balances are interest-free, unsecured and repayable on demand.

45. RELATED PARTY DISCLOSURES (continued)

III. Guarantees issued by the Group

	2022 RMB'000	2021 RMB'000
Bank borrowings of a related party under guarantees issued by the Group:		
Yongda Finance Leasing	**236,221**	1,545,501

IV. Related party transactions

	2022 RMB'000	2021 RMB'000
a) Sales of motor vehicles		
Shanghai Oriental Yongda	**10,415**	44,650
Shenbei Lexus	**1,932**	–
Anhui Jiajia Yongda	**1,018**	4,632
Jiajia Yongda Automobile Sales Co. Ltd.	**–**	3,881
Harbin Yongda	**–**	234
	13,365	53,397
b) Purchase of motor vehicles		
Shanghai Yongda Changrong	**–**	1,115

45. RELATED PARTY DISCLOSURES (continued)

IV. Related party transactions (continued)

	2022 *RMB'000*	2021 *RMB'000*
c) Sales of spare parts		
Shanghai Yongda Changrong	**181**	434
d) Finance lease interest expense to		
Yongda Finance Leasing	**6,107**	455
e) Purchase of services		
Shanghai Oriental Yongda	**8,000**	8,472
f) Rental expenses paid or payable to:		
Entities controlled by the shareholders		
Shanghai Yongda Group Company Limited, Shanghai Yongda Transportation Equipment Co., Ltd., and Shanghai Yongda Property Development Co., Ltd. *(note)*	**31,992**	33,546
Associate held by the Group		
Shanghai Yongda Fengdu Automobile	**3,234**	3,234
	35,226	36,780

45. RELATED PARTY DISCLOSURES (continued)

IV. Related party transactions (continued)

Note:

Based on IFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the lease agreements in connection with the use of leased properties had resulted in recognition of a lease liability with the balance of RMB35,810,000 (2021: RMB70,631,000) and a right-of-use asset with the balance of RMB33,023,000 (2021: RMB68,851,000) as at December 31, 2022. In addition, the Group recorded depreciation of right-of-use asset of RMB33,023,000 (2021: RMB34,426,000) and interest expense of RMB3,127,000 (2021: RMB5,164,000) in the consolidated statement of profit or loss for year ended December 31, 2022.

	2022	2021
	RMB'000	*RMB'000*
g) Compensation of key management personnel		
Salaries and other benefits	**9,940**	10,959
Performance-based bonus	**1,620**	1,840
Contributions to retirement benefits scheme	**759**	698
Share-based payments	**14,884**	11,076
	27,203	24,573

The remuneration of directors and key executives is determined by the board and its remuneration committee having regard to the performance of individuals and market trends.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at December 31, 2022 is as follows:

	NOTE	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		579	12,051
Unlisted investment in a subsidiary and amounts due from subsidiaries		1,254,994	1,477,075
		1,255,573	1,489,126
Current assets			
Other receivables		16,614	4,247
Bank balances and cash		32,485	63,251
Restricted bank balances		4,764	31,885
Amounts due from subsidiaries		2,402,720	2,178,257
Derivative financial assets		3,878	–
		2,460,461	2,277,640
Current liabilities			
Other payables		1,099	7,704
Borrowings		198,452	1,085,219
Derivative financial liabilities		–	109,975
Amounts due to subsidiaries		850,228	617,829
		1,049,779	1,820,727
Net current assets		1,410,682	456,913
Total assets less current liabilities		2,666,255	1,946,039
Net assets		2,666,255	1,946,039
Capital and reserves			
Share capital		16,233	16,262
Reserves	(a)	2,650,022	1,929,777
Total equity		2,666,255	1,946,039

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The statement of financial position of the Company as at December 31, 2022 is as follows: (continued)

Note (a):

	Share premium	Treasury shares	Share-based payments reserve	(Accumulated losses) retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2021	2,291,194	–	162,368	(444,665)	2,008,897
Profit for the year	–	–	–	516,316	516,316
Repurchase and cancellation of shares	(64,597)	(8,953)	–	–	(73,550)
Exercise of share options	9,309	–	–	–	9,309
Recognition of equity-settled share-based payments	–	–	37,870	–	37,870
Dividends recognized as distributions	(569,065)	–	–	–	(569,065)
At December 31, 2021	1,666,841	(8,953)	200,238	71,651	1,929,777
Profit for the year	–	–	–	1,687,041	1,687,041
Repurchase and cancellation of shares	(31,169)	(37,706)	–	–	(68,875)
Exercise of share options	6,157	–	–	–	6,157
Recognition of equity-settled share-based payments	–	–	44,748	–	44,748
Dividends recognized as distributions	(948,826)	–	–	–	(948,826)
At December 31, 2022	693,003	(46,659)	244,986	1,758,692	2,650,022

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows:

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Directly held:						
Sea of Wealth International Investment Company Limited ("Sea of Wealth") 富海國際投資有限公司	The British Virgin Islands	November 15, 2011	80,000,000 shares of HK$1.00 each	**100**	100	Investment holding
Hongda Automobiles Co., Ltd. 弘達汽車有限公司	HK	November 12, 2003	HK$775,787,736	**100**	100	Investment holding
Grouprich International Investment Holdings Limited ("Grouprich International") 匯富國際投資集團有限公司	HK	September 10, 2004	1,000,000 shares of HK$1.00 each	**100**	100	Investment holding
Indirectly held:						
Shanghai Yongda Investment Holdings Group Co., Ltd. *(note 2)* 上海永達投資控股集團有限公司 (formerly known as Shanghai Yongda Investment Co., Ltd. *(note 2)* 上海永達投資有限公司)	PRC	September 25, 2003	RMB2,320,000,000	**100**	100	Investment holding
Shanghai Yongda Automobile Group Co., Ltd. *(note 1)* 上海永達汽車集團有限公司 (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司)	PRC	September 15, 2003	RMB1,893,204,250	**100**	100	Investment holding

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Shanghai Yongda Automobile Leasing Co., Ltd. operating *(note 2)* 上海永達汽車租賃有限公司	PRC	February 21, 2000	RMB150,000,000	**100**	100	Automobile lease services
Shanghai Baozen Automobile Sales and Services Co., Ltd. *(note 3)* 上海寶誠汽車銷售服務有限公司	PRC	January 6, 2004	RMB80,000,000	**100**	100	4S dealership
Shanghai Baozen Zhonghuan Automobile Sales and Services Co., Ltd. *(note 3)* 上海寶誠中環汽車銷售服務有限公司	PRC	August 30, 2007	RMB50,000,000	**100**	100	4S dealership
Taiyuan Baozen Automobile Sales and Services Co., Ltd. *(note 3)* 太原寶誠汽車銷售服務有限公司	PRC	October 23, 2007	RMB15,000,000	**60**	60	4S dealership
Nantong Baozen Automobile Sales and Services Co., Ltd. *(note 3)* 南通寶誠汽車銷售服務有限公司	PRC	September 1, 2006	RMB30,000,000	**100**	100	4S dealership
Wuxi Yicheng Automobile Sales and Services Co., Ltd. *(note 3)* 無錫翼誠汽車銷售服務有限公司	PRC	October 13, 2011	RMB30,000,000	**100**	100	4S dealership
Wuxi Yongda Oriental Automobile Sales and Services Co., Ltd. *(note 3)* ("Wuxi Yongda Oriental") 無錫永達東方汽車銷售服務有限公司	PRC	April 15, 2011	RMB50,000,000	**95**	95	4S dealership
Guangzhou Yongda Automobile Rental Co., Ltd.("Guangzhou Yongda Automobile Rental") *(note 3)* 廣州永達汽車租賃有限公司	PRC	July 6, 2012	RMB30,000,000	**100**	100	Automobile operating lease services

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Linyi Yubaohang Automobile Sales and Services Co., Ltd. *(note 3)* 臨沂宇寶行汽車銷售服務有限公司	PRC	October 26, 2006	RMB30,000,000	100	100	4S dealership
Lishui Jiacheng Automobile Sales and Services Co., Ltd. *(note 3)* 麗水市嘉誠汽車銷售有限公司	PRC	May 17, 2010	RMB80,000,000	100	100	4S dealership
Jiangyin Leichi Automobile Sales and Services Co., Ltd. *(note 3)* 江陰雷馳汽車銷售服務有限公司	PRC	August 23, 2010	RMB35,000,000	88	88	4S dealership
Haerbin Baozen Automobile Sales and Services Co., Ltd. *(note 3)* 哈爾濱寶誠汽車銷售服務有限公司	PRC	March 7, 2015	RMB30,000,000	100	100	4S dealership
Tianjin Zhongshun Jinbao Automobile Sales and Services Co., Ltd. *(note 3)* 天津市中順津寶汽車服務有限公司	PRC	March 31, 2015	RMB45,000,000	100	100	4S dealership
Wuxi Baozen Automobile Sales and Services Co., Ltd. *(note 3)* 無錫寶尊汽車銷售服務有限公司	PRC	August 31, 2015	RMB20,000,000	100	100	4S dealership
Guangdong Yongda South Investing Co., Ltd. *(note 3)* 廣東永達南方集團投資有限公司	PRC	June 09, 2014	RMB266,000,000	70	70	Investment holding
Linfen Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 臨汾寶誠汽車銷售服務有限公司	PRC	July 10, 2009	RMB30,000,000	90	90	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Yongjia Baozen Automobile Sales Service Co., Ltd. *(note 3)* 永嘉寶誠汽車銷售服務有限公司	PRC	January 19, 2010	RMB20,000,000	70	70	4S dealership
Nantong Oriental Yongda Jiachen Automobile Sales and Services Co., Ltd. *(note 3)* 南通東方永達佳晨汽車銷售服務有限公司	PRC	November 16, 2011	RMB40,000,000	100	100	4S dealership
Shanghai Yongda Jiawo Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達嘉沃汽車銷售服務有限公司	PRC	March 1, 2011	RMB30,000,000	100	100	4S dealership
Kunshan Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 3)* 昆山永達路捷汽車銷售服務有限公司	PRC	March 15, 2014	RMB40,000,000	100	100	4S dealership
Changshu Yongda Lujie Automobile Sales and Services Co., Ltd. *(note 3)* 常熟永達路捷汽車銷售服務有限公司	PRC	June 8, 2014	RMB30,000,000	100	100	4S dealership
Shanghai Yongda Hongjie Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達弘傑汽車銷售服務有限公司	PRC	July 5, 2011	RMB60,000,000	100	100	4S dealership
Shanghai Yongda Qiming Automobile Sales and Services Co., Ltd. *(note 3)* 上海永達啟明汽車銷售服務有限公司	PRC	January 27, 2015	RMB22,000,000	100	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Wuxi Baozen Automobile Sales and Services Co., Ltd. ("Wuxi Baozen") *(note 3)* 無錫寶誠汽車銷售服務有限公司	PRC	September 13, 2004	RMB100,000,000	88	88	4S dealership
Jiangsu Baozun Investment Group Co., Ltd. *(note 3)* 江蘇寶尊投資集團有限公司	PRC	April 25, 2011	RMB589,910,000	100	100	Investment holding
Changzhou Xin Baozun Automobile Sales and Services Co., Ltd. *(note 3)* 常州新寶尊汽車銷售服務有限公司	PRC	October 29, 2009	RMB10,000,000	100	100	4S dealership
Changzhou Kaidi Automobile Sales and Services Co., Ltd. *(note 3)* 常州凱帝汽車銷售服務有限公司	PRC	August 29, 2012	RMB10,000,000	100	100	4S dealership
Changzhou Changtong Auto Sales and Service Co., Ltd.. *(note 3)* 常州常通汽車銷售服務有限公司	PRC	January 9, 2003	RMB23,000,000	100	100	4S dealership
Changzhou Zunyue Automobile Sales and Services Co., Ltd. *(note 3)* 常州尊越汽車銷售服務有限公司	PRC	June 25, 2007	RMB10,000,000	100	100	4S dealership
Dezhou Shengbao Automobile Sales Service Co. Ltd. *(note 3)* 德州聖寶汽車銷售服務有限公司	PRC	October 17, 2013	RMB99,890,000	100	100	4S dealership
Yancheng Baocheng Automobile Sales and Service Co., Ltd. *(note 3)* 鹽城寶誠汽車銷售服務有限公司	PRC	December 9, 2008	RMB30,000,000	100	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 **%**	2021 %	
Yancheng Yongda Zhongcheng Automobile Sales Service Co., Ltd. *(note 3)* 鹽城永達眾誠汽車銷售服務有限公司	PRC	July 22, 2012	RMB30,000,000	**100**	100	4S dealership
Guangzhou Tengyue New Energy Vehicle Sales Service Co., Ltd. *(note 3)* 廣州騰悦新能源汽車銷售服務有限公司	PRC	June 11, 2015	RMB10,000,000	**70**	70	4S dealership
Shenzhen Baohua Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 深圳寶華寶誠汽車銷售服務有限公司	PRC	May 14, 2015	RMB20,000,000	**70**	70	4S dealership
Shenzhen Tengyue New Energy Vehicle Sales Service Co., Ltd. *(note 3)* 深圳騰悦新能源汽車銷售服務有限公司	PRC	August 3, 2015	RMB10,000,000	**66**	69	4S dealership
Shanghai Yongda Used Car Chain Management Co., Ltd. *(note 3)* 上海永達二手車連鎖經營有限公司	PRC	November 26, 2014	RMB50,000,000	**85**	85	Used car business
Weifang Shengbao Automobile Sales Service Co. Ltd. *(note 2)* 濰坊聖寶汽車銷售服務有限公司	PRC	October 10, 2013	RMB20,000,000	**100**	100	4S dealership
Zibo Shengbao Automobile Sales Service Co. Ltd. *(note 2)* 淄博聖寶汽車銷售服務有限公司	PRC	October 18, 2013	RMB10,000,000	**100**	100	4S dealership
Dongying Yibaoxuan Automobile Sales Service Co. Ltd. *(note 2)* 東營宜寶軒汽車銷售服務有限公司	PRC	March 1, 2011	RMB10,000,000	**100**	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Yulin Baitai Automobile Sales and Services Co., Ltd. *(note 3)* 榆林百泰汽車銷售服務有限公司	PRC	May 24, 2012	RMB52,000,000	**100**	100	4S dealership
Fujian Quanzhou Baitai Automobile Sales and Services Co., Ltd. *(note 3)* 福建省泉州百泰汽車銷售服務有限公司	PRC	March 23, 2011	RMB50,000,000	**100**	100	4S dealership
Fujian Baitai Automobile Sales and Services Co., Ltd. *(note 3)* 福建百泰汽車銷售服務有限公司	PRC	December 19, 2013	RMB95,000,000	**100**	100	4S dealership
Fuqing Dachangjiang Runtong auto Sales Services Ltd. *(note 3)* 福清大長江潤通汽車銷售服務有限公司	PRC	December 10, 2013	RMB30,000,000	**100**	100	4S dealership
Haina Automobile Insurance Sales Co., Ltd. *(note 3)* 海納汽車保險銷售有限公司	PRC	May 4, 2012	RMB50,000,000	**100**	100	Insurance services
Changzhou Baozun Automobile Sales and Services Co., Ltd. *(note 3)* 常州寶尊汽車銷售服務有限公司	PRC	May 11, 2006	RMB22,220,000	**100**	100	4S dealership
Zhenjiang Dongfang Meiya Lexus Automobile Sales Service Co., Ltd. *(notes 3)* 鎮江東方美亞雷克薩斯汽車銷售服務有限公司	PRC	October 15, 2021	RMB278,270,000	**100**	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Nantong Dongfang Jiayu Lexus Automobile Sales Service Co., Ltd. *(notes 3)* 南通東方嘉宇雷克薩斯汽車銷售服務有限公司	PRC	November 2, 2021	RMB72,000,000	**100**	100	4S dealership
Wujiang Baozhi Automobile Sales Service Co., Ltd. *(notes 3)* 吳江寶致汽車銷售服務有限公司	PRC	October 18, 2021	RMB94,890,000	**100**	100	4S dealership
Nantong baozhihang Automobile Sales Service Co., Ltd. *(notes 3)* 南通寶致行汽車銷售服務有限公司	PRC	October 18, 2021	RMB202,980,000	**100**	100	4S dealership
Nanchong Yongda Lujie Automobile Sales Service Co., Ltd. *(note 3)* 南充永達路捷汽車銷售服務有限公司	PRC	April 3, 2014	RMB64,500,000	**70**	70	4S dealership
Chengdu Xin Jin Feng Automobile Sales and Services Co., Ltd. *(note 3)* 成都新錦豐汽車銷售服務有限責任公司	PRC	February 22, 2013	RMB62,300,000	**100**	100	4S dealership
Mianyang Xinjincheng Automobile Sales and Services Co., Ltd. *(note 3)* 綿陽新錦程汽車銷售服務有限責任公司	PRC	May 23, 2014	RMB81,000,000	**100**	100	4S dealership
Jiangyin Shengda Automobile Sales Service Co. Ltd. *(note 3)* 江陰市盛達汽車銷售服務有限公司	PRC	April 25, 2001	RMB10,000,000	**100**	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Jiangyin Shengda Toyota Automobile Sales Service Co. Ltd. *(note 3)* 江陰市盛達豐田汽車銷售服務有限公司	PRC	October 27, 1999	RMB20,000,000	100	100	4S dealership
Jiangyin Shengda Yintian Automobile Sales Service Co. Ltd. *(note 3)* 江陰市盛達穎田汽車有限公司	PRC	November 16, 2005	RMB10,000,000	100	100	4S dealership
Jiangyin Yinda Automobile Sales Service Co. Ltd. *(note 3)* 江陰市穎達汽車銷售有限公司	PRC	May 15, 2007	RMB12,100,000	100	100	4S dealership
Jiangyin Shengsheng Automobile Sales Service Co. Ltd. *(note 3)* 江陰盛升汽車有限公司	PRC	August 4, 2009	RMB15,000,000	100	100	4S dealership
Shanghai Yongda Zhixing Automobile Sales Services Co., Ltd. *(note 3)* 上海永達之星汽車銷售服務有限公司	PRC	July 25, 2013	RMB30,000,000	100	100	4S dealership
Shanghai Dezhilin Automobile Co., Ltd. *(note 3)* 上海德之林汽車有限公司	PRC	July 25, 2013	RMB80,000,000	100	100	4S dealership
Qingruo Investment (Shanghai) Co., Ltd. *(note 3)* 慶若投資(上海)有限公司	PRC	March 1, 2013	RMB480,610,806	100	100	Investment holding
Nanchang Yongda Yongcheng Automobile Sales Service Co., Ltd. *(note 3)* 南昌永達永誠汽車銷售服務有限公司	PRC	November 9, 2017	RMB2,100,000	100	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Jiujiang Yongda Zhixing Automobile Sales Service Co., Ltd. *(note 3)* 九江永達之星汽車銷售服務有限公司	PRC	October 25, 2017	RMB80,164,740	**100**	100	4S dealership
Shaoxing Yongda Lexus Automobile Sales Service Co., Ltd. *(note 3)* 紹興永達雷克薩斯汽車銷售服務有限公司	PRC	February 28, 2007	RMB112,438,960	**100**	100	4S dealership
Nanchang Yongda Automobile Sales Service Co., Ltd. *(note 3)* 南昌永達汽車銷售服務有限公司	PRC	June 1, 2011	RMB65,366,600	**100**	100	4S dealership
Nanning Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 南寧寶誠汽車銷售服務有限公司	PRC	November 11, 2015	RMB20,000,000	**70**	70	4S dealership
Kunming Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 昆明寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB200,000,000	**100**	100	4S dealership
Dali Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 大理寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB80,000,000	**100**	100	4S dealership
Yuxi Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 玉溪寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB53,000,000	**100**	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities®
				2022 %	2021 %	
Baoshan Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 保山寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB21,000,000	**100**	100	4S dealership
Yibin Baozun Automobile Sales Service Co., Ltd. *(note 3)* 宜賓寶尊汽車銷售服務有限公司	PRC	October 22, 2020	RMB52,000,000	**100**	100	4S dealership
Dazhou Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 達州寶誠汽車銷售服務有限公司	PRC	October 22, 2020	RMB72,000,000	**100**	100	4S dealership
Kunshan Yongda Yicheng Automobile Sales and Service Co., Ltd *(note 3)* 昆山永達翼誠汽車銷售服務有限公司	PRC	April 8, 2013	RMB50,000,000	**100**	100	4S dealership
Hainan Yongda Automobile Sales and Service Co., Ltd *(note 3)* 海南永達汽車銷售服務有限公司	PRC	August 23, 2007	RMB30,000,000	**100**	100	4S dealership
Anhui Yongda Baoyi Automobile Sales and Service Co., Ltd *(note 3)* 安徽永達寶易汽車銷售服務有限公司	PRC	January 6, 2011	RMB20,000,000	**72**	72	4S dealership
Suzhou Yongbao Automobile Sales and Service Co., Ltd *(note 3)* 蘇州永保汽車銷售服務有限公司	PRC	November 17, 2014	RMB70,000,000	**100**	100	4S dealership
Linyi Dajie Automobile Sales and Service Co., Ltd *(note 3)* 臨沂達捷汽車銷售服務有限公司	PRC	June 14, 2017	RMB30,000,000	**100**	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities®
				2022 %	2021 %	
Xiangyang Baodian Automobile Sales and Service Co., Ltd *(note 3)* 襄陽保典汽車銷售服務有限公司	PRC	March 27, 2018	RMB30,000,000	**100**	100	4S dealership
Shanghai Yongda Tengjun Automobile Sales and Service Co., Ltd *(note 3)* 上海永達騰駿汽車銷售服務有限公司	PRC	December 6, 2018	RMB50,000,000	**100**	100	4S dealership
Beijing Baocheng Baiwang Automobile Sales and Service Co., Ltd *(note 3)* 北京寶誠百旺汽車銷售服務有限公司	PRC	August 5, 2009	RMB30,000,000	**100**	100	4S dealership
Kunshan Baocheng Automobile Sales and Service Co., Ltd *(note 3)* 昆山寶誠汽車銷售服務有限公司	PRC	November 4, 2009	RMB40,000,000	**100**	100	4S dealership
Taicang Baocheng Automobile Sales and Service Co., Ltd *(note 3)* 太倉寶誠汽車銷售服務有限公司	PRC	August 5, 2009	RMB10,000,000	**100**	100	4S dealership
Changzhi Baocheng Lufu Automobile Sales and Service Co., Ltd *(note 3)* 長治寶誠潞府汽車銷售服務有限公司	PRC	January 29, 2010	RMB20,000,000	**90**	90	4S dealership
Yuncheng Baocheng Automobile Sales and Service Co., Ltd *(note 3)* 運城市寶誠汽車銷售服務有限公司	PRC	February 3, 2010	RMB14,000,000	**100**	100	4S dealership
Jiangyin Baocheng Automobile Sales and Service Co., Ltd *(note 3)* 江陰寶誠汽車銷售服務有限公司	PRC	August 15, 2007	RMB30,000,000	**88**	88	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Wuxi Baocheng Gaohui Automobile Sales Co., Ltd *(note 3)* 無錫寶誠高惠汽車銷售有限公司	PRC	May 21, 2010	RMB5,000,000	88	88	4S dealership
Jiangyin Xiangyue Baocheng Automobile Sales Service Co., Ltd *(note 3)* 江陰享悦寶誠汽車銷售服務有限公司	PRC	November 4, 2021	RMB40,000,000	100	100	4S dealership
Shengzhou Baocheng Automobile Sales and Service Co., Ltd *(note 3)* 嵊州市寶誠汽車銷售服務有限公司	PRC	March 15, 2012	RMB40,000,000	100	100	4S dealership
Jiaxing Zhibao Automobile Sales and Service Co., Ltd *(note 3)* 嘉興之寶汽車銷售服務有限公司	PRC	July 12, 2012	RMB45,000,000	100	100	4S dealership
Shijiazhuang Baohe Automobile Sales and Service Co., Ltd *(note 3)* 石家莊寶和汽車銷售服務有限公司	PRC	July 4, 2005	RMB37,000,000	100	100	4S dealership
Zhangjiakou Xuanzhibao Automobile Sales and Service Co., Ltd *(note 3)* 張家口軒之寶汽車銷售服務有限公司	PRC	April 13, 2011	RMB50,000,000	51	51	4S dealership
Ningbo Baocheng Automobile Sales and Service Co., Ltd *(note 3)* 寧波寶誠汽車銷售服務有限公司	PRC	October 28, 2013	RMB40,000,000	100	100	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022	2021	
				%	%	
Changzhou Lubao Automobile Sales Service Co., Ltd. *(note 3)* 常州路寶汽車銷售服務有限公司	PRC	September 1, 2022	RMB20,000,000	**100**	–	4S dealership
Shanghai Yongda Honglin Automobile Sales Service Co., Ltd. *(note 3)* 上海永達虹林汽車銷售服務有限公司	PRC	July 20, 2022	RMB10,000,000	**100**	–	4S dealership
Guangzhou Yongda Lucheng Automobile Sales Service Co., Ltd. *(note 3)* 廣州永達路誠汽車銷售服務有限公司	PRC	June 27, 2022	RMB10,000,000	**80**	–	4S dealership
Hefei Yongda Fengchi Automobile Sales Service Co., Ltd. *(note 3)* 合肥永達風馳汽車銷售服務有限公司	PRC	July 29, 2022	RMB9,150,000	**80**	–	4S dealership
Yangzhou Yongda Fengyang Automobile Sales Service Co., Ltd. *(note 3)* 揚州永達風揚汽車銷售服務有限公司	PRC	June 24, 2022	RMB10,000,000	**80**	–	4S dealership
Suzhou Qulei Automobile Sales Service Co., Ltd. *(note 3)* 蘇州驅雷汽車銷售服務有限公司	PRC	November 15, 2022	RMB4,485,000	**80**	–	4S dealership
Guangzhou Palladium Auto Parts Co., Ltd. *(note 3)* 廣州鈀特汽車配件有限公司	PRC	February 22, 2017	RMB250,000	**72**	65	Passage vehicle related service

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Guangzhou South Zhongyue Auto Products Co., Ltd. *(note 3)* 廣州南方眾悦汽車用品有限公司	PRC	September 3, 2018	RMB1,000,000	73	67	Passage vehicle related service
Suzhou Suiyue Auto Technology Co., Ltd. *(note 3)* 蘇州隨悦汽車科技有限公司	PRC	July 2, 2018	RMB6,500,000	100	70	Automobile lease services
Guangzhou Guanghang Automobile Service Co., Ltd. *(note 3)* 廣州廣行汽車服務有限公司	PRC	November 1, 2018	RMB10,000,000	100	70	Automobile lease services
Wenzhou Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 溫州寶誠汽車銷售服務有限公司	PRC	September 3, 2008	RMB30,000,000	100	78	4S dealership
Yueqing Youjia Automobile Consulting Service Co., Ltd.*(note 3)* 樂清市悠加汽車諮詢服務有限公司	PRC	November 11, 2016	RMB100,000	100	78	Passage vehicle related service
Fujian Yongda Tongcheng Automobile Sales Service Co., Ltd. *(note 3)* 福建永達通誠汽車銷售服務有限公司	PRC	July 8, 2015	RMB10,000,000	100	61	4S dealership
Hangzhou Yongda New Energy Vehicle Service Co., Ltd. *(note 3)* 杭州永達新能源汽車服務有限公司	PRC	June 21, 2018	RMB5,000,000	100	70	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of the Company's principal subsidiaries at December 31, 2022 and 2021 are as follows: (continued)

Name of subsidiaries # ^	Place of incorporation/ establishment/ operations	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company at December 31,		Principal activities@
				2022 %	2021 %	
Guangzhou South Zhongyue Automobile Maintenance Service Co., Ltd. *(note 4)* 廣州南方眾悅汽車維修服務有限公司	PRC	May 11, 2017	RMB3,000,000	–	70	4S dealership
Shanghai Yongda Hongwo Automobile Sales Service Co., Ltd. *(note 3)* 上海永達虹沃汽車銷售服務有限公司	PRC	March 14, 2022	RMB10,000,000	100	–	4S dealership
Nanchang Baocheng Automobile Sales Co., Ltd. *(note 3)* 南昌寶誠汽車銷售有限公司	PRC	April 28, 2022	RMB20,000,000	70	–	4S dealership
Linzhou Nanfang Baocheng Automobile Sales Service Co., Ltd. *(note 3)* 柳州南方寶誠汽車銷售服務有限公司	PRC	April 22, 2022	RMB20,000,000	70	–	4S dealership
Suzhou Yongda Zhipeng Automobile Sales Service Co., Ltd. *(note 3)* 蘇州永達之鵬汽車銷售服務有限公司	PRC	August 8, 2022	RMB5,000,000	70	–	4S dealership
Linyi Xinbaocheng Automobile Sales Service Co., Ltd *(note3)* 臨沂新寶誠汽車銷售服務有限公司	PRC	April 24, 2022	RMB25,000,000	60	–	4S dealership

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Except for Sea of Wealth, Hongda Automobiles Co., Ltd. and Grouprich International which are limited liability companies, all subsidiaries are domestic limited liability enterprises.

^ The English names of all subsidiaries established in the PRC are translated for identification purpose only.

@ 4S dealership represents an automobile dealership authorized by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, services and survey.

Notes:

1. This entity is a sino-foreign equity joint venture (including HK,Taiwan and Macao).

2. This entity is a wholly-foreign owned enterprise (including HK,Taiwan and Macao).

3. This entity is a domestic owned enterprise.

4. This entity is disposed in 2022.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The Group's propriety finance operation was discontinued upon the disposal of Shanghai Yongda Finance Leasing Co., Ltd. during the year ended December 31, 2021. The profit for the year ended December 31, 2021 from discontinued operations was composed of the segment profit of proprietary finance business.

None of the subsidiaries had issued any debt securities at the end of the year, except for Shanghai Yongda Investment Holdings Group Co., Ltd. which issued medium-term note as set out in Note 33.

Financial Summary

For the year ended December 31, 2022

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial information and financial statements is set out below.

	2022 RMB'000	2021 RMB'000	2020 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000
Continuing operations					
REVENUE	**72,023,888**	77,916,554	68,201,242	62,707,380	55,318,486
Profit before tax	**2,072,667**	3,374,762	2,139,562	2,075,782	1,752,561
Income tax expense	**(587,090)**	(837,027)	(523,704)	(506,728)	(427,525)
Profit for the year from continuing operations	**1,485,577**	2,537,735	1,615,858	1,569,054	1,325,036
Discontinued operations					
Profit for the year from discontinued operations – net	**–**	80,338	117,227	–	–
Profit for the year	**1,485,577**	2,618,073	1,733,085	1,569,054	1,325,036
Other comprehensive income	**(1,254)**	(3,532)	2,289	1,331	(15,161)
Total comprehensive income for the year	**1,484,323**	2,614,541	1,735,374	1,570,385	1,309,875
Profit for the year attributable to:					
Owners of the Company	**1,425,439**	2,480,098	1,624,961	1,472,984	1,253,099
Non-controlling interests	**60,138**	137,975	108,124	96,070	71,937
	1,485,577	2,618,073	1,733,085	1,569,054	1,325,036
Total comprehensive income for the year attributable to:					
Owners of the Company	**1,424,185**	2,476,566	1,627,250	1,474,315	1,237,938
Non-controlling interests	**60,138**	137,975	108,124	96,070	71,937
	1,484,323	2,614,541	1,735,374	1,570,385	1,309,875
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**32,401,260**	31,566,638	34,737,491	35,474,817	31,015,663
TOTAL LIABILITIES	**(17,736,385)**	(17,277,773)	(22,381,832)	(25,022,220)	(21,495,676)
NON-CONTROLLING INTERESTS	**(504,109)**	(580,399)	(523,923)	(571,057)	(532,074)
	14,160,766	13,708,466	11,831,736	9,881,540	8,987,913