MEIDONG AUTO

China MeiDong Auto Holdings Limited
中國美東汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1268

2023
ANNUAL REPORT

CONTENTS

GEOGRAPHICAL COVERAGE

Guangdong

Porsche

(1) Shunde Dongbao*
(2) Shantou Dongbao*
(3) Jieyang Dongbao*
(4) Guangzhou Dongbao (70%)

BMW

(5) Yangjiang Meibaohang*
(6) Guangzhou Meibaohang
(7) Xintang Meibaohang
(8) Dongguan Meibaohang (70%)

Lexus

(9) Dongguan Meidong (49%)
(10) Foshan Meidong
(11) Zhuhai Meidong
(12) Qingyuan Meidong*
(13) Yangjiang Meidong*
(14) Doumen Meidong (71%)
(15) Tangxia Meidong (69%)
(16) Shaoguan Meidong*
(17) Jiangmen Meidong

Toyota

(18) Dongguan Dongbu
(19) Dongguan Dongmei
(20) Dongguan Dongxin
(21) Dongguan Meixin
(22) Wangniudun Meidong
(23) Dongguan Meiyue

Audi

(24) Heyuan Guanao*

Tesla

(25) Shantou Dongying (51%)
(26) Yangjiang Dongying (51%)

Beijing & Hebei

BMW

(27) Chengde Meibaohang*
(28) Beijing Huibaohang
(29) Beijing Meibaohang (70%)
(30) Langfang Guanbaohang
(31) Bazhou Guanbaohang*

Toyota

(32) Bazhou Guanyue*

Lexus

(33) Beijing Meidong
(34) Langfang Meidong

Hubei

Porsche

(35) Wuhan Xinbao
(36) Wuchang Xinbao

BMW

(37) Huanggang Baoxinhang*

Hunan

BMW

(38) Zhuzhou Meibaohang*
(39) Hengyang Meibaohang*
(40) Changde Meibaohang*
(41) Yueyang Meibaohang*
(42) Liuyang Meibaohang*
(43) Yongzhou Meibaohang*

Lexus

(44) Changsha Meidong
(45) Zhuzhou Meidong*
(46) Hengyang Meidong*

Toyota

(47) Yiyang Dongxin*

Gansu

Lexus

(48) Lanzhou Meidong*

Jiangxi

Porsche

(49) Ganzhou Xinbao*
(50) Nanchang Jubao

BMW

(51) Jingdezhen Meibaohang*
(52) Shangrao Meibaohang
(53) Xinyu Meibaohang*
(54) Jiujiang Huibaohang

Toyota

(55) Xinyu Dongbu*
(56) Jiujiang Dongbu*

Fujian

Lexus

(57) Xiamen Meidong
(58) Longyan Meidong*

Toyota

(59) Quanzhou Meidong

Anhui

Toyota

(60) Huangshan Dongbu*

BMW

(61) Huaibei Meibaohang*
(62) Suzhou Meibaohang*
(63) Chizhou Meibaohang*
(64) Chuzhou Meibaohang*
(65) Tongling Meibaohang*
(66) Huangshan Meibaohang*

Shandong

Porsche

(67) Jinan Jubao (70%)
(68) Jinan Dongbao
(69) Qingdao Dongbao*
(70) Weifang Xinbao*

Jiangsu

Lexus

(71) Nanjing Meidong
(72) Tangshan Meidong

Porsche

(73) Nanjing Dongbao

Tianjin

Lexus

(74) Tianjin Meidong

Porsche

(75) Tianjin Dongbao

Sichuan

BMW

(76) Guangan Baotai*

Henan

Porsche

(77) Henan Dongbao

Chongqing

Porsche

(78) Chongqing Dongbao

Notes:
(1) Apart from the stores marked by brackets, the others are 100% owned by the Group.
(2) Including a joint venture in which the Group owns 49% equity interest (Dongguan Meidong).
* Single City Single Store

GEOGRAPHICAL COVERAGE

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
YE Fan *(Chairman)*
YE Tao *(Chief Executive Officer)*
LUO Liuyu

Independent Non-Executive Directors
CHEN Guiyi
WANG, Michael Chou
TO Siu Lun

AUTHORISED REPRESENTATIVES
YE Tao
WONG Cheung Ki Johnny

COMPANY SECRETARY
WONG Cheung Ki Johnny
FCPA, FCG (CS, CGP), HKFCG (CS, CGP)

AUDIT COMMITTEE
TO Siu Lun *(Chairman)*
CHEN Guiyi
WANG, Michael Chou

REMUNERATION COMMITTEE
WANG, Michael Chou *(Chairman)*
CHEN Guiyi
TO Siu Lun

NOMINATION COMMITTEE
YE Fan *(Chairman)*
TO Siu Lun
WANG, Michael Chou

REGISTERED OFFICE
Cricket Square
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Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC
13th Floor, Unit A1
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Huangjin Road
Nancheng District, Dongguan
Guangdong, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 2404
24th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR
KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW
HW Lawyers

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company *(Cayman)* Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Bank of China (Hong Kong) Limited

STOCK CODE

1268

COMPANY'S WEBSITE

www.meidongauto.com

LETTER TO SHAREHOLDERS

SUMMARY OF 2023

On the first day of my freshman linear algebra class, the professor declared, “If you solve all 5,000 problems in Boris Demidovich’s *Problems in Mathematical Analysis* book, you will master mathematics in no time.”

“It is easy”, I thought. “I will do eight problems a day for two years.” I hurried to Study Hall #7 that very evening and started my journey to becoming a Master of Mathematics.

I soon realized that to solve one problem every eight days would be difficult enough, let alone eight problems a day. At that rate, I would be spending the rest of my life camping out in Study Hall #7. There were, however, geniuses who could breeze through eight problems a day. My classmate Chen was one of those. Occasionally passing behind my seat and glancing at the problem I was desperately working on, he would murmur casually, “Oh, this is straightforward. Just do this and that.”

I wanted to strangle him.

Over the last few years, I relived my Boris Demidovich moment, for surviving the market challenge was like solving the most difficult problem. Without the genius Chen next to me, I had to struggle and scramble. It was extremely difficult yet stimulating.

Our financial results reflected this difficulty. Profit in 2023 dropped 72.0% to 155.8 million RMB. This was mostly caused by a decrease in new car gross profit, impairment losses on goodwill and dealership’s rights, and non-cash costs due to acquisitions. Fortunately, our operating cash flow remained healthy at 816.8 million RMB. Our balance sheet became stronger, with our debt ratio dropping from 68.9% to 62.8%, and with our cash balance increasing from 3.26 billion RMB to 3.90 billion RMB. We grew after-sales services revenue and gross profit at 23.1% and 34.8% respectively. This growth, coupled with a reduction of expenses, resulted in an increase of our absorption ratio from 84.6% to 116.7%.

If profit optimization was a problem to solve, the most challenging part was the rapid and seismic shift in two boundary conditions. First was the increasing macroeconomics challenge. This caused a drop in foot traffic to our stores and a reduction in our sales conversion rate. As a result, we saw a decrease in effective demand compared with the pre-pandemic year of 2019. Second was the impact of new energy vehicles. Rounds of price cuts, numerous new models, and the rapid releasing of new features produced a perfect storm to legacy automobile brands. These seismic changes of boundary conditions seemed to be structural not cyclical, and their eventual impact is difficult to predict. Therefore, we need to rethink our strategies and operations.

First and foremost, we need to operate under more stringent assumptions. In the past, our planning was based on the mid-point of historical averages. Going forward, we will make plans based on worst-case scenarios. For example, what if the worst month in the last three years repeats itself 12 times in 2024, or what if the lowest margin of a brand persists in the future? Under this new set of assumptions, we need to be extremely liquid with our balance sheet and cash flow. We have always placed a strong emphasis on liquidity-related metrics, such as inventory turns, account receivables, etc. We will need to do more because, in worst-case scenarios, cash and cash flow take on far more importance.

Second and equally important, we need to minimize our running cost and maximize the growth of services. The services revenue is the stickiest part of our revenue and optimizing it prepares us well for the worst of times. The absorption ratio—services gross profit divided by the totality of cost—gives us a measure on how well we can cover our expenses with services alone. If we can keep this ratio about 100%, we can survive without having to sell a car.

There were times in the past few years when our problems were so difficult that they seemed unsolvable. Yet we have never given up trying and we remain hopeful for the future. First, we are convinced that the brands we work with will survive the perfect storm. Second, the dealership industry will become indispensable because both legacy and new energy brands will inevitably seek a greater capacity of sales and services, wider coverage to lower-tier cities, and better leverage of capital. While there may be a greater need for sales and services capacity for the future, the number of dealers has been on a decline due to recent economic challenges. Therefore, if we survive and maintain our efficiency, we may eventually achieve what we stated in our 2018 Shareholder Letter: "Though we may not be able to outrun the tiger (the macroeconomic challenge), we may and should outrun others". Though we don't have a genius Chen here to offer us a silver bullet for the tough problems we will face in the future, we have a loyal and capable team, and we are learning and adapting fast. We will find a way to prevail.

REFLECTIONS

I once surveyed five colleagues who worked with me closely. I asked them to reflect, with the benefit of hindsight, on any decisions I have made over the years and to score each decision, with ten being the best and zero the worst. The five average scores from them were 7.9, 7.7, 6.6, 5.0, and 4.5. The aggregate average was 6.3. From their perspectives, I missed four out of every ten decisions. If they were admission officers from MIT, I would never have been admitted.

A detailed look into the scoring is quite telling. I received high scores on culture, strategies, and operational principles. I lost points in various operational decisions and instructions, especially those to the frontline. Though I never expect myself to be perfect in the eyes of my colleagues, the score is still underwhelming. My only consolation came from the fact that I performed better than my brother, whose score was dangerously close to a 50/50 coin toss. I could not help but wonder whether his decision to hire me as CEO belonged to the right 50% or wrong 50%.

Reflections are a big part of Meidong's operating culture. They help our colleagues learn from our mistakes. They enable us to challenge each other. They keep me and my brother humble. In this shareholder letter, let me use a few examples to illustrate how we learn from reflections.

The most consequential decision we made over the past few years was the acquisition of StarChase. Looking back, we believe that the decision to grow with Porsche was still a good one, as super luxury offers more buffer against the incoming impact of new energy vehicles. The integration of StarChase also went well because, within six to nine months, we improved StarChase stores with significantly faster inventory turns, higher services revenue, and lower expenses. The price of acquisition was in line with the market norm at the time. For future acquisitions, however, we need bigger safety margins, as challenges and uncertainties of the market have drastically increased since 2021. To be more specific, we will control acquisition prices to be within one product life cycle, beyond which it is difficult to predict. The tightening of criteria will inevitably slow down our growth, but it will provide more safety and therefore is necessary.

Our most fundamental principle is fast inventory turns, enabled by a quick sales pace. Though a simple concept to understand on paper, it is not always easy to implement in practice. We have to constantly go through cycles of reflections to truly build this principle into our culture and blood. Let me share an example. Not long after we acquired StarChase, we held a conference in July 2022 with general managers of our Porsche stores to continuously discuss, argue, and debate how to improve new car margins. We analyzed loads of data and improved our sales processes. After nonstop brainstorming for two days, we felt that we had finally found the silver bullet of margin enhancement (see picture #1 for an illustration; surrounded by all those good ideas, do I look sufficiently confident?).

Then the sales pace during the first week of August plummeted.

Our postmortem reflection showed that the ideas we had brainstormed were mostly good, with quite a few being exceptionally good. Our implementation of those ideas after the meeting, in typical Meidong fashion, was swift and thorough. Yet, implementing so many margin enhancement ideas in such a short time produced an unintended consequence: the new car margin jumped instead of inching up incrementally. This jump slowed down customers' purchases and killed our sales pace. We pivoted by asking our teams to refocus on sales pace as the priority, which enabled sales to recover and margins to stabilize (though they no longer could be maximized). Repeatedly, we learned that the profit of a sales operation can't be sustainable only from good margins per sale without a fast sales pace and fast inventory turns. Hence, we always want to optimize inventory turns and the sales pace while maintaining a reasonable sales margin, and we never maximize the sales margin at the expense of the sales pace and inventory turns. Armed with so many good ideas and so much energy at the time, I thought that we could maximize both. Now I know that good ideas do not always work out in practice.

Bookish ideas almost never work. I once asked all Meidong's general managers to personally interact with customers every day and demanded videos to demonstrate their interactions. My inspiration came from a book—*Extreme Services*—about how employees at a Lexus 4S store in Japan serve its customers. The book is filled with touching and interesting stories. For example, the security guard, Hayakawa-san, bows to every Lexus car passing on the major street outside of the store. He does it day in and day out, regardless of whether the owner of the passing vehicle is a customer of the store or not. I enjoyed the book so much that I even travelled to Japan to personally interview those employees. Full of excitement coming back, I was determined to turn all my employees into Hayakawa-san.

You can probably guess how this copy/paste worked out. General managers happily and excitedly acted in front of the camera for a while before the novelty wore off. My brother and I watched these videos with great excitement for a while before we realized that we did not have a Hayakawa-san. This Japanese store serves its customers well because each employee believes in and practices extreme customer services. In other words, serving customers to the extreme is their culture and is driven by employees from the bottom up. To truly learn requires much time and patience because it takes a cultural change. A rigid top-down command simply won't work.

We were like the Amazon production of *Rings of Power*, which tried to copy the formula that made *Game of Thrones* a huge success (guys with swords in a mythical world)—and flopped spectacularly and expensively.

Speaking of expenses, an important reflection for us in the past few years is cost reduction. Even at Meidong, where we are proud of our efficiencies, we constantly discover more room for improvements. We are currently at 73% of our peak employment level from mid-2022, though our revenue and store counts stayed roughly the same. Our new car inventory is 12 days, yet our spare parts inventory is over 30 days (and even 60 days in some stores). The utilization of special tools in our service operations is only 55%, meaning that half of our tools sit there idle, collecting dust. These examples show that there are pockets of cost inefficiencies everywhere. Our job is to find and eliminate them.

LETTER TO SHAREHOLDERS

There are also many cost-reduction opportunities in working with automobile brands. We incur substantial costs due to the operating requirements established by these brands. Examples include construction standards, CI standards, brand-specific software and hardware systems, demo cars, brand-related trainings, etc. Over the years, these requirements grow more complex and more costly. The need to rationalize these costs becomes important in today's challenging market conditions. Together with other dealers, we have started working with these brands and the initial results are promising. This will be one of our focuses in 2024 and beyond.

Let us reflect on my low scores in operational instructions. My colleagues essentially tell the professor in me to refrain from offering too much unsolicited advice to frontline employees. I once demanded that service managers organize door-to-door repairs for customers. The idea stemmed from one of our stores whose door-to-door services were very successful. That store is in a 4th-tier city whose population is spread out and which has little traffic on its roads. Many of our other stores, however, are in cities like Dongguan, whose roads are jammed like sardine cans. Doing door-to-door services would be a logistical nightmare for us and for our customers. As another example, I once had the IT department develop an app so that we could send small gifts to customers who had not been back for a long time. The rationale was that, upon receiving surprising gifts, customers would come back to our stores for services. I forgot that most customers would probably get spooked by a stranger sending surprising gifts and unfriend the sender! The list goes on. My brother is a more zealous teacher than I am—hence his even lower score. If I am guilty of falling in love with my own ideas, he is in love with his own voice. He would lecture sales employees on responding to customer messages within 1.98 seconds. He would demonstrate personally to service personnel on how to wave good-bye to departing customers until they disappear from customers' rear-view mirrors. His lectures are long and passionate and never solicited. When he gets into his teaching mode, employees would have to call the police to kick him out of the store.

My brother and I deserve the low scores, and we appreciate the message that comes with these scores. After all, we are the ones who set up the HR principle at Meidong: employees are adults not children, and they should be respected as such. As a responsible adult, an employee should be the expert at his job and therefore he should be trusted to perform his job. A service manager should be the one making decisions on whether to initiate a door-to-door program because she would know the distribution of her customers, local road conditions, and departmental operations. A service rep would know how to handle saying goodbye to his customers, including exactly how best to wave his hands (they are his hands after all). A general manager would know how best to make her customers happy, whether she should have tea or coffee with her customers every day, once a year, or never. A salesperson should know how to send messages and small gift cards to her customers without spooking them, and whether to respond to her customers' messages in 1.98 or 20.22247 seconds. Our frontline employees are better than us regarding their jobs. It is the job for the two of us to hire responsible and capable adults, build a culture to motivate and retain them, and then stay out of their way.

Between my brother and me, reflections manifest themselves in a brotherly way—yelling and pounding tables. Occasionally we are more civil, merely raising voices and pointing fingers at each other. Through many years of civil or uncivil reflections, debates, and learnings, we have managed to build a culture that is stable and unique. We discovered, promoted, retained, and motivated colleagues who are capable, tough, and reflective. We are lucky to be able to work with them to reflect on our mistakes and to improve based on these reflections. It is worthwhile even though we get bruised egos here and there, are given scores that barely beat coin-tossing, and, occasionally, are told to shut up or go away.

Now that we are in the AI era, coin-tossing is becoming more intelligent. If our shareholders find an AI coin-tossing machine that beats my odds of 63%, we will be glad to buy it to replace us.

Thank you for reading our letter. As always, thank you for your support.

Tao Ye
Fan Ye

MANAGEMENT DISCUSSION AND ANALYSIS

Due to macroeconomic factors, domestic consumption was weaker than expected in China in 2023. This resulted in a certain imbalance between supply and demand within the automobile industry, as end customer demand was insufficient and the automobile brands failed to respond promptly. This forced most of the car dealerships to pursue price concessions to boost sales and cash flow while easing their inventory concerns. Consequently, domestic car sales in China were able to report growth for the Year. According to the data disclosed by China Passenger Car Association, sales volume of passenger vehicles in China reached approximately 21.7 million units in 2023, representing a year-on-year increase of 5.6%. The luxury car segment also witnessed a sales volume of approximately 2.98 million units, marking a year-on-year growth of 10.1%. Yet, the price concessions also significantly compressed the profit margins of car dealerships. Without timely actions and adjustments from the supply side, car dealerships faced great operational and financial challenges. Instead of pursuing scale expansion and financial growth in the past, the industry now places increasing emphasis on cost control, cash flow management, and operational efficiency.

Meanwhile, as the pricing, specifications, and recharge mileage of new energy vehicles became increasingly competitive, the new energy vehicle market also experienced sustained and significant growth in China, signified by its rising sales and market penetration. According to data from the China Passenger Car Association, sales volume of new energy vehicles surged by nearly 36.4% to approximately 7.74 million units, while its market penetration rate also rose by 8.1 percentage points to 35.7%. However, despite the rapid growth, new energy vehicle brands also faced intense competition. In addition to the price concessions offered by leading brands, there was also increasing competition from the traditional brands that previously focused on internal combustion engine ("**ICE**") vehicles. Due to the increasing number of market participants, some brands had to adjust their prices during the Year to maintain competitiveness and market share. For traditional ICE manufacturers and dealerships, it remains to be seen what is the best way, through what brands, and by what business model to embrace the transition to new energy vehicles, especially given the rapidly changing new energy vehicle market, along with its lower average price and margin profile.

BUSINESS AND FINANCIAL REVIEW

During the year ended 31 December 2023 (the "**Year**" or the "**Period**"), despite the challenging operating environment, the Company and its subsidiaries (collectively, the "**Group**") continued to maintain its efficient inventory turnover to ensure financial stability and reduce business uncertainties. In particular, given the lack of purchasing power and visibility in the market, the Group actively drove its inventory turnover to 12 days, as an attempt to speed up cash turnover and reduce inventory level that may represent a greater future loss in a downward-trending market. Meanwhile, the Group was able to deliver solid growth and satisfactory margin performance for its after-sales services. The healthy absorption rate of 116.7%, in turn, has laid a solid foundation for its overall financial performance. On the cost control front, the Group has also exercised caution, with operating expenses (distribution costs, administrative expenses, and finance costs) as a percentage of revenue decreasing by 0.1 percentage points year-on-year to 6.7%. In addition, the Group maintained a healthy balance sheet and cash flow status.

Revenue

The Group recorded a revenue of approximately RMB28,554.6 million (2022: approximately RMB28,654.7 million), representing a slight decrease of approximately 0.3% yoy. In particular, revenue from sales of new passenger vehicles decreased by approximately 3.5% yoy to approximately RMB24,421.2 million (2022: approximately RMB25,297.0 million), accounting for approximately 85.5% (2022: approximately 88.3%) of total revenue. Revenue from after-sales services increased by approximately 23.1% yoy to approximately RMB4,133.4 million (2022: approximately RMB3,357.7 million), accounting for approximately 14.5% (2022: approximately 11.7%) of total revenue.

Cost of Sales

Cost of sales increased by approximately 1.3% from approximately RMB26,137.3 million in 2022 to approximately RMB26,476.6 million for the Year. The increase in cost of sales was mainly due to an increase in cost of sales for after-sales services by approximately 11.8% as a result of its expanding revenue.

Gross Profit

During the Year, gross profit decreased by approximately 17.5% from approximately RMB2,517.5 million in 2022 to approximately RMB2,077.9 million. Overall gross profit margin decreased by approximately 1.5 percentage points to approximately 7.3% (2022: approximately 8.8%). Among which, gross profit margin of sales of new passenger vehicles decreased by approximately 4.0 percentage points to approximately -0.6% (2022: approximately 3.4%), as a result of weakened market demand and price concessions on offer; whereas gross profit margin of after-sales services increased by 4.7 percentage points to approximately 53.7% (2022: approximately 49.0%).

Costs and Expenses

During the Year, the Group incurred the following additional expenses in relation to the acquisition of seven Porsche stores (through the acquisition of Starchase Motorsports Limited) and associated financing in 2022: 1) amortized interest expenses of approximately RMB108.7 million for the liability portion of the HK$2,750,000,000 zero-coupon convertible bonds due 2027 issued by Sail Vantage Limited (a wholly-owned subsidiary of the Company) and guaranteed by the Company (the "**Convertible Bonds**") using effective interest method; 2) amortized cost recorded in administrative expenses of approximately RMB153.1 million for the relevant dealership right (2022: approximately RMB102.1 million). As the Group completed such acquisition in April 2022, the corresponding expenses in 2022 only represent an eight-month period, setting a low base for 2022 when comparing with the higher, full year expenses in 2023. In addition, the Group also incurred the following expenses during the Year: 1) withholding tax on dividend in respect of dividends paid by subsidiaries in Mainland China to foreign controlling company amounted to approximately RMB80.5 million (2022: approximately RMB42.5 million); 2) litigation expenses recorded in administrative expenses of approximately RMB59.0 million in relation to the settlement of legal disputes involving certain investments made by certain subsidiaries of the Group prior to the year of 2022; 3) impairment of goodwill and dealership of approximately RMB43.5 million and RMB18.0 million, respectively. Overall, total expenses reported a decrease during the Year due to effective cost control, of which distribution costs amounted to approximately RMB763.6 million, accounting for 2.7% of total revenue, representing a decrease of 0.3 percentage points as compared to 3.0% for the same period of last year. Administrative expenses amounted to approximately RMB846.7 million, accounting for 3.0% of total revenue, representing a slight increase of 0.2 percentage points from 2.8% for 2022 due to the litigation expenses and amortized cost of dealership right recorded in 2023 as mentioned above. Finance costs amounted to approximately RMB291.2 million, accounting for 1.0% of total revenue, which stayed relatively flattish as 2022.

More information about the impairment is set out in Notes 14 and 15 of the consolidated financial statements in this Annual Report. The Company considers the valuation method adopted aligns with prevailing market practice observed.

Taxation

During the Year, the Group's income tax expenses amounted to approximately RMB228.7 million, representing a decrease of approximately 25.7% as compared to approximately RMB307.6 million for the same period of last year. The decrease in income tax expenses was mainly due to the decrease in profit before tax.

Profit for the Year

During the Year, the gross profit margin of new car sales was affected by the fierce competition in the market as a whole, together with the additional aforesaid additional expenses incurred, the Group's profit for the Year decreased by approximately 72.0% yoy to approximately RMB155.8 million (2022: approximately RMB555.9 million). Profit margin also decreased by 1.4 percentage points from approximately 1.9% to approximately 0.5%.

Dividend

The interim dividend for 2023 was RMB0.0087 per ordinary share of the Company ("**Share**"). The Board recommended a final dividend of RMB0.0330 per Share for the year ended 31 December 2023 (2022: RMB0.1170 per Share). Taking into account the final dividend recommended, the dividend paid for the Year amount to RMB0.0417 per Share (2022: RMB0.1978 per Share), representing a payout ratio of approximately 40% (2022: 50%). See also "Report of the Directors - Results and Final dividend" for further information about the final dividend recommended (including its conditions and book closure information).

Joint Venture

For the year ended 31 December 2023, share of profit of a joint venture amounted to approximately RMB20.5 million, representing a decrease of approximately 18.0% as compared to approximately RMB24.9 million for 2022.

New Passenger Vehicles Sales

During the Year, amid the uncertain and challenging market environment, the Group's new passenger vehicle sales recorded a slight decrease, with revenue reaching approximately RMB24,421.2 million (2022: approximately RMB25,297.0 million), representing a decrease of approximately 3.5% as compared to the same period of last year. Sales of premium brand vehicles remained the major revenue contributor, accounting for approximately 88.3% of new passenger vehicles sales revenue. In particular, the sales of new passenger vehicles of Porsche, BMW and Lexus amounted to approximately RMB10,439.7 million, RMB7,753.8 million and RMB3,343.1 million respectively, accounting for approximately 42.7%, 31.8% and 13.7% of new passenger vehicles sales revenue, respectively. In terms of sales volume, benefiting from the Group's efficient operations and low inventory strategy, the Group's sales volume remained largely stable, with a total of 66,370 new passenger vehicles sold during the Year (2022: 67,871 units). Porsche, BMW and Lexus recorded sales volume of 12,291 units, 23,329 units and 11,330 units, respectively.

After-Sales Services

During the Year, riding on the expanding customer base and after service services enhancement strategy which has been adopted since the second half of 2023, the Group's after-sales service delivered healthy growth despite the challenging operating environment. After-sales services revenue reached approximately RMB4,133.4 million, representing an increase of approximately 23.1% as compared to the same period of last year (2022: approximately RMB3,357.7 million). The total number of vehicles served was 772,888 units, representing an increase of approximately 9.4% yoy. The gross profit margin from after-sales services remained at a healthy level of 53.7% (2022: 49.0%).

Current Network

During the Year, the Group explored opportunities in NEVs by opening two new after-sales service centers for Tesla. As at 31 December 2023, the Group has 78 self-operated stores situated in provinces and cities such as Beijing, Hebei, Hubei, Hunan, Jiangxi, Fujian, Guangdong, Gansu and Anhui, including a joint venture operated by the Group and two after-sales service centers for Tesla.

As at 31 December 2023, the number of stores operated by the Group was as follows:

Number of stores under operation	2023	2022	Change
Porsche	**16**	16	–
BMW	**27**	27	–
Lexus	**20**	20	–
Toyota	**12**	12	–
Audi	**1**	1	–
Tesla after-sales service center	**2**	0	+2
Total	**78**	76	+2

Liquidity, Financial Resources and Position

As at 31 December 2023, total equity of the Group amounted to approximately RMB5,286.1 million (31 December 2022: approximately RMB4,433.8 million). Its current asset amounted to approximately RMB6,372.7 million (31 December 2022: approximately RMB5,888.5 million), and current liabilities amounted to approximately RMB4,447.4 million (31 December 2022: approximately RMB4,873.7 million).

As at 31 December 2023, the Group's loans and borrowings amounted to approximately RMB1,444.4 million (of which RMB1,191.3 million bore interest at fixed rates), representing a decrease of approximately 24.2% as compared to approximately RMB1,906.7 million as of 31 December 2022. Of which, short-term loans and borrowings as at 31 December 2023 amounted to approximately RMB1,244.9 million, while long-term loans and borrowings amounted to approximately RMB199.5 million, along with convertible bonds amounting to RMB2,206.8 million (31 December 2022: approximately RMB2,274.9 million). The gearing ratio (being the sum of loans and borrowings, convertible bonds payable and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 97.7% as at 31 December 2023 (31 December 2022: approximately 131.9%).

As at 31 December 2023, cash and cash equivalents, fixed deposits with more than three months to maturity when placed and pledged bank deposits amounted to approximately RMB2,361.7 million, RMB561.9 million and RMB971.5 million, respectively. Most of the cash and cash equivalents, fixed deposits with more than three months to maturity when placed and pledged bank deposits were denominated in Renminbi, USD and Hong Kong dollars. Apart from part of the cash and fixed deposits with more than three months to maturity when placed that are denominated in USD and Renminbi in overseas companies, the Group's business operations are located principally in China and a majority of its transactions are denominated in Renminbi. Therefore, the Group expects that its foreign exchange risks will have a minimal effect on the Group and have no material adverse effect on its normal operations. During the Year, the Group did not employ any significant financial instruments such as forward foreign exchange contracts, nor did it employ any financial instruments for hedging purposes. The management of the Company closely monitors its foreign exchange risks, and will consider hedging significant foreign exchange risks when necessary.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal cash flow, financing agreements with banks and financing companies of automobile manufacturers, and proceeds from equity financing. The Group has adequate financial resources to meet all contractual obligations and operating requirements.

Contingent Liabilities

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

Significant Investments, Material Acquisitions and Disposals

The Group did not hold any significant investments, and did not make any material acquisitions nor disposals of subsidiaries, associates or joint ventures during the Year. There were no future plans for material investments or capital assets which have been approved by the Board as of the date of this Annual Report.

Pledged Assets of the Group

As at 31 December 2023, the Group pledged property, plant and equipment, right-of-use assets, inventories, trade and other receivables, and pledged bank deposits of approximately RMB229.5 million in aggregate (31 December 2022: approximately RMB127.7 million) to secure certain bills payable, loans and borrowings.

Non-HKFRS Financial Measures is No Longer Presented

Unlike in 2022, the Company will not present non-GAAP measure in this Annual Report, i.e. profit for the year excluding non-operating expenses will no longer be disclosed or used. Profit for the year excluding non-operating expenses is a non-GAAP financial measure designed to remove the impact of non-operating items. Considering the difficulty in meeting the enhanced disclosure requirements in the guidance letter issued by the Stock Exchange for listed companies on the presentation of non-GAAP measures, the Company will not present the profit for the year excluding non-operating expenses in this Annual Report.

SIGNIFICANT EVENTS

Top-up placing of existing shares and subscription of new shares under general mandate

On 4 January 2023, the Company, Apex Sail Limited ("**Apex Sail**", a controlling shareholder of the Company under the Listing Rules) and Citigroup Global Markets Limited (as the placing agent) (the "**Placing Agent**") entered into the placing and subscription agreement, pursuant to which (i) Apex Sail agreed to sell, and the placing agent agreed, as Apex Sail's agent, to procure not less than six placees (being professional, institutional or other investors who were independent third parties) to purchase (or failing which, to purchase itself) a total of 68,000,000 Shares at the placing price of HK$15.05 per Share; and (ii) Apex Sail agreed to subscribe as principal for, and the Company agreed to issue to Apex Sail, 68,000,000 subscription Shares (equivalent to the number of placing Shares, with an aggregate nominal value of HK$6,800,000) at the subscription price of HK$15.05 per Share (equivalent to the placing price), in each case on the terms and conditions set out in that agreement. The closing price as quoted on the Stock Exchange on 4 January 2023 (being the date on which the subscription price was fixed), was HK$17.14 per Share. The net price under the subscription as calculated based on the net proceeds received by the Company was approximately HK$14.89 per Share. The Board considers that the placing and the subscription represent an opportunity to raise additional funds to strengthen the financial position, to enlarge the Shareholders' equity and capital base of the Company in support of a sustainable overall development and expansion of the Company. See also the announcement of the Company dated 4 January 2023.

SHARE ALLOTMENTS AND STATUS ON USE OF PROCEEDS

The Company received net proceeds of approximately HK$1,012 million after deducting placement cost in respect of the allotment of new shares described in "– Top-up placing of existing shares and subscription of new shares under general mandate" above. These proceeds have not yet been utilised during the Year. Set out below is the intended use of such proceeds and its status as at the end of the Year:

Intended use of net proceeds	**Percentage of total net proceeds of such issue** (approximately)	**Unutilised proceeds as at 31 December 2023** (in HK$ million)
Proceeds from issue in January 2023		
Business expansion (including strategic investments and acquisitions)	50%	506
Working capital and other general corporate purposes	50%	506
Total	100%	1,012

Note: The Company intends to utilise the proceeds within three years from the date of allotment. The expected timeline for utilising the proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

During the Year, upon exercise of share options under the employee's share option scheme, 1,455,000 Shares were issued at an aggregate exercise price of approximately RMB5.5 million. Please refer to "Report of the Directors – Share option scheme" for more information about use of proceeds so obtained. Please also refer to "– Convertible Bonds" below for allotment of shares to holder(s) of Convertible Bonds upon exercise of the conversion rights attached to Convertible Bonds during the Year.

CONVERTIBLE BONDS

During the Year:

(A) Convertible Bonds in the principal amount of HK$10 million were exercised at the then prevailing conversion price of HK$45.4881 per Share. 219,837 Shares (with an aggregate nominal amount of approximately HK$21,984) were issued accordingly. No additional proceeds were raised; and

(B) Convertible Bonds in the aggregate principal amount of HK$231 million (including HK$110 million in September and HK$121 million in December, representing approximately 8.40% of the principal amount of the Convertible Bonds initially issued) were repurchased by the Company (and cancelled accordingly) in accordance with the terms of the Convertible Bonds from sellers sourced from the open market, at the aggregate repurchase price of approximately HK$214 million.

As of 31 December 2023, the principal amount of the Convertible Bonds outstanding were HK$2,509 million, which carried rights to convert into 56,056,767 Shares based on the prevailing conversion price of HK$44.7582 per Share (adjusted with effect from 4 August 2023 for share placement and distribution of final dividend for the year ended 31 December 2022).

The closing price of the Shares as quoted on the Stock Exchange on 5 January 2022 (the date on which the initial conversion price was fixed) was HK$39.35 per Share. The net price based on the net proceeds was approximately HK$45.72 per Share assuming full conversion at the initial conversion price of HK$46.74 per Share and was approximately HK$44.58 per Share assuming full conversion at the conversion price of HK$45.4881 at which conversion was made during the Year. All proceeds from the issue of the Convertible Bonds were utilised prior to the Year.

Assuming that all the outstanding principal amount of the Convertible Bonds were exercised and 56,056,767 Shares were issued at the prevailing conversion price of HK$44.7582 per Share, the shareholding of Apex Sail Limited, the single largest shareholder of the Company as of 31 December 2023 would have been decreased from approximately 52.29% to 50.20% (assuming there being no change other than the allotment of Shares from full conversion).

An analysis of the Company's Share price at which it would be equally financially advantageous for the holders of the Convertible Bonds to convert or redeem the Convertible Bonds based on their implied internal rate of return at a range of dates in the future is set out below:

Relevant date and event	Share price of the Company at the relevant date
13 January 2025 (i.e. the date when the CB Issuer will, at the option of the holder of any Convertible Bonds, redeem such bonds at 106.9428% of their principal amount)	106.9428% of the then adjusted conversion price (subject to adjustments) of the Convertible Bonds
13 January 2027 (i.e. the maturity date when the CB Issuer will redeem the Convertible Bonds at 111.8370% of their principal amount)	111.8370% of the then adjusted conversion price (subject to adjustments) of the Convertible Bonds

Save as the above, no conversion rights was exercised, and no redemption, purchase or cancellation of the Convertible Bonds by the Company or its subsidiaries took place during the Year.

Up to the date of this Annual Report, an aggregate principal amount of HK$315 million of the Convertible Bonds (the "**Repurchased Bonds**", representing approximately 11.45% of the aggregate principal amount of the Convertible Bonds initially issued) have been repurchased. Repurchases were executed through over-the-counter market in accordance with the terms and conditions of the Convertible Bods. The Repurchased Bonds carried rights to convert into 7,037,816 (round down to the nearest whole number of Shares) Shares (based on the prevailing conversion price of HK$44.7582 per Share). The Board is of the view that the purchase of the Repurchased Bonds had no material adverse effect on the financial position of the Company. The Repurchased Bonds have been cancelled as of the date of this Annual Report. The Group, if it considers appropriate from time to time, may conduct further cash purchase of outstanding Convertible Bonds through open-market purchases, negotiated transactions or otherwise in accordance with the terms and conditions of the Convertible Bonds, which permit or require such purchase without prior agreement of or notice to the other holders of the Convertible Bonds. Such repurchases, if any, will be upon such terms and at such prices as may be determined depending on prevailing market conditions, the Group's liquidity, and other factors. The amounts involved may be material.

As of the date of this Annual Report, principal amount of HK$2,425 million of the Convertible Bonds remains outstanding, and accordingly, 54,180,016 Shares may be issued based on the prevailing conversion price of HK$44.7582 per Share (subject to adjustment). The Company currently does not foresee substantive obstacle on its ability to meet its obligations under the Convertible Bonds as and when they fall due.

The computation of diluted earnings per Share for the Year does not assume the conversion of the Convertible Bonds since its exercise had anti-dilutive effect that would result in an increase in earnings per share for the years ended 31 December 2023 and 2022. More information relating to the Convertible Bonds is set out in Notes 11(b), 26, 30(b) and 34(b) of the consolidated financial statements in this Annual Report, the paragraph headed "– Liquidity, financial resources and position" on pages 16 to 17 above, and the Company's announcements dated 6 January 2022, 5 August 2022 and 24 January 2024.

PROSPECTS

Looking ahead to 2024, factors such as uncertain macroeconomic outlook and intense competition in the automotive industry are expected to bring sustained and significant uncertainties to the sector. On one hand, the Group will strive to maintain its efficient turnover, focus on improving the profitability of its new passenger car sales and after-sales services businesses, and at the same time, maintain a low inventory level to mitigate the risk of incurring larger future losses. On the other hand, considering the Group's relatively low average store age, the Group will actively expand its after-sales service business through boosting customer foot traffic and conversion rates, in the hope to improve its absorption rate, thus laying the solid foundation for future operations and financial performance.

In response to the rapid development of the new energy vehicles in recent years, the Group will also explore market opportunities using a light-asset and low-risk approach, selling new energy vehicle models from its existing luxury brands and providing corresponding aftersales services. Meanwhile, the two Tesla after-sales service centers, which officially commenced operation during the Year, also reported stable performance. That would offer the Group with the necessary exposure and experience to further develop its after-sales service business for new energy vehicles in the future.

To maintain its agility in face of the dynamic market, the Group will continue to adhere to its prudent and cautious approach, maintaining sufficient cash on hand, and flexibly utilizing its capital to evaluate potential merger and acquisition opportunities and other future development needs. The Group will also proactively reduce its debt level by gradually repaying certain loans and convertible bonds, so as to lower its gearing ratio and finance costs, yielding a more streamlined and efficient balance sheet that is suitable for sustainable development.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YE Fan *(Chairman)*

Mr. YE Fan (葉帆), aged 52, is the founder of the Group. He is the younger brother of Mr. YE Tao, and is the Chairman and an executive Director of the Company. He is primarily responsible for supervising the operations of the Group, planning its business and marketing strategies and overseeing the external relationship with banks, government and other business partners. Mr. YE Fan was awarded a Bachelor's degree in Inorganic Non-metallic Materials (無機非金屬材料) from South China University of Technology (華南理工大學) in July 1993. He is a non-permanent Hong Kong resident.

As the founder of the Group, Mr. YE Fan started his career in the automobile sector by joining an automobile distributor in Dongguan, the PRC as general manager from 1995 to 1998. In 1999, he set up 東莞市聚成汽車技術服務有限公司 (Dongguan Jucheng Auto Technical Services Co., Ltd.*) (a private company based in Dongguan, Guangdong which was principally engaged in the automobile distribution business) with a partner. In April 2003, Mr. YE Fan set up 東莞市冠豐汽車有限公司 (Dongguan Guanfeng Auto Co., Ltd.*) ("**Dongguan Guanfeng**"), which is the first member of the Group. This 4S dealership store was opened in May 2004 and held 4S distributorship for 北京現代汽車有限公司 (Beijing Hyundai Motor Company*) vehicles. Before the establishment of 廣東大東汽車集團有限公司 (Guangdong Dadong Auto Group Co., Ltd*) ("**Dadong Group**") in 2007, he made investments in a few enterprises (including members of the Group) which were principally engaged in automobile distribution of various brands. Following the establishment of Dadong Group in 2007, which has been solely owned by Mr. YE Fan, Dadong Group has been making investments in 4S dealership stores of various brands.

Since 2003, Mr. YE Fan has been acting as a director of Dongguan Guanfeng and various PRC members of the Group and has been responsible for supervising their daily operations and planning their business strategies. Mr. YE Fan is currently a director of each of the subsidiaries of the Company and the chairman of the Nomination Committee.

Mr. YE Tao *(Chief Executive Officer)*

Mr. YE Tao (葉濤), aged 57, is the elder brother of Mr. YE Fan. He is an executive Director and the Chief Executive Officer of the Company. He is primarily responsible for overseeing the daily operations and management of the Group, planning its business and marketing strategies and supervising investor relationship. Mr. YE Tao was awarded a Bachelor's degree in Mechanics (力學) from Peking University (北京大學) in July 1989. He also obtained a Master of Science degree in Mechanical Engineering and a Master of Science degree in Management, both from Massachusetts Institute of Technology, in June 1996.

Before he joined the Group, Mr. YE Tao worked for Objectiva Software Solutions (Beijing) Inc. (奧博傑天軟件(北京)有限公司) as the chief executive and legal representative overseeing the overall operations of such company, and in Document Sciences Corporation as the general manager of Asian Operations overseeing the management and operations in the Asia.

In 2008, Mr. YE Tao was invited by Mr. YE Fan to work in the Group as the Chief Executive Officer. Since then, he has been working together with Mr. YE Fan closely in the expansion of the Group's business.

Ms. LUO Liuyu

Ms. LUO Liuyu (羅劉玉) ("**Ms. Luo**"), aged 40, is an executive Director of the Company. She has been the vice president of human resources and administration unit of the Group's company, Dongguan Meixin Business Consulting Co., Ltd, primarily responsible for the overall human resources management and planning of the Group, including recruitment, job allocation, training, formulating remuneration and fringe benefit policies, etc. Ms. Luo joined the Group as a finance supervisor in September 2007 and was then in charge of the management of the finance department, including fund and assets management, internal auditing, costs control management and financial statements preparation. Before Ms. Luo joined the Group, she worked for Dongguan Zhicheng Trading Company Limited as accounting supervisor, taking charge of the daily operations of finance department and other accounting functions. Ms. Luo completed a three-year professional study programme in Finance in Dongguan University of Technology in 2007 and a financial management degree from Peking University in 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG, Michael Chou

Mr. WANG, Michael Chou (王炬) ("**Mr. Wang**"), aged 54, was appointed as an independent non-executive Director with effect from 22 June 2015. Mr. Wang was awarded a Master of Business Administration by the Wharton School of Business at the University of Pennsylvania in 1997 and a Bachelor of Arts from Southwestern University in 1992. He is currently the managing partner and president of Abax Global Capital. Mr. Wang is responsible for the overall business management and investment activities at Abax and also focuses on the management of portfolio companies. Mr. Wang is a member of the fund's investment committee and is the Chairman of such firm's operating committee.

Mr. Wang has over 21 years of professional advisory experience in the PRC. Prior to joining Abax, Mr. Wang was a Senior Partner in McKinsey & Company's Shanghai office, where he was a leader in its China energy, and industrial practices. As head of the McKinsey Shanghai office, which is now amongst McKinsey's top 10 largest offices globally, he oversaw its growth from 100 to 300 professionals. Mr. Wang is a known expert for performance turnaround at Chinese companies, both state-owned and private. He has assisted numerous Chinese clients to improve their performance via growth strategy, operational enhancement and organizational restructuring. Mr. Wang has published numerous articles in International and Chinese media on the performance improvement topic and has been a frequent speaker and guest lecturer at government (including those for State-Owned Assets Supervision and Administration Commission of the State Council and National Development and Reform Commission in the PRC) and industry forums in the PRC and abroad.

Mr. Wang is the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee.

Mr. CHEN Guiyi

Mr. CHEN Guiyi (陳規易) ("**Mr. Chen**"), aged 45, was appointed as an independent non-executive Director with effect from 1 April 2017. From September 1997 to July 2001, Mr. Chen studied at the China Youth University of Political Science where he obtained a bachelor's degree in legal studies. From September 2003 to July 2004, he studied at the University of Groningen of the Netherlands where he obtained a master's degree in laws. From July 2001 to September 2005, he has been an associate director at the newspaper office of Beijing Times of People's Daily. From October 2005 to September 2020, he was one of the partners and lawyers of the law firm, Jingtian & Gongcheng in Beijing and Chengdu, the PRC. From March 2016 to September 2020, he was one of the partners of W&G Investment Management Co., Ltd. From August 2017 to September 2020, he was one of foreign legal consultants of the law firm, Loeb & Loeb LLP in Hong Kong. Since October 2020, he has been a Managing Director of Centurium Capital Management (HK) Ltd. Mr. Chen has ample experience in the capital market, specializing in both the domestic and overseas capital market.

Mr. Chen is a member of each of the Audit Committee and the Remuneration Committee.

Mr. TO Siu Lun

Mr. TO Siu Lun (杜紹麟) ("**Mr. To**"), aged 55, was appointed as an independent non-executive Director with effect from 30 November 2022. Mr. To is a member of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants and an associate of The Taxation Institute of Hong Kong. He worked at RSM Hong Kong (formerly known as RSM Nelson Wheeler) from March 2003 to March 2019, first as a tax director and became a partner since January 2005. Since March 2019, he has been a partner at ORI Capital Limited (a corporation licensed under the Securities and Futures Ordinance to conduct type 9 regulated activity (asset management) since January 2020). Mr. To is currently a director of ICO Strategy Limited, an independent director of Resverlogix Corp. (the shares of which are listed on the Toronto Stock Exchange (TSX: RVX)), a director of ORI Capital II Inc., an independent non-executive director of Combine Will International Holdings Limited (the shares of which are listed on the Singapore Exchange Securities Trading Limited, SGX: N0Z) and an independent non-executive director of Autotoll Limited. He was an executive director of Digitel Group Limited from November 2001 to March 2002.

Mr. To was conferred a bachelor's degree in social science by the University of Hong Kong in 1990, and was conferred a master of arts in training and human resource development by the University of Technology, Sydney in July 2005.

Mr. To is the chairman of the Audit Committee, and is a member of each of the Remuneration Committee and the Nomination Committee.

SENIOR MANAGEMENT

Ms. YUAN Ying

Ms. YUAN Ying (袁英) ("**Ms. Yuan**"), aged 43, is our Financial Controller and is responsible for the overall financial planning and management of the Group. Ms. Yuan joined the Group in May 2010 as Finance Manager and was in charge of the Finance Department. She was then responsible for the Group's asset management, internal audit, cost control and formulating of financial statements, etc. Ms. Yuan is an accountant and obtained the qualification of accountant by the Ministry of Finance of the PRC in May 2007. Prior to joining the company, she worked for Yong Feng Footwear (Bao An) Company Limited as finance supervisor in charge of audit of the Finance Department.

Ms. WANG Feixue

Ms. WANG Feixue (王飛雪) ("**Ms. Wang**"), aged 43, is our vice president of sales and marketing unit. Currently, she is primarily responsible for the overall management of the sales and marketing functions of the Group. Ms. Wang completed a two-year professional study programme in Chinese language and literature in Henan Broadcast Television University. Ms. Wang joined the Group as a sales consultant in July 2004 and was then in charge of sales of new vehicles. Ms. Wang left the Group in July 2006, then rejoined the Group as a corporate planning manager in July 2007. Before Ms. Wang rejoined the Group in July 2007, she worked for Dongguan Zhicheng Trading Company Limited as the sales manager, and was in charge of managing the sales department.

Ms. CHEN Saijin

Ms. CHEN Saijin (陳賽金) ("**Ms. Chen**"), aged 43, is our vice president of purchasing and projects unit. Currently, she is primarily responsible for the overall procurement of the Group and supervising internal control matters. Ms. Chen was granted a technical certificate in computer software profession by the Guangdong Labour and Social Security Bureau. Ms. Chen also completed a three-year professional study programme in Accounting in Renmin University of China (中國人民大學) through Internet learning. Ms. Chen joined the Group as an accounting officer in October 2004 and was then in charge of the accounting function of the finance department. Before Ms. Chen joined the Group, she worked for Dongguan Hongyan Vehicle Trading Company Limited as the deputy manager of finance department, taking charge of the auditing of costs and other finance matters.

Please also refer to the Report of the Directors and the Corporate Governance Report in this Annual Report, including the paragraph headed "Directors' interests or short positions in shares and underlying shares" and "Directors' Service Contracts" for further information about our Directors and senior management.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting the Report of the Directors and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in automobile dealership business authorized by the respective automobile manufacturers of particular brands in the PRC including the sale of new passenger cars, spare parts, service and survey. Particulars of the subsidiaries are set out in note 16 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are provided in the section "Letter to Shareholders" and "Management Discussion and Analysis" of this Annual Report. The financial risk management objectives and policies of the Group can be found in note 30 to the consolidated financial statements.

Particulars of important events affecting the Group that have occurred since the end of the financial Year are provided in page 44 of this section and note 34 to the consolidated financial statements of this Annual Report. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the "Five-Year Financial Summary" on page 180 of this Annual Report.

Principal risks and uncertainties

The industry we operate in and our performance are influenced by our authorised dealership, evolvement of technology, stability of supply, customers' preference, and regulatory requirements. We may also be affected by risks in daily operations such as interest rate fluctuation and liquidity, and external circumstances such as global and national macroeconomic conditions, governmental policies and regulations, force majeure, public health crisis, prevention and control measures.

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Customers, suppliers and employees have a significant impact on the Group and its success. The Group places importance on maintaining good relationship with them.

Diversified Customers – The Group's customer base is diversified, as the Group provides goods and services to vast amount of individual customers. It has always been the Group's focus to understand the challenges, needs and behaviour of its customers. The Group has put in place various after-sales service initiatives with the aim to improve customer return ratio.

Our Employees – This Group views employees as our capital and core of development. We have always endeavoured to guarantee the entitlements of our employees, and have strived to provide them with a secure working environment, so that they can grow with the Group.

Engaging with Suppliers – The Group deemed its suppliers as partners, and endeavoured to keep a long-term and friendly relationships with them. The Group has developed strong relationships with certain leading international automobile manufacturers and their PRC joint ventures. The Group's proven ability to generate sales and to service its customers efficiently and to grow new markets for the automobile manufacturers with whom the Group deal with helps strengthen the on-going relationships with these manufacturers and provides the Group with credibility to attract new manufacturers and apply for dealerships selling their brands when such expansion is strategically desirable.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations.

The Group has developed environmental protection measures and policies to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust etc. in the course of production or other activities in accordance with the applicable environmental laws and regulations.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental activities which benefit the community.

Please also refer to the Company's Environmental, Social and Governance ("**ESG**") Report the Group's environmental policies and performance and its compliance with the relevant laws and regulations in the environmental and social aspects during the Year.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on its business and operation during the Year.

RESULTS AND FINAL DIVIDEND

The results of the Group for the Year and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 74 to 179 of this Annual Report.

The Board recommended the payment of a final cash dividend of RMB0.0330 per Share for the Year (2022: RMB0.1170 per Share) to the Shareholders whose names are on the register of members of the Company on 21 June 2024 (Friday). The declaration and payment of the final dividend is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands. Subject to the fulfillment of the above conditions, the final dividend will be paid in cash in Hong Kong dollars, calculated based on an exchange rate to be announced by the Company in due course. Based on the number of Shares in issue as at the date of this Annual Report, a total amount of dividend of approximately RMB44.4 million is expected to be distributed. It is expected that the cheques for cash dividends will be sent by ordinary mail to shareholders at their own risk on 21 August 2024 (Wednesday).

The conversion price of the Convertible Bonds may be adjusted due to the declaration of the final dividend pursuant to condition 6(c)(3) of the terms and conditions of the Convertible Bonds (published by the Company on 14 January 2022) after the determination of the applicable exchange rate for payment of the final dividend. If any adjustment is required, the Company will make further announcement following the determination of the exchange rate for the final dividend.

Please also refer to the Company's announcement dated 27 March 2024 and the notice of AGM for further information about the arrangements on closure of register of members in order to be entitled to attend the AGM, and to the final dividend, respectively.

There is no arrangement that a shareholder has waived or agreed to waive any dividend so far as the Company is aware of.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity set out on page 78 of this Annual Report.

The Company's reserves available for distribution to the Shareholders as at 31 December 2023 amounted to RMB2,706,060,000 (31 December 2022: RMB1,348,940,000), subject to the applicable statutory requirements under the laws of the Cayman Islands.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the five financial years ended 31 December 2023 is set out on page 180 of this Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the ESG information in accordance with the ESG Reporting Guide in Appendix C2 to the Listing Rules, the Company has engaged an external consultant to identify material ESG issues of the Group and assist in the reporting of the Group's performance based on its ESG management approach, strategy, priorities and objective. The ESG report has been published on the website of the Company and the Stock Exchange on the same date.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant, equipment of the Group during the Year are set out in note 12 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holdings in the Company's securities.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the Year are set out in note 29(c) to the consolidated financial statements.

DIRECTORS

The Directors during the Year and up to the date of this Annual Report were as follows:

Executive Directors

Mr. YE Fan *(Chairman)*
Mr. YE Tao *(Chief Executive Officer)*
Ms. LUO Liuyu

Independent Non-Executive Directors

Mr. CHEN Guiyi
Mr. TO Siu Lun
Mr. WANG, Michael Chou

The biographical details of the Directors and senior management of the Company are set out on pages 22 to 26 of this Annual Report.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

Directors' Service Contracts

The Company has entered into letter of appointment with each of its executive Directors and its non–executive Directors, whose term of service shall continue unless and until terminated by either party by giving not less than three months' notice in writing to the other party, and subject to rotation and re-election pursuant to the Company's Articles of Association.

Save as disclosed above, no Director proposed for re-election at the AGM has service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of emoluments of the Directors are set out in note 8 to the consolidated financial statements.

Mr. TO Siu Lun is entitled to a director's fee of HK$180,000 per annum, and each of Mr. CHEN Guiyi and Mr. WANG, Michael Chou is entitled to a director's fee of HK$100,000 per annum pursuant to their respective letter of appointment. Save for Director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Resolutions will be proposed at the AGM for the Shareholders to consider authorising the Board to fix the Directors' remuneration. Other emoluments are determined by the Board with reference to the recommendations from the Remuneration Committee taking into account the directors' duties, responsibilities and performance and the results of the Group. There is no arrangement under which a Director has waived or agreed to waive any emoluments. Please also refer to the paragraph headed "Emolument Policy" below.

Interests in Contracts

Other than as disclosed in this Annual Report or note 32 to the consolidated financial statements, at the end of, or at any time during the Year, (i) no transaction, arrangement or contract of significance in which a Director or an entity connected with a Director is or was materially interested, whether directly or indirectly, subsisted, (ii) no contract of significance between the Company or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries subsisted, and (iii) no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted.

Competing Business

Save as disclosed in this Annual Report, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests in any business (apart from the Group's business), which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Year and up to the date of this Annual Report.

Directors' Interests or Short Positions in Shares and Underlying Shares

As at 31 December 2023, the interests and short positions of the Directors and chief executive in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

Long Positions or Short Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Interest in shares (Long position)	Interest in underlying shares pursuant to share options [3]	Approximate percentage of shareholding
YE Fan [1]	Interest of controlled corporation	703,916,000	–	52.29%
YE Tao	Beneficial owner	2,000,000	2,000,000	0.30%
LUO Liuyu	Beneficial owner	48,000	415,000	0.03%
CHEN Guiyi	Beneficial owner	750,000	250,000	0.07%
WANG Michael Chou	Beneficial owner	188,000	500,000	0.05%

Note:

(1) Mr. YE Fan is the settlor of the Ye Family Trust, a revocable discretionary family trust. The entire capital of Apex Holdings Enterprises Limited ("**Apex Holdings**") is an asset of such family trust, and Apex Holdings in turn holds the entire issued share capital of Apex Sail Limited ("**Apex Sail**"). Apex Sail directly holds 703,916,000 Shares and by virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares held by Apex Sail.

(2) The percentage is calculated based on the total number of issued shares as at 31 December 2023, being 1,346,247,201.

(3) Details of the Directors' interests in share options granted by the Company are set out in "Share Option Scheme" below.

Directors' Rights to Acquire Shares

Save for share options granted by the Company to certain Directors under the Company's share option scheme (the "**SOS**" or "**Share Option Scheme**", as further detailed in "Share Option Scheme" below), as of 31 December 2023, none of the Directors and chief executives had any interests or short positions in the shares, or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Arrangements to Purchase Shares or Debentures

Other than the SOS, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement whose objects are (or one of whose objects is) to enable the Directors to acquire benefits by means of the 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, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2023, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following Shareholders (other than the Directors or chief executives of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of shareholding
Substantial Shareholders			
Apex Sail (2)	Beneficial owner	703,916,000 (L)	52.29%
Apex Holdings (2)	Interest in a controlled corporation	703,916,000 (L)	52.29%
IQ EQ (Switzerland) Limited (2)	Trustee	703,916,000 (L)	52.29%
HU Huanran (3)	Interest of spouse	703,916,000 (L)	52.29%
Other persons			
FIL Limited (4)	Interest of controlled corporation	94,278,260 (L)	7.00%
Pandanus Partners L.P. (4)	Interest of controlled corporation	94,278,260 (L)	7.00%
Pandanus Associates Inc. (4)	Interest of controlled corporation	94,278,260 (L)	7.00%
Brown Brothers Harriman & Co.	Approved lending agent	81,256,661 (L)	6.04%
		81,256,661 (P)	6.04%
Fidelity Funds	Beneficial owner	67,970,000	5.05%

Notes:

(1) The percentage is calculated based on the total Shares in issue as at 31 December 2023, being 1,346,247,201. (L) denotes long position, (P) denotes lending pool.

(2) Apex Sail is wholly owned by Apex Holdings. The entire issued share capital of Apex Holdings is wholly owned by IQ EQ (Switzerland) Limited as the trustee of the Ye Family Trust. The Ye Family Trust is a revocable discretionary family trust founded by Mr. YE Fan as the settlor. The Ye Brothers and certain of their family members are the discretionary objects of the Ye Family Trust.

(3) Mr. YE Fan is the settlor of the Ye Family Trust. By virtue of the SFO, Mr. YE Fan is deemed to be interested in the Shares of Apex Sail. Mr. YE Fan's spouse, Ms. HU Huanran, is deemed to be interested in such shareholding interests of Mr. YE Fan by virtue of the SFO.

(4) Based on the notification provided to the Company:

Pandanus Associates Inc. 100% controlled Pandanus Partners L.P., who in turn, controlled 39.6% of FIL Limited. Based on the notification to the Company: FIL Limited 100%-controlled FIL Financial Services Holdings Limited ("**FIL-FSHL**"). FIL-FSHL had indirect interest in 93,894,260 Shares (it 100%-controlled FIL Investment Management (Hong Kong) Limited (with direct interest in 8,386,000 Shares); it 100%-controlled FIL Investment Management (Singapore) Limited (with direct interest in 85,508,260 Shares); it 100%-controlled FIL Fund Management Limited (with indirect interest in 76,060,000 Shares); it 100%-controlled FIL Holdings (UK) Limited ("**FIL-UK**") (with indirect interest in 17,834,260 Shares). FIL-UK 100%-controlled FIL Investment Services (UK) Limited (with direct interest in 8,386,000 Shares and indirect interest in 9,448,260 Shares) and 100%-controlled FIL Investments International (with indirect interest in 6,588,260 Shares)). FIL Limited 100%-controlled FIL Holdings (Luxembourg) S.A., which in turn 100%-controlled FIL Investment Management (Luxembourg) S.A. (with indirect interest in 76,060,000 Shares). FIL Limited 100%-controlled FIL Fund Management (Ireland) Limited (with indirect interest in 384,000 Shares).

Such interests included interests in 670,260 listed derivatives – convertible instruments.

Save for the Shareholders as disclosed herein, the Company had not been notified of any substantial shareholder or other person (other than the Directors and chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded as at 31 December 2023 in the register to be kept by the Company under Section 336 of the SFO or was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

SHARE OPTION SCHEME

The Company adopted the SOS with the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The SOS, with its broadened basis of participation, was adopted to enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

Pursuant to the SOS, the Company may, at their discretion, invite full-time or part-time employees of the Group, including Directors and subsidiaries of the Company, and any suppliers, customers, consultants, agents and advisors, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to the Group to take up options to subscribe for Shares. The exercise price of the share option will be determined by the Board but in any event cannot fall below the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The SOS lapsed in November 2023. No further share options would therefore be granted thereunder. The share options under the SOS are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

The total number of Shares in respect of which options may be granted under the SOS is not permitted to exceed 10% of the Shares in issue on the date of the listing of the Company on 5 December 2013 (the "**Listing Date**") without prior approval from the Shareholders. No option may be granted in any 12-month period to any one employee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the number of Shares issued and issuable under all the options which may be granted under the SOS or any other share option schemes at the time it is proposed to grant the relevant options to that employee.

Options granted under the SOS must be taken up within 21 days of the date of grant, upon payment of HK$1.00 per grant.

During the Year, no options were granted by the Company. The number of shares that may be issued in respect of options and awards, if any, granted under all schemes of the issuer during the Year divided by the weighted average total issued share capital of the Company for the Year was nil.

Further information of the outstanding Options under the Share Option Scheme during the Year is set out below:

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2023	During the Year Granted	During the Year Exercised (Relevant closing price[3])	During the Year Cancelled	During the Year Lapsed	Outstanding as of 31 December 2023	Exercise period
Directors									
YE Tao	04.01.2018	2.58	500,000	–	–	–	–	500,000	04.01.2018–03.01.2028
		2.58	500,000	–	–	–	–	500,000	04.01.2019–03.01.2028
		2.58	500,000	–	–	–	–	500,000	04.01.2020–03.01.2028
		2.58	500,000	–	–	–	–	500,000	04.01.2021–03.01.2028
LUO Liuyu	04.01.2018	2.58	225,000	–	(150,000) (HK$9.40)	–	–	75,000	04.01.2021–03.01.2028
	18.07.2019	6.00	57,500	–	(15,000) (HK$9.40)	–	–	42,500	18.07.2021–17.07.2029
		6.00	57,500	–	–	–	–	57,500	18.07.2022–17.07.2029
	25.05.2022	26.20	60,000	–	–	–	–	60,000	25.05.2022–24.05.2032
		26.20	60,000	–	–	–	–	60,000	25.05.2023–24.05.2032
		26.20	60,000	–	–	–	–	60,000	25.05.2024–24.05.2032
		26.20	60,000	–	–	–	–	60,000	25.05.2025–24.05.2032
CHEN Guiyi	18.07.2019	6.00	250,000	–	–	–	–	250,000	18.07.2022–17.07.2029
WANG Michael Chou	18.07.2019	6.00	250,000	–	–	–	–	250,000	18.07.2021–17.07.2029
		6.00	250,000	–	–	–	–	250,000	18.07.2022–17.07.2029
Subtotal			**3,330,000**	**-**	**(165,000) (HK$9.40)**	**-**	**-**	**3,165,000**	

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2023	During the Year Granted	Exercised (Relevant closing price[3])	Cancelled	Lapsed	Outstanding as of 31 December 2023	Exercise period
Employees									
Five highest paid individual(s) (not being Director or chief executive of the Company)	04.01.2018	2.58	175,000	–	(100,000) (HK$9.40)	–	–	75,000	04.01.2021–03.01.2028
	18.07.2019	6.00	250,000	–	–	–	–	250,000	18.07.2019–17.07.2029
		6.00	262,500	–	–	–	–	262,500	18.07.2020–17.07.2029
		6.00	275,000	–	(12,500)(HK$9.40)	–	–	262,500	18.07.2021–17.07.2029
		6.00	275,000	–	(12,500)(HK$9.40)	–	–	262,500	18.07.2022–17.07.2029
	16.01.2020	10.80	375,000	–	–	–	–	375,000	16.01.2020–15.01.2030
		10.80	375,000	–	–	–	–	375,000	16.01.2021–15.01.2030
		10.80	375,000	–	–	–	–	375,000	16.01.2022–15.01.2030
		10.80	375,000	–	–	–	–	375,000	16.01.2023–15.01.2030
	25.05.2022	26.20	105,000	–	–	–	–	105,000	25.05.2022–24.05.2032
		26.20	105,000	–	–	–	–	105,000	25.05.2023–24.05.2032
		26.20	105,000	–	–	–	–	105,000	25.05.2024–24.05.2032
		26.20	105,000	–	–	–	–	105,000	25.05.2025–24.05.2032

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2023	During the Year Granted	Exercised (Relevant closing price[3])	Cancelled	Lapsed	Outstanding as of 31 December 2023	Exercise period
Other senior management (Not being a Director, chief executive or five highest paid individuals)	04.01.2018	2.58	45,000	–	(37,500)(HK$9.40)	–	–	7,500	04.01.2018–03.01.2028
		2.58	157,500	–	–	–	–	157,500	04.01.2019–03.01.2028
		2.58	157,500	–	–	–	–	157,500	04.01.2020–03.01.2028
		2.58	257,500	–	(100,000)(HK$10.58)	–	–	157,500	04.01.2021–03.01.2028
	18.07.2019	6.00	316,250	–	(27.500)(HK$9.94)	–	–	288,750	18.07.2019–17.07.2029
		6.00	316,250	–	(12,500)(HK$10.58)	–	–	303,750	18.07.2020–17.07.2029
		6.00	316,250	–	(12,500)(HK$10.58)	–	–	303,750	18.07.2021–17.07.2029
		6.00	316,250	–	(12,500)(HK$10.58)	–	–	303,750	18.07.2022–17.07.2029
	25.05.2022	26.20	112,500	–	–	–	–	112,500	25.05.2022–24.05.2032
		26.20	112,500	–	–	–	–	112,500	25.05.2023–24.05.2032
		26.20	112,500	–	–	–	–	112,500	25.05.2024–24.05.2032
		26.20	112,500	–	–	–	–	112,500	25.05.2025–24.05.2032
Other employees	04.01.2018	2.58	100,000	–	(100,000) (HK$16.00)	–	–	–	04.01.2018–03.01.2028
		2.58	100,000	–	(100,000) (HK$16.00)	–	–	–	04.01.2019–03.01.2028
		2.58	175,000	–	(100,000) (HK$16.00)	–	–	75,000	04.01.2020–03.01.2028
		2.58	217,500	–	(100,000) (HK$16.00)	–	–	117,500	04.01.2021–03.01.2028

Name of grantees	Date of grant	Exercise price (HK$)	Outstanding as of 1 January 2023	During the Year Granted	Exercised (Relevant closing price[3])	Cancelled	Lapsed	Outstanding as of 31 December 2023	Exercise period
	18.07.2019	6.00	48,750	-	-	-	-	48,750	18.07.2019–17.07.2029
		6.00	48,750	-	-	-	-	48,750	18.07.2020–17.07.2029
		6.00	402,500	-	(236,250) (HK$17.56)	-	(2,500)	163,750	18.07.2021–17.07.2029
		6.00	471,250	-	(293,750) (HK$17.02)	-	(2,500)	175,000	18.07.2022–17.07.2029
	16.01.2020	10.80	80,000	-	(10,000) (HK$18.16)	-	(7,500)	62,500	16.01.2021–15.01.2030
		10.80	82,500	-	(10,000) (HK$18.16)	-	(7,500)	65,000	16.01.2022–15.01.2030
		10.80	95,000	-	(12,500) (HK$16.00)	-	(12,500)	70,000	16.01.2023–15.01.2030
	25.05.2022	26.2	1,875,750	-	-	-	(262,750)	1,613,000	25.05.2022–24.05.2032
		26.2	1,875,750	-	-	-	(262,750)	1,613,000	25.05.2023–24.05.2032
		26.2	1,875,750	-	-	-	(262,750)	1,613,000	25.05.2024–24.05.2032
		26.2	1,875,750	-	-	-	(262,750)	1,613,000	25.05.2025–24.05.2032
Subtotal (All employees, not being senior management or five highest paid individual)			9,324,250	-	(962,500) (HK$16.74)	-	(1,083,500)	7,278,250	
Total			18,144,250[6]	-	(1,455,000)[5] (HK$14.38)	-	(1,083,500)	15,605,750[7]	

Notes:

1. The total number of Shares which may be issued upon exercise of all Options available for grant under the Share Option Scheme was 56,079,000 Shares as of the beginning of the Year, representing approximately 4.39% of the total issued Shares as at the relevant time. The term of the SOS ended during the Year, and no further Options were available for grant thereunder.

2. A consideration of HK$1 was payable by each grantee upon acceptance of the Option.

3. Being the weighted average closing price per Share immediately before the date on which the Options were exercised.

4. The Options are subject to a vesting period from the date of grant to the date immediately before the commencement of the exercise period. The vesting period and exercise period is also subject to earlier cancellation, lapse or termination in accordance with the Share Option Scheme.

5. Following the exercise of these Options during the Year, an aggregate of 1,455,000 Shares (with an aggregate nominal value of HK$145,500.0) were issued, with a total fund of approximately HK$6,192,750.0. Such funds has not been applied, and is expected to be applied for working capital and other corporate purposes within the next three years.

   A total fund of approximately HK$13,471,500.0 from the issued of Shares arose from the exercise of Options in previous years was not yet applied as of the beginning of the Year. The Company intended for these funds from exercise of Options be applied towards working capital and general corporate purposes before 31 December 2024.

6. Representing approximately 1.42% of the total issued Shares as of the beginning of the Year.

7. Representing approximately 1.16% of the total issued Shares as of end of the Year.

CONNECTED TRANSACTIONS

There were no significant connected transactions which are not fully exempt under Chapter 14A of the Listing Rules during the Year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 32 to the consolidated financial statements. All the related party transactions as disclosed in such note did not constitute connected transactions or continuing connected transactions of the Company which are subject to the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The disclosure requirements under Chapter 14A of the Listing Rules is therefore not applicable to such related party transactions.

UPDATE ON DIRECTORS' INFORMATION

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. TO Siu Lun, an independent non-executive Director, became an independent non-executive director of Combine Will International Holdings Limited (SGX: N0Z, whose shares are listed on the Singapore Exchange Securities Trading Limited) on 26 March 2023.

NON-COMPETITION UNDERTAKINGS

Each of the controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Non-Compete Undertakings dated 13 November 2013 (the "**Non-Compete Undertakings**") for the Year. The independent non-executive Directors have also reviewed the status of compliance by each of the controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as he/it can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2023 are set out in note 23 to the consolidated financial statements.

The gearing ratio (being the sum of loans and borrowings, convertible bonds payable and lease liabilities divided by total equity attributable to equity shareholders of the Company) was approximately 97.7% as at 31 December 2023 (31 December 2022: approximately 131.9%).

DONATIONS

During the Year, the Group did not make charitable and other donations.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of not less than 25% of the Shares in issue as required under the Listing Rules during the Year and as of the date of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for approximately 0.07% of the total revenue, and sales to the largest customer accounted for approximately 0.02% of the total revenue. The five largest suppliers of the Group in aggregate accounted for about 89.86% of its operating costs for the Year. Purchases from the largest supplier accounted for about 33.70% of its operating costs for the Year. None of the Directors, their close associates, or any Shareholder (who to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

No contract (not being a contract of service with a director or full-time employee of the Group) concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the Year.

PRE-EMPTIVE RIGHTS

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

EQUITY-LINKED AGREEMENTS

For the Year, save as disclosed in this Annual Report, the Company has not entered into any equity-linked agreement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Except as described under the heading "Convertible Bonds" on page 19, during the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities.

EMOLUMENT POLICY

As at 31 December 2023, the Group had a total of 3,805 employees (31 December 2022: 4,689), the majority of whom are situated in the PRC. In addition to offering competitive remuneration packages to employee, discretionary bonuses, retirement scheme contribution and share incentive may also be granted to eligible employees based on individual performance. The Group's contributions made to the defined contribution retirement scheme are non-refundable, and forfeited contributions cannot be used by the employer to reduce the existing level of contribution. See also note 6(3) to the consolidated financial statements in this Annual Report for more information about the Group's contribution to the retirement scheme.

The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group. The Group attached great importance to talent retention and cultivation, and paid attention to mutual progress between employees and the Group. The Group determines career development intentions with employees and formulates vocational development schemes for them. The Group also arranges tutors to guide employees in their career development, to deal with the training, review and promotion matters for employees, enabling employees to develop solidly and steadily in their careers.

The Remuneration Committee, having regard to the Company's operating results, individual duties, responsibilities, performance and comparable market statistics, makes recommendations to the Board on the emoluments of the Directors and senior management. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration.

More information about the Share Option Scheme as an incentive to Directors and eligible employees, is set out in note 27 to the consolidated financial statements and in "Share Option Scheme" above.

PERMITTED DIRECTORS' INDEMNITY

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. During the Year, the Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions as set out in Part 2 of the Corporate Governance Code as contained in Appendix C1 to the Listing Rules (the "**Code**") in force during the Year. Details of the corporate governance of the Group are set out in the "Corporate Governance Report" in this Annual Report.

SIGNIFICANT LEGAL PROCEEDINGS

During the Year, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company save as disclosed in this Annual Report.

STATUS ON USE OF PROCEEDS

Information about the Company's use of proceeds from allotment in the Year is set out in "Management Discussion and Analysis – Share allotments and status on use of proceeds".

IMPORTANT EVENTS AFTER END OF YEAR

Particulars of important events affecting the Group that have occurred since the end of the Year are provided in note 34 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by KPMG, the Company's external auditors (the "**Auditors**"). A resolution will be proposed at the AGM to re-appoint KPMG as the Auditors.

On behalf of the Board
YE Fan
Chairman

Hong Kong, 27 March 2024

CORPORATE GOVERNANCE REPORT

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, enterprise, integrity and judgement so as to achieve the Company's long-term objective of continuing prosperity and to act in the best interests of the Company and its Shareholders as a whole in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the core of the Company's corporate governance culture and practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of the Shareholders and stakeholders, and enhance Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Code as its own code on corporate governance practices. The principles of the Code were applied in general to the corporate governance structure and practices of the Group. The Company has taken various measures to cope with the latest development in the corporate governance regime and apply corporate policies and procedures based on the principles of the Code with reference to the Company's own individuality.

The Company has complied with the applicable code provisions as set out in Part 2 of the Code in force during the Year. The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this Annual Report, the Board comprises six members as follows:

Executive Directors

Mr. YE Fan *(Chairman)*
Mr. YE Tao *(Chief Executive Officer)*
Ms. LUO Liuyu

Independent Non-executive Directors

Mr. CHEN Guiyi
Mr. TO Siu Lun
Mr. WANG, Michael Chou

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 22 to 26 of this Annual Report.

The Company has arranged appropriate directors' and officers' liabilities insurance for Directors and officers of the Company. Details of the directors' indemnity are provided on page 43 of this Annual Report. The insurance coverage is reviewed on an annual basis.

Each independent non-executive Director has confirmed, in accordance with the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that all of them are independent. Except for the family relationship between Mr. YE Fan and Mr. YE Tao as disclosed in the biographical details on pages 22 to 23 of this Annual Report, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Please refer to the paragraph headed "Report of the Directors – Board of Directors" in this Annual Report regarding the Directors' service term.

Pursuant to the Articles of Association, at least one-third of the Directors shall retire from office but are eligible for re-election by the Shareholders at each annual general meeting of the Company and each Director shall retire on a rotational basis at least once every three years. More information about the Directors proposed for re-election is set out in the Company's circular issued with this Annual Report.

During the Year, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive Directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules.

Functions of the Board

The Board, headed by the chairman of the Board (the "**Chairman**"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board. In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

The Articles of Association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of 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 are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

As at the date of this Annual Report, the Board comprises six Directors, one of whom is female. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business, and allowed opinion from different gender and background be heard and discussed, and Board diversity (including gender diversity) has been achieved, with reference to the current circumstances of the Company. The Board targets to maintain the current level of at least one female representation on the Board. The Board will continue review its structure to ensure it suits the requirement of its business and support the development of the Group. If situation evolves and the Board determines that an additional or replacement Director is required to achieve gender diversity or to suits the business requirements and support the development of the Group, the Company will deploy multiple channels for identifying suitable director candidates, including without limitation, referral from management, shareholders and advisors of the Company, or internal promotion, with regards to the range of diversity perspectives set forth in the Board Diversity Policy.

NOMINATION POLICY

The Company has adopted a nomination policy, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors. The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business. Collectively, they have competencies in areas which are relevant and valuable to the Group.

DIVIDEND POLICY

The Company has adopted a dividend policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

Corporate Governance Functions

The Board is responsible for performing corporate governance functions set out in code provision A.2.1 of the Code, which includes:

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

(e) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

Please also refer to the section headed "Management Discussion and Analysis" and the "Report of the Directors" for more information about the Directors' remuneration policy.

The Board and the committees are provided with sufficient resources to discharge their duties including, retention of independent professional advisers, if necessary, at the cost of the Company, to provide advice on any specific matter. The Board reviews its corporate governance duties and the terms of reference of its board committees at least annually.

Directors' Training and Continuous Professional Development

The Company provides each newly appointed Director necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and management to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, the Company updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

According to the records provided by the Directors, a summary of training received by the Directors during the Year are as follows:

Name of Directors	Attending seminars	Reading the seminar materials prepared by professional body and circulated by the Company
Executive Directors		
Mr. YE Fan	✓	✓
Mr. YE Tao	✓	✓
Ms. LUO Liuyu	✓	✓
Independent Non-executive Directors		
Mr. CHEN Guiyi	✓	✓
Mr. TO Siu Lun	✓	✓
Mr. WANG, Michael Chou	✓	✓

Board Meetings

Code provision C.5.1 of the 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. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles of Association and the Code.

During the Year, four Board meetings were held. Details of individual attendance of each of the Directors are set out below:

Name of Directors	Attendance/ Number of meetings eligible to attend
Executive Directors	
Mr. YE Fan	4/4
Mr. YE Tao	4/4
Ms. LUO Liuyu	4/4
Independent Non-executive Directors	
Mr. CHEN Guiyi	4/4
Mr. TO Siu Lun	4/4
Mr. WANG, Michael Chou	4/4

Apart from the regular Board meetings, the Chairman has also met with independent non-executive Directors without the presence of other Directors during the Year.

Board Process

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquiries if necessary. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are opened for inspections by any Director during normal office hours by giving reasonable advance notice.

If a substantial Shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

Chairman and Chief Executive Officer

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Chairman is Mr. YE Fan; and the chief executive officer of the Company (the "**Chief Executive Officer**") is Mr. YE Tao. The roles of Chairman and Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by other executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all the Directors fully informed of all major business developments and issues.

Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Delegation by the Board

The Company has set out the respective functions and responsibilities reserved to the Board and those delegated to management staff under the supervision of the Board and its committees. The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval, such as policy matters, strategies and budgets, internal control and risk management, material transactions (in particular, transactions that may involve conflict of interests), approval of financial results, the setting of budget and dividend policy, matters relating to the Company's share capital, appointment of Directors and other significant operational matters of the Company. The management reports to, and is accountable to, the Board. Decisions of the Board are communicated to the management through, among others, executive Directors who have attended the board meetings.

BOARD COMMITTEES

The Company has set up a number of committees of the Board, including the Remuneration Committee, the and the Nomination Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. WANG, Michael Chou, Mr. TO Siu Lun and Mr. CHEN Guiyi.

The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

Written terms of reference sets out Remuneration Committee's responsibilities including, among others, to make recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management, to make recommendations to the Board on the remuneration packages of individual Director executive Directors and senior management under the model described in code provision E.1.2(c)(ii); to make recommendations to the Board on the remuneration of non-executive Directors; to review and approve the compensation payable to Directors and senior management in the event of loss or termination of office, dismissal or removal, and to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the Year with individual attendance as follows:

Members of the Remuneration Committee	**Attendance/ Number of meeting held**
Mr. WANG, Michael Chou *(Chairman)*	1/1
Mr. CHEN Guiyi	1/1
Mr. TO Siu Lun	1/1

The Group remunerates its employees based on their individual performance, job nature and responsibilities. The Group also provides training and various benefits to its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment to maximize their potential and contribution to the Group.

During the Year, the Remuneration Committee performed their functions as set out in the terms of reference. They, among other things, reviewed the Company's remuneration policy and structure (including share incentive and scheme), and assessed performance of individual executive Directors, reviewed and approved service terms of executive Directors and senior management, and made recommendation to the Board regarding the remuneration package of Directors, and senior management with reference to the Company's remuneration policy.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. CHEN Guiyi, Mr. WANG, Michael Chou and Mr. TO Siu Lun with Mr. TO Siu Lun possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The written terms of reference are available on the websites of the Company and the Stock Exchange.

The Audit Committee reports directly to the Board. The main roles and functions of the Audit Committee are sets out in the terms of reference, which includes, without limitation: reviewing the Company's financial information, overseeing the Group financial reporting system, risk management and internal control system, reviewing and monitoring the Group's corporate governance functions, and to make recommendation on matters relating to the appointment/removal of external auditors and monitoring their independence and scope of audit.

The Audit Committee meets regularly with the Auditors to discuss various accounting issues, and reviews the effectiveness of internal controls and risk management systems.

The Audit Committee held two meetings during the Year with individual attendance as follow:

Members of the Audit Committee	Attendance/ Number of Meetings
Mr. TO Siu Lun *(Chairman)*	2/2
Mr. CHEN Guiyi	2/2
Mr. WANG, Michael Chou	2/2

During the Year, the Audit Committee performed its functions according to the terms of references and other applicable duties under the Corporate Governance Code. They have, among other things, reviewed the financial information of the Group (including its annual and interim results), the financial reporting, risk management and internal control system and certain other policies and procedures of the Group, the effectiveness of the Group's internal audit function, the Group's regulatory and statutory compliance, the external auditors work and independence, significant accounting and audit issue, made recommendation to the Group on auditors' re-appointment, and other work required to be performed under the Company's articles of association, and/or the Listing Rules.

The Audit Committee has also reviewed the annual results for the Year and this Annual Report.

Nomination Committee

The Nomination Committee comprises one executive Director, Mr. YE Fan and two independent non-executive Directors, Mr. WANG, Michael Chou, and Mr. TO Siu Lun.

The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee's responsibilities are set out in its written terms of reference, which include, among other things, maintaining a nomination policy and procedures regarding candidates for directorship; reviewing the Board's composition, structure, size, and diversity; assessing independence of independent non-executive Directors; making recommendation to the Board on various matters relating to Board directorship, policy and succession planning, with a view to complement the Company's corporate value and strategy.

During the Year, the Nomination Committee performed its functions as required under the terms of references, among others, it examined the structure, size, composition and diversity (including gender and other diversity aspects) of the Board, and made recommendations the Board to ensure the Board has the necessary expertise, skills and experience required to meet the Company's business objective. It also reviewed the performance of the retiring Directors, the independence of all independent non-executive Directors, and made recommendations to the Board on their re-election; and reviewed the nomination policy of Directors, the Board Diversity Policy and their implementation, and measurable objectives fitting the Company's individuality. During the Year, the Nomination Committee assisted the Board with respect to the re-election of Directors, by making its recommendation to the Board. In reach such recommendation, the Nomination Committee considered a range of different factors, such as: the individual merits and commitment, the need. balance, structure and size of the Board, as well as other diversity aspects in accordance with the Group's policies (e.g. nomination policy and Board diversity policy) and corporate goal.

The Nomination Committee held one meeting during the Year. The attendance records of the meetings are as follow:

Members of the Nomination Committee	**Attendance/ Number of meeting held**
Mr. YE Fan *(Chairman)*	1/1
Mr. TO Siu Lun	1/1
Mr. WANG, Michael Chou	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standards set out in the Model Code throughout the Year.

EXTERNAL AUDITOR

The Auditors is KPMG, a Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance. KPMG provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the Year. KPMG also reviewed the 2023 unaudited interim financial information of the Group prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the HKICPA.

During the Year, total fees charged by KPMG in respect of audit services amounted to RMB6,300,000, including interim review of the financial statement of the Company for the six months ended 30 June 2023. No non-audit service fees were charged by KPMG during the Year.

The statement of the Auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 64 to 73 of this Annual Report.

There were no changes in the Company's auditors in the three years preceding the date of this Annual Report.

DIRECTORS' RESPONSIBILITIES IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for the Company's risk management and internal control systems and for reviewing its effectiveness on an ongoing basis. The Group's internal audit department and senior management conduct reviews of the effectiveness of the risk management and internal control systems of the Group. The Audit Committee reviews the findings and recommendations of the internal audit department and the senior management in their meetings held at least twice a year and reports to the Board on such review.

The key feature of the Group's risk management and internal control systems is to effectively identify and evaluate emerging risks and risk changes both quantitatively and qualitatively, and to promptly manage such risks with appropriates responses and mitigation strategies.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

The Company has developed and adopted various risk management guidelines and procedures with defined authority for implementation. Such guidelines and procedures cover, including but not limited to, policy on securities trading, safety control system for production and fire, methods of prevention from occupational disease, guidelines on the use of office seal, policy on confidential control (as updated and amended from time to time), policy on employees' external training, guidelines regarding information management and transition.

In respect of the Year, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. The Board conducts such review at least once every year.

The Company has also developed its disclosure policy to guide the Company's Directors, officers, senior management and relevant employees to handle confidential information, monitor information disclosure and respond to enquiries. Monitoring and control procedures have been implemented to prohibit the unauthorised access and use of inside information.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence and anonymity, concerns about improprieties (such as criminal offences or financial impropriety) or other matters of the Company.

The Company has in place written measures and procedures on guiding Directors, officers and relevant employees regarding securities dealing restrictions and handling of confidential and inside information.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Year.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and Mr. WONG Cheung Ki Johnny is the Company Secretary. The primary contact person in the Company for Mr. Wong in relation to corporate secretarial matters is Ms. YUAN Ying, the Company's Financial Controller. Mr. Wong has confirmed his compliance with the relevant training requirement under Rule 3.29 of the Listing Rules for the Year.

SENIOR MANAGEMENT REMUNERATION BY BAND

The emoluments to members of senior management during the Year fell within the following band(s):

Emoluments	Number of individuals
RMB1,000,001 to RMB1,500,000	3

STAFF DIVERSITY

The Group had a workforce of 3,805 employees as of 31 December 2023. Among them, approximately 43.3% of the workforce (including senior management) were female, and 100% of the Group's senior management positions (excluding Directors) were held by female. The Group considers the total diversity (including gender diversity) of the Group is balanced as a whole and intends to maintain a similar level of gender diversity of the overall workforce, and will continue to promote diversity through training programs, employee networks, equitable hiring and recruitment practices.

MECHANISM FOR ENSURING INDEPENDENT VIEWS AND INPUT

Mechanism is available for ensuring independent views and input are available to the Board. The Board currently comprises three independent non-executive Directors. They have full and timely access to the Group's information, and are entitled to seek advice from the company secretary as well as independent professional advisers at the Company's expenses in appropriate circumstances. Supported also by the Company's conflict management and other internal control measures, these independent non-executive Directors provide balance in the Board, bring in views and opinions independent of the executive Directors and the management, and oversee the Group's operation and corporate action. The Board and the Nomination Committee review, at least once every year, the Company's governance structure and such mechanism. Periodic review and evaluations are also being conducted to assess the Board and management's performance, monitoring and enhancing the effectiveness of the Company's governance structure and mechanism.

CONSTITUTIONAL DOCUMENTS

The Company amended its memorandum of associations and articles of association ("**M&A**") during the Year to reflect the amendments to the Listing Rules and laws in the Cayman Islands. More information is included in the Company's circular dated 14 April 2023.

A copy of the consolidated version of the M&A is posted on the websites of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

The Directors are aware of the importance of maintaining good relations and communications with the Shareholders. The Board established a Shareholders' Communication Policy setting out the principles of the Company in relation to Shareholders' communications, with the objective of ensuring that its communication with the Shareholders are timely and accurate.

The Company uses a range of communication tools, such as annual general meetings, annual reports, various notices, announcements and circulars, to ensure the Shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at www.meidongauto.com which serves as a forum for corporate communications with the Shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived since the Listing Date on the Company's website and there are established procedures to ensure timely update in compliance with the Listing Rules.

The Company holds annual general meeting (and where required, other extraordinary general meetings, at which the Company's chief executive, representatives of the Board and Board committee, members of senior management, together with representative(s) from the Auditors will attend to answer questions from the Shareholders. Separate resolutions are being purposed regarding different issues being proposed for the Shareholders' consideration at general meetings.

The notice of the AGM and the circular containing information about the resolutions to be proposed at the AGM and other relevant information as required under the Listing Rules will be distributed to Shareholders according to the articles of association of the Company and the Listing Rules.

During the Year, one general meeting (i.e. the AGM) was held, details of individual attendance of each of the Directors are as follows:

Name of Directors	**Attendance/ General meeting eligible to attend**
Executive Directors	
Mr. YE Fan *(Chairman)*	1/1
Mr. YE Tao *(Chief Executive Officer)*	1/1
Ms. LUO Liuyu	1/1
Independent Non-executive Directors	
Mr. CHEN Guiyi	1/1
Mr. WANG, Michael Chou	1/1
Mr. TO Siu Lun	1/1

Having reviewed the implementation and effectiveness of different channels of communication available to the Shareholders, and with reference to the Shareholders' participation and feedbacks in meetings and corporate activities, the Company considered that the Shareholders' Communication Policy to be effective during the Year.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Articles of Association, an extraordinary general meeting ("**EGM**") may be convened and resolution may be added to an EGM by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business or resolution and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

Making Enquiries to the Board

Shareholders may send written enquiries to the board, either by post or by facsimiles, together with his/her/its contact details, such as postal address or fax, addressing to the office of the Company at Room 2404, 24th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or facsimile number (852) 2668 5798.

Publication of ESG Report

Disclosures relating to the material ESG issues identified for the Year are included in the ESG Report pursuant to the requirements of Appendix C2 to the Listing Rules. The ESG Report is available on the Company's website at www.meidongauto.com/ under the "Investor Relations" section; or the Hong Kong Exchanges and Clearing Limited's website at www.hkexnews.hk.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of China MeiDong Auto Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China MeiDong Auto Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 74 to 179, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Timing of revenue recognition	
Refer to note 4 to the consolidated financial statements and the accounting policies on page 95 to 96.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's revenue principally comprises sales of passenger motor vehicles and the provision of after-sales services to a significant number of individual customers. Sales of passenger motor vehicles are recognised when the Group satisfies the performance obligation by transferring control of the vehicle promised in the contract to the customer, which is evidenced by the customer's acceptance of the vehicle and signature on the car delivery note. Revenue arising from after-sales services is recognised when the Group satisfies its performance obligation, which is evidenced by signed customer acceptance for after-sales service transaction. The Group manually records revenue according to car delivery notes and signed customer acceptances. We identified the timing of revenue recognition as a key audit matter because manual tracking and recording processes increase the risk of error whereby revenue may not be recognised in the correct financial period.	Our audit procedures to assess the accuracy of timing of revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting standard sales contracts for sales of passenger motor vehicles and after-sales services to identify terms and conditions which may affect revenue recognition and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS (continued)

Timing of revenue recognition	
Refer to note 4 to the consolidated financial statements and the accounting policies on page 95 to 96.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• selecting samples of sales of passenger motor vehicles recorded during the year and after-sales services rendered during the year, plus additional samples of revenue recorded during one month before and after the year end and comparing details of the selected transactions with the related sales contracts, car delivery notes and evidence of signed customer acceptance for passenger vehicles sales and after-sales service transactions, where applicable, to assess whether the related performance obligations were satisfied and the revenue had been recognised appropriately in the correct accounting period; and • inspecting underlying documentation for journal entries relating to revenue which meet specified risk-based criteria.

KEY AUDIT MATTERS (continued)

Recognition of vendor rebates	
Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on page 96.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group earns vendor rebates under numerous different arrangements with automobile manufacturers. Rebate arrangements vary between different automobile manufactures and in different fiscal years and principally comprise volume based purchase rebates, sales rebates for certain specific car models, performance rebates and other specific rebates. Volume based purchase rebates and sales rebates are usually granted by the vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with their comprehensive assessment of the Group's business performance. In addition, other specific rebates are granted to the Group, which include, but are not limited to regional annual awards.	Our audit procedures to assess the accuracy of recognition of vendor rebates included the following: • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of vendor rebate arrangements for all automobile manufacturers with reference to the requirements under prevailing accounting standards; • selecting samples of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or bank payment slips; • for vendor rebate receivables at the reporting date, performing recalculations of the receivable amounts, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements;

KEY AUDIT MATTERS (continued)

<table>
<tr><td colspan="2">Recognition of vendor rebates</td></tr>
<tr><td colspan="2">Refer to notes 6(c) and 20 to the consolidated financial statements and the accounting policies on page 96.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group manually calculates vendor rebates and recognises them when the associated conditions for recognition are met.

We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because manual calculation of the Group's entitlement to such rebates increases the risk that vendor rebates could be recognised before the entitlement conditions have been met.</td><td>• evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and

• for vendor rebate receivables at the previous financial reporting date, performing retrospective review by assessing the subsequent settlement, on a sample basis, in the current year.</td></tr>
</table>

KEY AUDIT MATTERS (continued)

Impairment of goodwill and intangible assets – car dealership

Refer to note 14 & note 15 to the consolidated financial statements and the accounting policies on page 89.

The Key Audit Matter	How the matter was addressed in our audit
As a result of acquisitions of 4S dealerships stores in current and prior years, the Group recognised goodwill and intangible assets – car dealership in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealerships stores, which are considered to represent individual cash generating units ("**CGUs**"). As at 31 December 2023, goodwill and intangible assets – car dealership, after impairment, amounted to RMB961 million (31 December 2022: RMB1,004 million) and RMB3,274 million (31 December 2022: RMB3,474 million), respectively. The 4S dealerships business in China operates in a highly competitive and regulated market which increases the risk of sales volatility of the 4S dealerships stores. Consequently, there are uncertainties as to whether the acquired 4S dealerships stores can meet forecast growth projections. Management reviews internal and external sources of information at the end of each reporting period to identify indications that goodwill and intangible assets may be impaired, and if such indication exists, the recoverable amount is estimated. As at 31 December 2023, management assessed goodwill and intangible assets – car dealership for potential impairment by determining the recoverable amount for each CGU with allocated goodwill and/or intangible assets – car dealership, with reference to a valuation report prepared by an external valuer appointed by management.	Our audit procedures to assess impairment of goodwill and intangible assets – car dealership included the following: • Obtaining an understanding and evaluating the design and implementation of the key internal controls over the impairment assessment; • evaluating the appropriateness of management's identification of CGUs with reference to the requirements of the prevailing accounting standards; • evaluating the reasonableness of management's identification of impairment indications of goodwill and intangible assets – car dealership and determination of recoverable amount; • assessing the competence, capabilities and objectivity of the external valuer appointed by management; • with the assistance of our internal valuation specialists, evaluating the appropriateness of the methodology with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry;

KEY AUDIT MATTERS (continued)

Impairment of goodwill and intangible assets – car dealership

Refer to note 14 & note 15 to the consolidated financial statements and the accounting policies on page 89.

The Key Audit Matter	How the matter was addressed in our audit
Management compared the carrying amount of each CGU with its recoverable amount, which is determined by assessing the value-in-use based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in determining forecast revenue, forecast gross profit margins and discount rates. We identified impairment of goodwill and intangible assets – car dealership as a key audit matter because these assets are material to the Group and because the impairment assessments prepared by management involve judgements and assumptions which are inherently uncertain and could be subject to management bias.	• assessing the reasonableness of the most significant inputs used in the discounted cash flow forecast of each individual CGU, including forecast revenue, and forecast gross profit margins, by comparing with the historical performance and the financial budget approved by the directors. For forecast revenue growth trends, we also compared with the sales forecasts issued by industry research institutions; • obtaining management's sensitivity analyses of the key assumptions including future revenue growth rates, future gross profit margins and the discount rates adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indication of management bias; and • evaluating appropriateness of the disclosures in respect of impairment assessment of goodwill and intangible assets – car dealership in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kim Tak.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023 (Expressed in RMB'000)

	Note	2023	2022
Revenue	4	28,554,553	28,654,734
Cost of sales		(26,476,606)	(26,137,264)
Gross profit		2,077,947	2,517,470
Other revenue and other net income	5	249,100	266,816
Distribution costs		(763,604)	(859,912)
Administrative expenses		(846,707)	(810,730)
Impairment losses on goodwill and intangible assets	6(c)	(61,556)	–
Profit from operations		655,180	1,113,644
Finance costs	6(a)	(291,162)	(275,039)
Share of profits of a joint venture	17	20,456	24,935
Profit before taxation	6	384,474	863,540
Income tax	7(a)	(228,694)	(307,604)
Profit for the year		155,780	555,936
Other comprehensive income for the year (after tax):	10		
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		20,524	(78,952)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(10,409)	499
Other comprehensive income for the year		10,115	(78,453)
Profit and total comprehensive income for the year		165,895	477,483

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023 (Expressed in RMB'000)

	Note	**2023**	2022
Profit attributable to:			
Equity shareholders of the Company		**140,203**	521,029
Non-controlling interests		**15,577**	34,907
Profit for the year		**155,780**	555,936
Total comprehensive income attributable to:			
Equity shareholders of the Company		**150,318**	442,576
Non-controlling interests		**15,577**	34,907
Total comprehensive income for the year		**165,895**	477,483
Earnings per share			
Basic (RMB cents)	*11(a)*	**10.44**	40.93
Diluted (RMB cents)	*11(b)*	**10.41**	40.61

The notes on pages 81 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in RMB'000)

	Note	31 December 2023	31 December 2022
Non-current assets			
Property, plant and equipment	*12*	**1,708,135**	1,843,046
Right-of-use assets	*13*	**1,660,705**	1,785,399
Intangible assets	*14*	**3,276,866**	3,477,100
Goodwill	*15*	**960,993**	1,004,512
Interest in a joint venture	*17*	**36,319**	38,985
Other non-current assets	*18*	**71,323**	74,904
Deferred tax assets	*28(b)*	**133,392**	126,980
		7,847,733	8,350,926
Current assets			
Inventories	*19*	**960,042**	1,069,360
Trade and other receivables	*20*	**1,517,512**	1,560,489
Pledged bank deposits	*21*	**971,543**	910,307
Fixed deposits with more than three months to maturity when placed	*22*	**561,905**	712,696
Cash and cash equivalents	*22*	**2,361,671**	1,635,625
		6,372,673	5,888,477
Current liabilities			
Loans and borrowings	*23*	**1,244,939**	1,413,918
Trade and other payables	*24*	**2,907,049**	3,192,872
Lease liabilities	*25*	**170,396**	165,195
Income tax payables	*28(a)*	**124,990**	101,751
		4,447,374	4,873,736
Net current assets		**1,925,299**	1,014,741
Total assets less current liabilities		**9,773,032**	9,365,667

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in RMB'000)

	Note	31 December 2023	31 December 2022
Non-current liabilities			
Loans and borrowings	*23*	**199,500**	492,813
Lease liabilities	*25*	**1,213,218**	1,290,624
Convertible bonds	*26*	**2,206,781**	2,274,932
Deferred tax liabilities	*28(b)*	**867,393**	873,518
		4,486,892	4,931,887
NET ASSETS		**5,286,140**	4,433,780
EQUITY			
Share capital	*29(c)*	**107,888**	101,888
Reserves	*29(d)*	**5,044,367**	4,173,138
Total equity attributable to equity shareholders of the Company		**5,152,255**	4,275,026
Non-controlling interests		**133,885**	158,754
TOTAL EQUITY		**5,286,140**	4,433,780

Approved and authorised for issue by the board of directors on 27 March 2024.

Ye Fan
Director

Ye Tao
Director

The notes on pages 81 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000 *(note 29(d)(i))*	Capital redemption reserve RMB'000 *(note 29(d)(ii))*	Capital reserves RMB'000 *(note 29(d)(iii))*	PRC statutory reserves RMB'000 *(note 29(d)(iv))*	Retained earnings RMB'000	Exchange reserve RMB'000 *(note 29(d)(v))*	Other reserve RMB'000 *(note 29(d)(vi))*	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	101,888	1,487	986	(9,852)	435,748	3,614,707	(78,453)	208,515	4,275,026	158,754	4,433,780
Profit for the year	-	-	-	-	-	140,203	-	-	140,203	15,577	155,780
Other comprehensive income for the year *(note 10)*	-	-	-	-	-	-	10,115	-	10,115	-	10,115
Total comprehensive income for the year	-	-	-	-	-	140,203	10,115	-	150,318	15,577	165,895
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	2,450	2,450
Dividends declared and paid *(note 29(a) and note 29(b))*	-	(169,223)	-	-	-	-	-	-	(169,223)	-	(169,223)
Dividends paid to non-controlling interests *(note 29(b))*	-	-	-	-	-	-	-	-	-	(42,896)	(42,896)
Equity settled share-based payment *(note 27)*	-	-	-	14,515	-	-	-	-	14,515	-	14,515
Issue of ordinary shares upon exercise of share options *(note 27)*	129	7,235	-	(1,895)	-	-	-	-	5,469	-	5,469
Issuance of new shares, net of issuance expense *(note 29(c))*	5,852	865,339	-	-	-	-	-	-	871,191	-	871,191
Conversion of convertible bonds *(note 26(i))*	19	9,479	-	-	-	-	-	(758)	8,740	-	8,740
Repurchase of convertible bonds *(note 26(ii))*	-	-	-	-	-	-	-	(3,781)	(3,781)	-	(3,781)
Appropriation to reserves	-	-	-	-	35,080	(35,080)	-	-	-	-	-
Balance at 31 December 2023	107,888	714,317	986	2,768	470,828	3,719,830	(68,338)	203,976	5,152,255	133,885	5,286,140

The notes on pages 81 to 179 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000 *(note 29(d)(i))*	Capital redemption reserve RMB'000 *(note 29(d)(ii))*	Capital reserves RMB'000 *(note 29(d)(iii))*	PRC statutory reserves RMB'000 *(note 29(d)(iv))*	Retained earnings RMB'000	Exchange reserve RMB'000 *(note 29(d)(v))*	Other reserve RMB'000 *(note 29(d)(vi))*	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	99,520	344,554	986	(34,623)	391,041	3,145,146	–	–	3,946,624	169,969	4,116,593
Profit for the year	–	–	–	–	–	521,029	–	–	521,029	34,907	555,936
Other comprehensive income for the year *(note 10)*	–	–	–	–	–	–	(78,453)	–	(78,453)	–	(78,453)
Total comprehensive income for the year	–	–	–	–	–	521,029	(78,453)	–	442,576	34,907	477,483
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	4,900	4,900
Dividends declared and paid *(note 29(a) and note 29(b))*	–	(994,706)	–	–	–	–	–	–	(994,706)	–	(994,706)
Dividends paid to non-controlling interests *(note 29(b))*	–	–	–	–	–	–	–	–	–	(32,783)	(32,783)
Changes in ownership interests in subsidiaries without change in control	–	–	–	–	–	(6,761)	–	–	(6,761)	(18,239)	(25,000)
Equity settled share-based payment *(note 27)*	–	–	–	31,548	–	–	–	–	31,548	–	31,548
Issue of ordinary shares upon exercise of share options *(note 27)*	533	24,659	–	(6,777)	–	–	–	–	18,415	–	18,415
Issuance of new shares, net of issuance expense *(note 29(c))*	1,835	626,980	–	–	–	–	–	–	628,815	–	628,815
Equity component of convertible bonds *(note 26)*	–	–	–	–	–	–	–	208,515	208,515	–	208,515
Appropriation to reserves	–	–	–	–	44,707	(44,707)	–	–	–	–	–
Balance at 31 December 2022	101,888	1,487	986	(9,852)	435,748	3,614,707	(78,453)	208,515	4,275,026	158,754	4,433,780

The notes on pages 81 to 179 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023 (Expressed in RMB'000)

	Note	2023	2022
Operating activities:			
Cash generated from operations	*22(b)*	**1,034,779**	1,626,012
Income tax paid	*28(a)*	**(217,992)**	(472,191)
Net cash generated from operating activities		**816,787**	1,153,821
Investing activities:			
Payment for the purchase of property, plant and equipment		**(347,730)**	(283,391)
Proceeds from disposal of property, plant and equipment		**244,262**	157,409
Payment for acquisition of subsidiaries, net of cash acquired		**–**	(2,701,463)
Payment for assets acquisition, net of cash acquired		**–**	(31,000)
Decrease/(increase) in fixed deposits with more than three months to maturity when placed	*22(a)*	**150,791**	(712,696)
Dividends received from a joint venture	*17*	**23,122**	47,892
Interest received		**86,356**	40,054
Others		**–**	(265)
Net cash generated from/(used in) investing activities		**156,801**	(3,483,460)
Financing activities:			
Capital element of lease rentals paid	*22(c)*	**(77,950)**	(74,676)
Interest element of lease rentals paid	*22(c)*	**(82,972)**	(83,491)
Proceeds from loans and borrowings	*22(c)*	**11,989,067**	12,861,255
Repayment of loans and borrowings	*22(c)*	**(12,451,359)**	(13,100,444)
(Increase)/decrease in pledged bank deposits	*21*	**(10,243)**	18,098
Dividends declared and paid to equity shareholders	*29(b)*	**(169,223)**	(994,706)
Dividends paid to non-controlling interests	*29(b)*	**(42,896)**	(32,783)
Proceeds from exercise of share options	*27*	**5,469**	18,415
Net proceeds from issuance of convertible bonds	*26*	**–**	2,198,814
Repurchase of convertible bonds	*22(c)*	**(194,253)**	–
Interest paid	*22(c)*	**(98,809)**	(93,972)
Changes in interests in subsidiaries without change in control		**9,000**	(18,800)
Proceeds from issuance of new shares, net of issuance expense	*29(c)*	**871,191**	628,815
Capital injection by non-controlling interests		**2,450**	4,900
Others	*22(c)*	**235**	(3,641)
Net cash (used in)/generated from financing activities		**(250,293)**	1,327,784
Net increase/(decrease) in cash and cash equivalents		**723,295**	(1,001,855)
Cash and cash equivalents at 1 January	*22(a)*	**1,635,625**	2,621,741
Effect of foreign exchange rate changes		**2,751**	15,739
Cash and cash equivalents at 31 December	*22(a)*	**2,361,671**	1,635,625

The notes on pages 81 to 179 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China MeiDong Auto Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company and its subsidiaries (together, the "**Group**") are principally engaged in 4S dealership business in the People's Republic of China (the "**PRC**").

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**the Listing Rules**"). Material accounting policies adopted by the Group are set out below.

The HKICPA has issued certain amendments HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interests in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

These consolidated financial statements are presented in Renminbi ("**RMB**") which is the Group's presentation currency, rounded to the nearest thousands, except for earnings per share information.

2 MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

Except for the amendment to HKAS12, none of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in note 28(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

(d) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(e)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

(d) Business combination (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholder of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost(see note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)(i)).

2 MATERIAL ACCOUNTING POLICIES (continued)

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("**OCI**") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 2(k)).

(g) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(k)(i)).

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	10 – 40 years
– Leasehold improvements	over the shorter of the unexpired term of the lease and the estimated useful lives
– Plant and machinery	5 – 10 years
– Passenger vehicles	1 – 5 years
– Office equipment and furniture	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 2(k)(i)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

2 MATERIAL ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)(i)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Car dealership is amortised from the date of acquisition over its estimated useful life of 20 years. Software is amortised from the date it is available for use over its estimated useful life of 2-10 years. Both the period and method of amortisation are reviewed annually.

(j) Right-of-use assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items such as temporary exhibition halls, parking lots and staff dormitories. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES (continued)

(j) Right-of-use assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(k)(i)). Depreciation is calculated using the straight-line method over the unexpired term of lease.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in "right-of-use assets" and presents lease liabilities separately in the statement of financial position. In addition, lease prepayments carried at amortised cost are reclassified as right-of-use assets.

2 MATERIAL ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets

(i) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"**s**). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 MATERIAL ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets (continued)

(ii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to be incurred in selling the property.

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(v)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see note 2(n)).

2 MATERIAL ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note2(y).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amount.

(q) Convertible bonds

Convertible bonds issued by the Group denominated in HK$ that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of convertible bonds instruments is initially recognised at fair value using prevailing market rate of interest for similar non-convertible debt instruments. The remainder of the proceeds is allocated to the conversion option as the equity component.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. Interest is recognised in profit or loss.The equity component is recognised in other reserve until either the convertible bonds are converted, repurchased or redeemed.

2 MATERIAL ACCOUNTING POLICIES (continued)

(q) Convertible bonds (continued)

If the bonds are converted, the other reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued.

When the Group extinguishes the bonds before maturity through an early repurchase in which the original conversion privileges are unchanged, the Group allocates consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognised in profit or loss and in equity, respectively.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(s) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution retirement plan

Contributions to PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

(iii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

2 MATERIAL ACCOUNTING POLICIES (continued)

(t) Income tax (continued)

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(u) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue from contracts with customers and recognises revenue on a gross basis. In determine whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Controls refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Sale of goods

Revenue arising from the sale of goods is recognised when the Group satisfies the performance obligation by transferring control of the goods promised in the contract to the customer. Revenue excludes value added tax and is after deduction of any trade discounts.

(b) Services income

Revenue arising from services is recognised when the relevant performance obligation is satisfied.

2 MATERIAL ACCOUNTING POLICIES (continued)

(v) Revenue and other income (continued)

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

(b) Commission income

Commission income is recognised at point in time when the services have been rendered.

(w) Vendor rebates

Incentive rebates provided by vendors are recognised 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 vehicle 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

(x) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 MATERIAL ACCOUNTING POLICIES (continued)

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation

As described in note 2(h), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 2(i), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Net realisable value of inventories

As described in note 2(l), net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Determining the lease term

As explained in policy note 2(j), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include early termination options exercisable by the Group, the Group evaluates the likelihood of exercising the termination options taking into account all relevant facts and circumstances that create an economic incentive for the Group not to exercise the option, including leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iv) Impairment of goodwill and intangible assets – car dealership

The Group determines whether goodwill and 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 goodwill and intangible assets have been allocated. An impairment loss is recognised in profit or loss if the carrying amount of the goodwill and intangible assets, or the cash-generating units to which they belong, exceeds their recoverable amount. Details of the recoverable amount calculations are disclosed in notes 14 and 15.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of passenger vehicles	**24,421,186**	25,297,011
– After-sales services	**4,133,367**	3,357,723
	28,554,553	28,654,734

All revenue was recognised at a point in time.

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts for after-sales services is RMB462,049,000 (2022: RMB401,776,000). This amount represents revenue expected to be recognised in the future from pre-completion contracts for after-sales services entered into by the customers with the Group. The Group will recognise the expected revenue in future when the Group satisfied its performance obligation, which is expected to occur over the next 12 to 36 months (2022: next 12 to 36 months).

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for passenger vehicles such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of passenger vehicles that had an original expected duration of one year or less.

(b) Segment reporting

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sales of passenger vehicles and provision of after-sales services.

(i) Information about geographical area

All of the Group's revenue is derived from the sales of passenger vehicles and provision of after-sales services in mainland China and the principal non-current assets employed by the Group are located in mainland China. Accordingly, no analysis by geographical segments has been provided for the reporting period.

(ii) Information about major customers

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenues.

5 OTHER REVENUE AND OTHER NET INCOME

	2023 RMB'000	2022 RMB'000
Other revenue		
Insurance commission	72,671	164,101
Interest income	108,618	46,115
Management service income	4,185	5,063
	185,474	215,279

	2023 RMB'000	2022 RMB'000
Other net income		
Net gain on disposal of property, plant and equipment	25,254	34,831
Net foreign exchange loss	(1,812)	(16,245)
Government subsidy	8,084	9,655
Penalty income	11,850	15,566
Gain on repurchase of convertible bonds	11,480	–
Others	8,770	7,730
	63,626	51,537
	249,100	266,816

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Note	2023 RMB'000	2022 RMB'000
(a) Finance costs:			
Interest on			
– loans and borrowings		82,343	78,819
– convertible bonds		108,741	96,488
– lease liabilities		82,972	83,491
Total interest expense		274,056	258,798
Other finance cost	*(i)*	17,106	16,241
		291,162	275,039
(b) Staff costs:			
Salaries, wages and other benefits		814,539	943,258
Equity settled share-based payment expenses	*(ii)*	14,515	31,548
Contributions to defined contribution retirement plans	*(iii)*	40,887	34,677
		869,941	1,009,483

6 PROFIT BEFORE TAXATION (continued)

(i) It represents the interest expenses borne by the Group arising from discounting of bills issued to automobile manufacturers.

(ii) The Group recognised an expense of RMB14,515,000 for the year ended 31 December 2023 (2022: RMB31,548,000) in relation to share options granted to certain employees of the Group pursuant to a share option scheme (see note 27).

(iii) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group's contributions made to the defined contribution retirement scheme are non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the schemes.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

6 PROFIT BEFORE TAXATION (continued)

(c) Other items:

	Note	2023 RMB'000	2022 RMB'000
Cost of inventories		**26,255,858**	25,889,414
Write-down of inventories		**13,694**	15,137
Depreciation			
– owned property, plant and equipment		**250,676**	224,680
– right-of-use assets		**144,298**	133,816
Impairment losses			
– goodwill *(note 15)*		**43,519**	–
– intangible assets *(note 14)*		**18,037**	–
Amortisation of intangible assets	*(iv)*	**182,197**	131,533
Lease expenses		**6,852**	8,725
Net foreign exchange loss		**1,812**	16,245
Auditors' remuneration – audit service		**6,300**	9,500
Losses on legal dispute cases	*(v)*	**58,996**	–

(iv) The Group recognised administrative expenses of RMB182,197,000 in relation to the amortisation of intangible assets for the year ended 31 December 2023 (2022: RMB131,533,000).

(v) As of 31 December 2022, certain subsidiaries of the Group are respondents in two legal dispute cases in relation to certain investments made before 2022, no provision has been made in respect of these two cases as at 31 December 2022 because the directors of the Company are of the opinion that it is not probable that the Group will need to make payments to the claimants, having given due consideration to the legal advice and the relevant facts and circumstances.

During the year ended 31 December 2023, according to the arbitration result of the two cases, the Group needs to settle a total of RMB58,996,000 to the plaintiffs, of which the Group has paid RMB18,996,000 and the remaining balance of RMB40,000,000 was recorded in trade and other payables as of 31 December 2023.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2023 RMB'000	2022 RMB'000
Current tax:		
Provision for PRC income tax for the year *(note 28(a))*	**241,231**	384,206
Deferred tax:		
Origination of temporary differences *(note 28(b))*	**(12,537)**	(76,602)
	228,694	307,604

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Profit before taxation	**384,474**	863,540
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned (i)	**110,156**	258,792
Tax effect of non-deductible expenses	**34,230**	7,765
Tax effect of non-taxable income on share of profits of a joint venture	**(5,114)**	(6,234)
Tax effect of unused tax losses not recognised, net of utilisation of tax losses for which no deferred tax asset was recognised in previous periods	**8,959**	4,765
Effect of PRC dividend withholding tax (ii)	**80,463**	42,516
Actual tax expense	**228,694**	307,604

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax was made for the subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the reporting period. The payments of dividends by companies in Hong Kong are not subject to any Hong Kong withholding tax.

The Group's PRC subsidiaries are subject to income tax at the statutory tax rate of 25%.One subsidiary of the Group enjoyed preferential Corporate Income Tax rates which was lower than 25% as it operated in designated areas with preferential CIT policies in the PRC.

(ii) Since the Company obtained certificate of resident status and became a resident of the Hong Kong Special Administrative Region under the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". Under such arrangement, dividend distributions out of earnings of PRC enterprises imposed a withholding tax at 5% during the years ended 31 December 2022 and 2023.

The Group recognised PRC dividend withholding tax of RMB80.5 million related to dividend distributed out of earnings of PRC subsidiaries of RMB756.3 million during the year ended 31 December 2023 and the estimated dividend distribution out of earnings of PRC subsidiaries of RMB853.0 million in the foreseeable future based on management's best estimation as at 31 December 2023.

As at 31 December 2022, the Group recognised PRC dividend withholding tax of RMB42.5 million representing PRC dividend withholding tax of RMB76.0 million related to dividend distributed out of earnings of PRC subsidiaries of RMB1,520 million during the year ended 31 December 2022, net of reversal of deferred tax liabilities of RMB33.5 million which has been recognised previously based on management's best estimation.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2023

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(note ii)* RMB'000	Total RMB'000
Executive directors								
Mr. Ye Fan		–	605	7,400	7	8,012	–	8,012
Mr. Ye Tao		–	2,420	2,980	7	5,407	–	5,407
Ms. Luo Liuyu		–	221	634	7	862	491	1,353
Non-executive directors								
Mr. Wang, Michael Chou		91	–	–	–	91	–	91
Mr. Chen Guiyi		91	–	–	–	91	–	91
Mr. To Siu Lun	*(i)*	163	–	–	–	163	–	163
		345	3,246	11,014	21	14,626	491	15,117

8 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2022

	Note	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments *(note ii)* RMB'000	Total RMB'000
Executive directors								
Mr. Ye Fan		–	605	7,400	7	8,012	–	8,012
Mr. Ye Tao		–	2,419	2,980	7	5,406	–	5,406
Ms. Luo Liuyu		–	725	1,746	7	2,478	867	3,345
Non-executive directors								
Mr. Wang, Michael Chou		89	–	–	–	89	107	196
Mr. Jip Ki Chi	*(i)*	136	–	–	–	136	–	136
Mr. Chen Guiyi		89	–	–	–	89	107	196
Mr. To Siu Lun	*(i)*	13	–	–	–	13	–	13
		327	3,749	12,126	21	16,223	1,081	17,304

(i) Mr. Jip Ki Chi resigned on 30 November 2022 as a non-executive director and Mr. To Siu Lun was appointed on the same day as a non-executive director.

(ii) These represent the estimated value of share options granted to the directors under the Company's share option scheme adopted on 13 November 2013. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s) (iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in report of the directors and note 27.

No directors of the Company waived or agreed to waive any remuneration during the year.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2022: three) are directors whose emoluments is disclosed in note 8. The aggregate of the emoluments in respect of the other two (2022: two) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowance and benefits in kind	**442**	440
Discretionary bonuses	**1,602**	4,235
Retirement scheme contributions	**15**	12
Share-based payments	**876**	2,190
	2,935	6,877

The emoluments of the two (2022: two) individuals with the highest emoluments are within the following bands:

	2023 Number of individuals	2022 Number of individuals
HK$		
1,500,001 – 2,000,000	**2**	–
2,500,001 – 3,000,000	**–**	1
5,000,001 – 5,500,000	**–**	1

10 OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income

	2023			2022		
	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Items that will not be reclassified to profit or loss:						
Exchange differences on translation of financial statements of the Company	20,524	-	20,524	(78,952)	–	(78,952)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of foreign operations	(10,409)	-	(10,409)	499	–	499
Other comprehensive income	10,115	-	10,115	(78,453)	–	(78,453)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB140,203,000 (2022: RMB521,029,000) and the weighted average of 1,342,764,000 ordinary shares in issue (2022: 1,273,120,000 shares) during the year ended 31 December 2023.

11 EARNINGS PER SHARE (continued)

(a) Basic earnings per share (continued)

Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at 1 January	**1,276,572,000**	1,247,867,000
Effect of exercise of share options *(note 27)*	**1,196,000**	3,123,000
Effect of placement of new shares *(note 29(c))*	**64,833,000**	22,130,000
Effect of conversion of convertible bonds *(note 29(c))*	**163,000**	–
Weighted average number of ordinary shares at 31 December	**1,342,764,000**	1,273,120,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB140,203,000 (2022: RMB521,029,000) and the weighted average of 1,346,497,000 ordinary shares (2022: 1,282,953,000 ordinary shares) after adjusting for the effect of all dilutive potential ordinary shares under the Company's employee share option scheme during the year ended 31 December 2023.

Weighted average number of shares (diluted)

	2023	2022
Weighted average number of ordinary shares for the year ended 31 December	**1,342,764,000**	1,273,120,000
Effect of deemed issue of shares under the employee share option scheme *(note 27)*	**3,733,000**	9,833,000
Weighted average number of ordinary shares (diluted) at 31 December	**1,346,497,000**	1,282,953,000

The computation of diluted earnings per share for the year ended 31 December 2023 does not assume the conversion of the Group's convertible bonds since its exercise had anti-dilutive effect that would result in an increase in earnings per share for the years ended 31 December 2023 and 2022.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Passenger vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2022	655,450	543,293	240,310	302,712	150,886	11,293	1,903,944
Additions	–	25,548	12,933	230,511	14,226	40,086	323,304
Acquisitions of subsidiaries	399,775	21,229	46,702	4,849	12,741	286	485,582
Transfer	17,236	21,146	889	–	6,501	(45,772)	–
Disposals	(38,653)	(33)	(6,765)	(179,340)	(6,463)	–	(231,254)
At 31 December 2022	1,033,808	611,183	294,069	358,732	177,891	5,893	2,481,576
At 1 January 2023	1,033,808	611,183	294,069	358,732	177,891	5,893	2,481,576
Additions	–	5,536	12,241	299,503	9,840	7,653	334,773
Transfer	–	8,554	1,549	–	389	(10,492)	–
Disposals	(527)	(9,135)	(3,223)	(288,239)	(6,651)	–	(307,775)
At 31 December 2023	1,033,281	616,138	304,636	369,996	181,469	3,054	2,508,574
Accumulated depreciation:							
At 1 January 2022	158,352	124,329	92,762	64,957	82,126	–	522,526
Charge for the year	59,503	44,915	28,426	68,891	22,945	–	224,680
Written back on disposals	(36,656)	–	(5,338)	(61,577)	(5,105)	–	(108,676)
At 31 December 2022	181,199	169,244	115,850	72,271	99,966	–	638,530
At 1 January 2023	181,199	169,244	115,850	72,271	99,966	–	638,530
Charge for the year	72,182	45,018	30,246	77,496	25,734	–	250,676
Written back on disposals	(211)	(4,536)	(1,851)	(77,142)	(5,027)	–	(88,767)
At 31 December 2023	253,170	209,726	144,245	72,625	120,673	–	800,439
Net book value:							
At 31 December 2023	780,111	406,412	160,391	297,371	60,796	3,054	1,708,135
At 31 December 2022	852,609	441,939	178,219	286,461	77,925	5,893	1,843,046

12 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's property, plant and equipment are located in the PRC.

The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB439,867,000 as at 31 December 2023 (2022: RMB474,186,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2023.

Property, plant and equipment with net book value of RMB1,824,000 are pledged as security for bank loans (see note 23(b)(i)) as at 31 December 2023 (2022: RMB13,268,000).

13 RIGHT-OF-USE ASSETS

	Land use rights carried at cost (i)	Properties and land leased for own use carried at cost (ii)	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2022	415,966	1,412,456	1,828,422
Additions	40,000	95,388	135,388
Acquisitions of subsidiaries	58,200	157,702	215,902
Derecognition	–	(1,129)	(1,129)
At 31 December 2022	514,166	1,664,417	2,178,583
Additions	12,883	15,961	28,844
Derecognition	–	(38,765)	(38,765)
At 31 December 2023	527,049	1,641,613	2,168,662

13 RIGHT-OF-USE ASSETS (continued)

	Land use rights carried at cost (i) RMB'000	Properties and land leased for own use carried at cost (ii) RMB'000	Total RMB'000
Accumulated amortisation:			
At 1 January 2022	(15,982)	(243,631)	(259,613)
Charge for the year	(13,536)	(120,280)	(133,816)
Reversal for derecognition	–	245	245
At 31 December 2022	(29,518)	(363,666)	(393,184)
Charge for the year	(16,269)	(128,029)	(144,298)
Reversal for derecognition	–	29,525	29,525
At 31 December 2023	(45,787)	(462,170)	(507,957)
Net book value:			
At 31 December 2023	481,262	1,179,443	1,660,705
At 31 December 2022	484,648	1,300,751	1,785,399

13 RIGHT-OF-USE ASSETS (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 **RMB'000**	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**16,269**	13,536
Properties and land leased for own use	**128,029**	120,280
	144,298	133,816
Interest on lease liabilities *(note 6(a))*	**82,972**	83,491
Expense relating to short-term leases *(note 6(c))*	**6,852**	8,725
(Gain)/loss on derecognition of right-of – use assets	**(67)**	166

During the year ended 31 December 2023, the Group entered into a number of new tenancy agreements and therefore recognised of additions to right-of-use assets were RMB28,844,000 (2022: RMB351,290,000).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 22(d), 25 and 31, respectively.

(i) Land use rights

Land in respect of land use rights are all located in the PRC with a remaining lease period of 31 – 40 years when acquired.

Land use rights with net book value of RMB4,889,000 are pledged as security for bank loans (see note 23(b)(i)) as at 31 December 2023 (2022: RMB19,117,000).

(ii) Properties and land leased for own use

The Group has obtained the right to use other properties and land through tenancy agreements. The leases typically run for an initial period of 2 to 20 years.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

14 INTANGIBLE ASSETS

The Group

	Car dealership RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2022	576,525	9,046	585,571
Acquisitions of subsidiaries	3,062,512	–	3,062,512
At 31 December 2022, 1 January 2023 and 31 December 2023	3,639,037	9,046	3,648,083
Accumulated amortisation:			
At 1 January 2022	(34,312)	(5,138)	(39,450)
Charge for the year	(130,910)	(623)	(131,533)
At 31 December 2022	(165,222)	(5,761)	(170,983)
At 1 January 2023	(165,222)	(5,761)	(170,983)
Charge for the year	(181,575)	(622)	(182,197)
At 31 December 2023	(346,797)	(6,383)	(353,180)
Accumulated impairment losses:			
At 1 January 2022, 31 December 2022 and 1 January 2023	–	–	–
Provision for the year	(18,037)	–	(18,037)
At 31 December 2023	(18,037)	–	(18,037)
Net book value:			
At 31 December 2023	3,274,203	2,663	3,276,866
At 31 December 2022	3,473,815	3,285	3,477,100

14 INTANGIBLE ASSETS (continued)

(i) Intangible assets – car dealership

The car dealerships arise from prior business combinations and relate to the Group's relationship with the automobile manufacturer with an estimated useful life of 20 years, which was estimated by management with reference to the valuation reports prepared by the external valuers engaged by the Group. The fair value of the car dealerships as at the acquisition date was determined by using the multiple-period excess earning method.

(ii) Impairment testing of intangible assets – car dealership and goodwill

Having considered the impacts of macroeconomic environment changes, the intense competition in the automobile dealership industry and the recent development in customer demand observed in the Chinese automobile market post COVID, the Group's management performed an impairment assessment, assisted by an external valuer, to determine the recoverable amounts of the cash generated units (CGUs) containing intangible assets-car dealerships and/or goodwill as at 31 December 2023. Based on the management's assessment result, the Group recognized an impairment loss of goodwill and intangible assets – car dealership of RMB43,519,000 and RMB13,764,000 respectively for certain underperforming CGUs in "Impairment losses on goodwill and intangible assets" during the year ended 31 December 2023. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

The recoverable amounts of these CGUs have been determined based on the higher of their fair value less costs to sell and value in use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 2.5% which is consistent with the forecasts included in industry reports.

Key assumptions used in the value-in-use calculations include: (i) annual revenue growth rates during the forecast period, (ii) gross profit margin, and (iii) discount rate.

14 INTANGIBLE ASSETS (continued)

(ii) Impairment testing of intangible assets – car dealership and goodwill (continued)

The key inputs and assumptions used in the impairment test for the year of 2023 are listed as follows:

		Year	
Inputs	**2024**	**2025**	**2026-2028**
Annual revenue growth rate	-10.1%-6.1%	1.3%-3.8%	1.1%-3.8%
Gross profit margin	7.2%-15.6%	8.2%-16.6%	9.0%-19.5%

The key assumptions are estimated by the management with reference to the actual and historical financial performance achieved in 2023 and the expected market growth trend for different brands and different stores, taking consideration of the Company's after sales services enhancement strategy which has been adopted since the second half of 2023. There have been no changes in the valuation method used compared with those adopted in the year ended 31 December 2022.

The pre-tax discount rates applied to the impairment test were within a range from 17.4% to 18.1% which reflected current market assessment of the time value of money and the risk specific to these CGUs.

In additions, for a CGU which had ceased operation, a full impairment loss of RMB4,273,000 has been provided against its intangible assets – car dealership during the year ended 31 December 2023.

As at 31 December 2022, the Group's management performed an impairment assessment, assisted by an external valuer, to determine the recoverable amounts of the CGUs containing intangible assets-car dealerships and/or goodwill. The cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 2.5%, which is consistent with the forecasts included in industry reports. The pre-tax discount rates applied are with a range from 18.5% to 18.9%. Based on the management's assessment result, there was no impairment of goodwill or intangible asset – car dealership as at 31 December 2022.

15 GOODWILL

	RMB'000
Cost:	
At 1 January 2022	178,691
Goodwill arising from business combinations	825,821
At 31 December 2022, 1 January 2023 and 31 December 2023	1,004,512
Accumulated impairment losses:	
At 1 January 2022, 31 December 2022, and 1 January 2023	–
Impairment loss	(43,519)
At 31 December 2023	(43,519)
Carrying amount:	
At 31 December 2023	960,993
At 31 December 2022	1,004,512

Impairment tests for cash-generating units containing goodwill

The goodwill arose from the acquisition of following business is allocated to the following CGU.

	2023	2022
	RMB'000	RMB'000
4S dealerships	**960,993**	1,004,512

As at 31 December 2023, management performed impairment tests for the goodwill and the recoverable amounts of the respective CGUs have been determined based on the value-in-use calculations and an impairment loss of RMB43,519,000 was recognised during the year (2022: nil) (see note 14).

16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
China MeiDong Auto International Limited ("**MeiDong International**") (中國美東汽車國際有限公司)	British Virgin Islands, limited company	100 shares of USD1 each	100%	100%	–	Investment holding
China Meidong Auto (HK) Limited ("**MeiDong HK**") (中國美東汽車(香港)有限公司)	Hong Kong, limited company	10,000 shares	100%	–	100%	Investment holding
Sail Vantage Limited ("**Sail Vantage**")	British Virgin Islands limited company	–	100%	100%	–	Investment holding
MeiDong Auto Sales Group Limited ("**Meidong Sales**") (美東汽車銷售集團有限公司)	Hong Kong, limited company	USD50,000	100%	100%	–	Investment holding
Bestune Company Limited ("**Bestune**") (百圣通有限公司)	Hong Kong, limited company	HKD130,000	100%	–	100%	Investment holding
Dongguan Meixin Business Consulting Co., Ltd. ("**Dongguan Meixin**") (東莞美信企業管理諮詢有限公司)	The PRC, limited liability company	RMB200,000,000	100%	–	100%	Investment holding
Dongguan Dongbu Toyota Auto Sales and Services Co., Ltd. (東莞市東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB 50,000,000	100%	–	100%	Automobile dealership
Dongguan Dongmei Toyota Auto Sales and Services Co., Ltd. (東莞東美豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	100%	–	100%	Automobile dealership
Dongguan Dongxin Auto Sales and Services Co., Ltd. (東莞市東鑫汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	100%	–	100%	Automobile dealership
Xiamen Meidong Auto Sales and Services Co., Ltd. (廈門美東汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Zhuzhou Meibaohang Auto Sales and Services Co., Ltd. (株洲市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Quanzhou Meidong Toyota Auto Sales and Services Co., Ltd. (泉州美東豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Lanzhou Meidong Lexus Auto Sales and Services Co., Ltd. (蘭州美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Yiyang Dongxin Auto Sales and Services Co., Ltd. (益陽市東鑫汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Hengyang Meibaohang Auto Sales and Services Co., Ltd. (衡陽市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Chengde Meibaohang Auto Sales and Services Co., Ltd. (承德美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Beijing Meibaohang Auto Sales and Services Co., Ltd. (北京美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	70%	–	70%	Automobile dealership
Foshan Dongbao Auto Sales and Services Co., Ltd. (佛山東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Changsha Meidong Lexus Auto Sales and Services Co., Ltd. (長沙美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Dongguan Dongyue Used Vehicles Co., Ltd. (東莞市東粵二手車有限公司)	The PRC, limited liability company	RMB5,000,000	100%	–	100%	Used vehicle trading
Changde Meibaohang Auto Sales and Services Co., Ltd. (常德市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Shantou Dongbao Auto Sales and Services Co., Ltd. (汕頭市東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB52,000,000	100%	–	100%	Automobile dealership
Longyan Meidong Lexus Auto Sales and Services Co., Ltd. (龍岩美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Yueyang Meibaohang Auto Sales and Services Co., Ltd. (岳阳市美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Jingdezhen Meibaohang Auto Sales and Services Co., Ltd. (景德鎮美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Xinyu Dongbu Toyota Auto Sales and Services Co., Ltd. (新余東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Zhuhai Meidong Lexus Auto Sales and Services Co., Ltd. (珠海美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Huanggang Baoxinhang Auto Sales and Services Co., Ltd. (黃岡寶鑫行汽車銷售服務有限公司)	The PRC, limited liability company	RMB15,000,000	100%	–	100%	Automobile dealership
Foshan Meidong Lexus Auto Sales and Services Co., Ltd. (佛山美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Yangjiang Meibaohang Auto Sales and Services Co., Ltd. (陽江美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB15,000,000	100%	–	100%	Automobile dealership
Guangzhou Meibaohang Auto Sales and Services Co., Ltd. (廣州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	100%	–	100%	Automobile dealership
Beijing Huibaohang Auto Sales and Services Co., Ltd. (北京匯寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	100%	–	100%	Automobile dealership
Liuyang Meibaohang Auto Sales and Services Co., Ltd. (瀏陽美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Qingyuan Meidong Lexus Auto Sales and Services Co., Ltd. (清遠美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Zhuzhou Meidong Lexus Auto Sales and Services Co., Ltd. (株洲美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Jiujiang Dongbu Toyota Auto Sales and Services Co., Ltd. (九江東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Yongzhou Meibaohang Auto Sales and Services Co., Ltd. (永州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB8,000,000	100%	–	100%	Automobile dealership
Shangrao Meibaohang Auto Sales and Services Co., Ltd. (上饒美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Dongguan Meiyue Auto Sales and Services Co., Ltd. (東莞美悅汽車銷售服務有限公司)	The PRC, limited liability company	RMB12,000,000	100%	–	100%	Automobile dealership
Yangjiang Meidong Lexus Auto Sales and Services Co., Ltd. (陽江美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Ganzhou Xinbao Auto Sales and Services Co., Ltd. (贛州鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	100%	–	100%	Automobile dealership
Tangxia Meidong Lexus Auto Sales and Services Co., Ltd. ("**Tangxia Meidong**") (塘厦美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	69%	–	69%	Automobile dealership
Doumen Meidong Lexus Auto Sales and Services Co., Ltd. ("**Doumen Meidong**") (斗門美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	71%	–	71%	Automobile dealership
Langfang Guanbaohang Auto Sales and Services Co., Ltd. (廊坊冠寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	100%	–	100%	Automobile dealership
Tongling Meibaohang Auto Sales and Services Co., Ltd. (銅陵美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Chizhou Meibaohang Auto Sales and Services Co., Ltd. (池州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Huangshan Meibaohang Auto Sales and Services Co., Ltd. (黃山美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Suzhou Meibaohang Auto Sales and Services Co., Ltd. (宿州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Dongguan Meibaohang Auto Sales and Services Co., Ltd. ("**Dongguan Meibaohang**") (東莞美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB30,000,000	70%	–	70%	Automobile dealership
Wuhan Xinbao Auto Sales and Services Co., Ltd. (武漢鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	100%	–	100%	Automobile dealership

16 INVESTMENTS IN SUBSIDIARIES (continued)

			Proportion of ownership interest			
Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Nanchang Jubao Auto Sales and Services Co., Ltd. (南昌聚保汽車銷售服務有限公司)	The PRC, limited liability company	RMB50,000,000	100%	–	100%	Automobile dealership
Heyuan Guanao Auto Sales and Services Co., Ltd. (河源冠奧汽車銷售服務有限公司)	The PRC, limited liability company	RMB40,000,000	100%	–	100%	Automobile dealership
Bazhou Guanbaohang Auto Sales and Services Co., Ltd. (霸州冠寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Huaibei Meibaohang Auto Sales and Services Co., Ltd. (淮北美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Chuzhou Meibaohang Auto Sales and Services Co., Ltd. (滁州美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Bazhou Guanyue Auto Sales and Services Co., Ltd. (霸州市冠悅汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Hengyang Meidong Lexus Auto Sales and Services Co., Ltd. (衡陽美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Beijing Meidong Lexus Auto Sales and Services Co., Ltd. (北京美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Jinan Jubao Auto Sales and Services Co., Ltd. (濟南聚保汽車銷售服務有限公司)	The PRC, limited liability company	RMB70,000,000	70%	–	70%	Automobile dealership
Xinyu Meibaohang Auto Sales and Services Co., Ltd. (新餘美寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Shaoguan Meidong Lexus Auto Sales and Services Co., Ltd. (韶關美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Guangzhou Dongbao Auto Sales and Services Co., Ltd. (廣州東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB200,000,000	70%	–	70%	Automobile dealership
Jiujiang Huibaohang Auto Sales and Services Co., Ltd. (九江匯寶行汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Jiangmen Meidong Lexus Auto Sales and Services Co., Ltd. (江門美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Langfang Meidong Lexus Auto Sales and Services Co., Ltd. (廊坊美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Nanjing Tangshan Meidong Lexus Auto Sales and Service Co., Ltd. ("**Tangshan Lexus**") (南京湯山美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB54,000,000	100%	–	100%	Automobile dealership
Guangan Zongshen Baotai Auto Sales and Services Co., Ltd. ("**Guangan Zongshen**") (廣安市宗申寶泰汽車銷售服務有限公司)	The PRC, limited liability company	RMB36,000,000	100%	–	100%	Automobile dealership
Dongguan Wangniudun Meidong Toyota Auto Sales and Services Co., Ltd. (東莞望牛墩美東豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Huangshan Dongbu Toyota Auto Sales and Services Co., Ltd. (黃山東部豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB14,000,000	100%	–	100%	Automobile dealership
Tianjin Meidong Lexus Auto Sales and Services Co., Ltd. (天津美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB20,000,000	100%	–	100%	Automobile dealership
Nanjing Meidong Lexus Auto Sales and Service Co., Ltd. ("**Nanjing Meidong**") (南京美東雷克薩斯汽車銷售服務有限公司)	The PRC, limited liability company	RMB40,000,000	100%	–	100%	Automobile dealership
Dongguan Fenggang Meixin Toyota Auto Sales and Services Co., Ltd. (東莞鳳崗美鑫豐田汽車銷售服務有限公司)	The PRC, limited liability company	RMB10,000,000	100%	–	100%	Automobile dealership
Dongguan Jeilin Property Investment Consuling Co., Ltd. ("**Jielin Property**") (東莞市捷麟物業投資顧問有限公司)	The PRC, limited liability company	RMB12,000,000	100%	–	100%	Property management

16 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and business and nature of legal entity	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Meixin New Energy Investment Co., Ltd. ("**Meixin New Energy**") (東莞美信新能源投資有限公司)	The PRC, limited liability company	RMB15,000,000	51%	–	51%	Investment holding
Shantou Dongying Automobile Service Co., Ltd. ("**Shantou Dongying**") (汕頭東盈汽車服務有限公司)	The PRC, limited liability company	RMB9,000,000	51%	–	100%	Maintenance service
Yangjiang Dongying Automobile Service Co., Ltd. ("**Shantou Dongying**") (陽江市東盈汽車服務有限公司)	The PRC, limited liability company	RMB4,390,981	51%	–	100%	Maintenance service
Tianjin Dongbao Automotive Sales and Service Co., Ltd. ("**Tianjin Dongbao**") (天津東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB70,726,040	100%	–	100%	Automobile dealership
Weifang Xinbao Automotive Sales and Service Co., Ltd. ("**Weifang Xinbao**") (濰坊鑫保汽車銷售服務有限公司)	The PRC, limited liability company	RMB68,650,094	100%	–	100%	Automobile dealership
Qingdao Dongbao Automotive Sales and Service Co., Ltd. ("**Qingdao Dongbao**") (青島東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB34,785,075	100%	–	100%	Automobile dealership
Nanjing Dongbao Automotive Sales and Service Co., Ltd. ("**Nanjing Dongbao**") (南京東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB32,260,000	100%	–	100%	Automobile dealership
Chongqing Dongbao Automotive Sales and Service Co., Ltd. ("**Chongqing Dongbao**") (重慶東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB32,399,276	100%	–	100%	Automobile dealership
Henan Dongbao Automotive Sales and Service Co., Ltd. ("**Henan Dongbao**") (河南東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB32,900,000	100%	–	100%	Automobile dealership
Jinan Dongbao Automotive Sales and Service Co., Ltd. ("**Jinan Dongbao**") (濟南東保汽車銷售服務有限公司)	The PRC, limited liability company	RMB38,310,638	100%	–	100%	Automobile dealership

Note: Except for MeiDong International, MeiDong HK and Sail Vantage, the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

17 INTEREST IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Share of net assets	**36,319**	38,985

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongguan Meidong Automotive Service Co., Ltd. ("**Dongguan Meidong**")	Incorporated	The PRC	RMB22,000,000	49%	–	49%	Automobile dealership

Dongguan Meidong is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in Dongguan Meidong as a joint venture.

Dongguan Meidong, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

17 INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture and reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2023 RMB'000	2022 RMB'000
Gross amounts of Dongguan Meidong's		
Current assets	140,596	131,603
Non-current assets	11,353	13,182
Current liabilities	(77,828)	(65,224)
Equity	(74,121)	(79,561)
Included in the above assets and liabilities:		
Cash and cash equivalents	95,628	95,722
Current financial liabilities (excluding trade and other payables and provisions)	(4,468)	–
Revenue	758,446	1,010,538
Profit and total comprehensive income	41,747	50,888
Profit distribution to the Group	23,122	47,892
Included in the above profit:		
Depreciation and amortisation	(2,412)	(2,737)
Interest income	1,289	1,699
Interest expense	(715)	(535)
Income tax expense	(13,952)	(16,499)
Reconciled to the Group's interest in Dongguan Meidong		
Gross amounts of Dongguan Meidong's net assets	74,121	79,561
Group's effective interest	49%	49%
Group's share of Dongguan Meidong's net assets and carrying amount in the consolidated financial statements	36,319	38,985

18 OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments for property, plant and equipment and right-of-use assets	**1,087**	1,385
Long-term deposits and receivables	**70,236**	73,519
	71,323	74,904

19 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2023 RMB'000	2022 RMB'000
Motor vehicles	**768,366**	882,987
Others	**191,676**	186,373
	960,042	1,069,360

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	**26,255,858**	25,889,414
Write-down of inventories	**13,694**	15,137

Inventories with carrying amount of RMB170,513,000 have been pledged as security for loans and borrowings (see note 23(b)(i)) as at 31 December 2023 (2022: RMB15,267,000).

Inventories with carrying amount of RMB367,611,000 have been pledged as security for the bills payable (see note 24(b)) as at 31 December 2023 (2022: RMB519,661,000).

20 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**276,385**	278,958
Prepayments (i)	**260,061**	391,125
Other receivables and deposits (ii)	**978,539**	888,687
Amounts due from third parties	**1,514,985**	1,558,770
Amounts due from related parties *(note 32(c))*	**2,527**	1,719
Trade and other receivables	**1,517,512**	1,560,489

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(i) Prepayments and other receivables with carrying amount of RMB26,362,000 have been pledged as security for loans and borrowings (see note 23(b) (i)) as at 31 December 2023 (2022: RMB64,390,000).

Prepayments with carrying amount of RMB198,424,000 have been pledged as security for the bills payable (see note 24(b)) as at 31 December 2023 (2022: RMB235,570,000).

(ii) Other receivables and deposits include rebate receivables with carrying amount of RMB605,409,000 (2022: RMB567,355,000).

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables) based on the invoice date that are neither individually nor collectively considered to be impaired is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 month	**259,540**	246,022
1 to 2 months	**13,275**	22,687
2 to 3 months	**1,241**	7,165
Over 3 months	**2,329**	3,084
	276,385	278,958

Details on the Group's credit policy are set out in note 30(a).

21 PLEDGED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000
Restricted bank deposits pledged in respect of loans and borrowings *(note 23(b)(i))*	**25,874**	15,631
Restricted bank deposits pledged in respect of bills payable *(note 24(b))*	**945,669**	894,676
	971,543	910,307

The pledged bank deposits will be released upon the settlement of relevant loans and borrowings and bills payable.

22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents and fixed deposits with banks comprise:

	2023 RMB'000	2022 RMB'000
Fixed deposits with more than three months to maturity when placed	**561,905**	712,696
Cash at bank and in hand	**2,361,671**	1,635,625

22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2023 RMB'000**	2022 RMB'000
Profit before taxation		**384,474**	863,540
Adjustments for:			
– Depreciation of property, plant and equipment	*6(c)*	**250,676**	224,680
– Depreciation of right-of-use assets	*6(c)*	**144,298**	133,816
– Amortisation of intangible assets	*6(c)*	**182,197**	131,533
– Write-down of inventories	*6(c)*	**13,694**	15,137
– Impairment losses of goodwill and intangible assets	*6(c)*	**61,556**	–
– Net gain on disposal of property, plant and equipment	*5*	**(25,254)**	(34,831)
– Net (gain)/loss on derecognition of right-of-use assets		**(67)**	166
– Finance costs	*6(a)*	**291,162**	275,039
– Share of profits of a joint venture		**(20,456)**	(24,935)
– Interest income	*5*	**(108,618)**	(46,115)
– Equity settled share-based payment expenses	*6(b)*	**14,515**	31,548
– Gains on repurchase of convertible bonds	*5*	**(11,480)**	–
– Net foreign exchange loss		**(2,754)**	(10,644)
Changes in working capital:			
Decrease/(increase) in inventories		**95,624**	(124,971)
Decrease in trade and other receivables		**60,860**	406,321
Increase in pledged bank deposits		**(50,993)**	(159,441)
Decrease in trade and other payables		**(247,938)**	(48,233)
Decrease/(increase) in other non-current assets		**3,283**	(6,598)
Cash generated from operations		**1,034,779**	1,626,012

22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings RMB'000 *(Note 1)*	Lease liabilities RMB'000 *(Note 25)*	Interest payables RMB'000 *(Note 2)*	Convertible bonds RMB'000 *(Note 26)*	Other payables due to a related party RMB'000 *(Note 32(c))*	Total RMB'000
At 1 January 2023	1,906,731	1,455,819	1,840	2,274,932	6,709	5,646,031
Changes from financing cash flows:						
Proceeds from loans and borrowings	11,989,067	–	–	–	–	11,989,067
Repayment of loans and borrowings	(12,451,359)	–	–	–	–	(12,451,359)
Repurchase of convertible bonds	–	–	–	(194,253)	–	(194,253)
Capital element of lease rentals paid	–	(77,950)	–	–	–	(77,950)
Interest element of lease rentals paid	–	(82,972)	–	–	–	(82,972)
Advances from related parties	–	–	–	–	235	235
Interest paid	–	–	(98,809)	–	–	(98,809)
Total changes from financing cash flows	(462,292)	(160,922)	(98,809)	(194,253)	235	(916,041)
Exchange adjustments	–	–	–	33,800	–	33,800
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	15,052	–	–	–	15,052
Derecognition of right-of-use assets	–	(9,307)	–	–	–	(9,307)
Conversion of convertible bonds	–	–	–	(8,740)	–	(8,740)
Repurchase of convertible bonds	–	–	–	(7,699)	–	(7,699)
Interest expenses *(note 6(a))*	–	82,972	99,449	108,741	–	291,162
Total other changes	–	88,717	99,449	92,302	–	280,468
At 31 December 2023	1,444,439	1,383,614	2,480	2,206,781	6,944	5,044,258

22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

Note 1: Bank loans and other borrowings consist of bank loans and borrowings from other financial institutions and a related party as disclosed in note 23.

Note 2: Interest payables is recorded in trade and other payables.

	Bank loans and other borrowings RMB'000 *(Note 1)*	Lease liabilities RMB'000 *(Note 25)*	Interest payables RMB'000 *(Note 2)*	Convertible bonds RMB'000 *(Note 26)*	Other payables due to a related party RMB'000 *(Note 32(c))*	Total RMB'000
At 1 January 2022	1,288,878	1,292,393	752	–	10,350	2,592,373
Changes from financing cash flows:						
Proceeds from loans and borrowings	12,861,255	–	–	–	–	12,861,255
Net proceeds from issuance of convertible bonds	–	–	–	2,198,814	–	2,198,814
Repayment of loans and borrowings	(13,100,444)	–	–	–	–	(13,100,444)
Capital element of lease rentals paid	–	(74,676)	–	–	–	(74,676)
Interest element of lease rentals paid	–	(83,491)	–	–	–	(83,491)
Repayment of advances from related parties	–	–	–	–	(3,641)	(3,641)
Interest paid	–	–	(93,972)	–	–	(93,972)
Total changes from financing cash flows	(239,189)	(158,167)	(93,972)	2,198,814	(3,641)	1,703,845
Exchange adjustments	(20,827)	–	–	188,145	–	167,318
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	96,296	–	–	–	96,296
Derecognition of right-of-use assets	–	(718)	–	–	–	(718)
Additions through acquisition of subsidiaries	877,869	142,524	–	–	–	1,020,393
Equity component of convertible bonds	–	–	–	(208,515)	–	(208,515)
Interest expenses *(note 6(a))*	–	83,491	95,060	96,488	–	275,039
Total other changes	877,869	321,593	95,060	(112,027)	–	1,182,495
At 31 December 2022	1,906,731	1,455,819	1,840	2,274,932	6,709	5,646,031

22 CASH AND CASH EQUIVALENTS, FIXED DEPOSITS WITH BANKS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

Note 1: Bank loans and other borrowings consist of bank loans and borrowings from other financial institutions and a related party as disclosed in note 23.

Note 2: Interest payables is recorded in trade and other payables.

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023 **RMB'000**	2022 RMB'000
Within operating cash flows	**6,852**	8,725
Within financing cash flows	**160,922**	158,167
	167,774	166,892

These amounts relate to the following:

	2023 **RMB'000**	2022 RMB'000
Lease rentals paid	**167,774**	166,892
	167,774	166,892

23 LOANS AND BORROWINGS

(a) At 31 December 2023, loans and borrowings were repayable as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year or on demand (i)	**1,244,939**	1,413,918
After 1 year but within 2 years (i)	**142,800**	293,313
After 2 years but within 5 years (i)	**56,700**	199,500
	199,500	492,813
	1,444,439	1,906,731

(i) Loans and borrowings of RMB995,081,000 repayable within 1 year were guaranteed by related parties as at 31 December 2023 (2022: RMB1,146,722,000) (see note 32(d)).

Loans and borrowings of RMB142,800,000 repayable after 1 year but within 2 years were guaranteed by related parties as at 31 December 2023 (2022: RMB270,413,000) (see note 32(d)).

Loans and borrowings of RMB56,700,000 repayable after 2 years but within 5 years were guaranteed by related parties as at 31 December 2023 (2022: RMB199,500,000) (see note 32(d)).

23 LOANS AND BORROWINGS (continued)

(b) At 31 December 2023, loans and borrowings were secured as follows:

	2023 RMB'000	2022 RMB'000
Secured bank loans (i)	**1,400,950**	1,861,382
Secured borrowings from other financial institutions (i)	**43,489**	45,349
	1,444,439	1,906,731

(i) Loans and borrowings were secured by the following assets of the Group:

	2023 RMB'000	2022 RMB'000
Inventories	**170,513**	15,267
Trade and other receivables	**26,362**	64,390
Property, plant and equipment	**1,824**	13,268
Right-of-use assets	**4,889**	19,117
Pledged bank deposits	**25,874**	15,631
	229,462	127,673

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b).

24 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**194,176**	188,943
Bills payable	**1,511,704**	1,649,907
	1,705,880	1,838,850
Contract liabilities (i)	**831,076**	1,019,748
Payable for legal dispute cases settlement *(note 6(c))*	**40,000**	–
Other payables and accruals	**321,025**	326,161
Amounts due to third parties	**2,897,981**	3,184,759
Amounts due to related parties *(note 32(c))*	**9,068**	8,113
Trade and other payables	**2,907,049**	3,192,872

(i) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB617,972,000 (2022: RMB411,831,000).

(a) All trade and other payables are expected to be settled within one year.

24 TRADE AND OTHER PAYABLES (continued)

(b) Bills payable were secured by the following assets of the Group:

	2023 RMB'000	2022 RMB'000
Pledged bank deposits	**945,669**	894,676
Inventories	**367,611**	519,661
Trade and other receivables	**198,424**	235,570
	1,511,704	1,649,907

As at 31 December 2023, bills payable of RMB348,369,000 were guaranteed by a related party (2022: RMB1,370,946,000) (see note 32(d)).

(c) As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**1,632,154**	1,768,061
After 3 months but within 6 months	**73,726**	70,789
	1,705,880	1,838,850

25 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	170,396	165,195
After 1 year but within 2 years	160,884	163,256
After 2 years but within 5 years	432,941	438,304
After 5 years	619,393	689,064
	1,213,218	1,290,624
	1,383,614	1,455,819

26 CONVERTIBLE BONDS

On 14 January 2022, pursuant to a subscription agreement dated 6 January 2022 (the "**Subscription Agreement**"), Sail Vantage Limited, a subsidiary of the Company, issued zero coupon guaranteed convertible bonds ("**the Convertible Bonds**") with an aggregate principal amount of HK$2,750,000,000 (equivalent to approximately RMB2,248,263,000) and received cash after deduction of transaction costs of HK$2,689,517,000 (equivalent to approximately RMB2,198,814,000). Pursuant to the terms of the Convertible Bonds, the Convertible Bonds will be due in January 2027 and are guaranteed by the Company.

The Convertible Bonds may be converted into shares of the Company pursuant to the terms and conditions of the Convertible Bonds. The rights of the bondholders to convert the Convertible Bonds into ordinary shares are as follows:

- subject to redemption options pursuant to the terms and conditions of the Convertible Bonds, conversion rights are exercisable at any time from 23 February 2022 to 3 January 2027 (both days inclusive) at the bondholders' option;

- the bond holders could convert part of or the entire outstanding bond balances at the holder's option into fully paid ordinary shares of the Company at an initial conversion price of HK$46.75 per share, subject to the terms and conditions of the Convertible Bonds;

26 CONVERTIBLE BONDS (continued)

- with effect from 5 August 2022, the conversion price has been adjusted to HK$45.4881 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcements issued by the Company dated 5 August 2022;
- with effect from 4 August 2023, the conversion price has been adjusted to HK$44.7582 per share pursuant to the terms and conditions of the Convertible Bonds, according to the announcements issued by the Company dated 4 August 2023;
- the number of ordinary shares to be issued on exercise of a conversion right shall be determined by dividing the principal amount of the Convertible Bonds to be converted by the conversion price in effect on the relevant conversion date.

Pursuant to the terms and conditions of the Convertible Bonds, the issuer will, at the option of the bondholder of the Convertible Bonds, redeem all or some only of such bondholder's convertible bonds on 13 January 2025 (the "**Put Option Date**") at 106.9428 per cent. of their principal amount.

The movements of the components of the Convertible Bonds during current period are set out below:

	Liability component (At amortised cost) RMB'000	Equity component (Residual amount) RMB'000	Total RMB'000
At the date of issuance	1,990,299	208,515	2,198,814
Interest charge *(note 6(a))*	96,488	–	96,488
Exchange adjustment	188,145	–	188,145
At 31 December 2022	2,274,932	208,515	2,483,447
Interest charge *(note 6(a))*	108,741	–	108,741
Conversion (i)	(8,740)	(758)	(9,498)
Repurchase (ii)	(202,053)	(3,781)	(205,834)
Exchange adjustment	33,901	–	33,901
At 31 December 2023	2,206,781	203,976	2,410,757

26 CONVERTIBLE BONDS (continued)

(i) Conversion of convertible bonds

During the year ended 31 December 2023, certain holders of Convertible Bonds with principal amount of HK$10,000,000 exercised the conversion option and converted into 219,837 ordinary shares allotted and issued by the Company at a conversion price of HK$45.4881.

(ii) Repurchase of convertible bonds

During the year ended 31 December 2023, an aggregate principal amount of HK$231,000,000 of Convertible bonds have been repurchased by the Group. The gross consideration paid was HK$214,355,000 (equivalent to RMB194,253,000), of which RMB190,496,000 and RMB3,757,000 was allocated to the liability and equity components of the convertible bonds at the date of such transaction, with resulting gain of RMB11,480,000 recognised in other net income.

The aggregate outstanding principal amount of the Convertible Bonds is HK$2,509 million as of 31 December 2023.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(i) Share options granted on 20 January 2014:

Pursuant to a resolution of the board of directors of the Company passed on 20 January 2014, 11,400,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,400,000 shares of the Company in aggregate with an exercise price of HK$1.8, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua (retired with effect from 25 March 2019), the executive directors of the Company, respectively.

Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 1 January 2015, 1 January 2016, 1 January 2017, and 1 January 2018, respectively, and be exercisable until 12 November 2023.

The number of options granted on 20 January 2014 still outstanding at 31 December 2022 and 31 December 2023 is nil.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(ii) Share options granted on 4 January 2018:

Pursuant to a resolution of the board of directors of the Company passed on 4 January 2018, 11,980,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 11,980,000 shares of the Company in aggregate with an exercise price of HK$2.58, among which 2,000,000 and 2,150,000 share options were granted to Mr. Ye Tao and Ms. Liu Xuehua (retired with effect from 25 March 2019), the executive directors of the Company, respectively.

Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 4 January 2018, 4 January 2019, 4 January 2020 and 4 January 2021, respectively, and be exercisable until 3 January 2028.

During the year ended 31 December 2023, 787,500 options were exercised (2022: 1,787,500) at a subscription price of HK$2.58 per ordinary share for a total consideration of HK$2,031,750 (equivalent to RMB1,818,000) and consequently, RMB70,000 and RMB1,748,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB567,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The number of options granted on 4 January 2018 still outstanding at 31 December 2023 are 2,822,500 (2022: 3,610,000) which have an exercise price of HK$2.58 (2022: HK$2.58) and a remaining contractual life of 4.01 years (2022: 5.01 years).

(iii) Share options granted on 18 July 2019:

Pursuant to a resolution of the board of directors of the Company passed on 18 July 2019, 9,700,000 share options were granted to certain eligible employees of the Group under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 9,700,000 shares of the Company in aggregate with an exercise price of HK$6.00, among which 230,000 share options were granted to Ms. Luo Liuyu (appointed as an executive director of the Company with effect from 25 March 2019) and 1,000,000 share options each were granted to Mr. Chen Guiyi, Mr. WANG Michael Chou, and Mr. JIP Ki Chi, the independent non-executive directors of the Company.

Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 18 July 2019, 18 July 2020, 18 July 2021 and 18 July 2022, respectively, and be exercisable until 17 July 2029.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(iii) Share options granted on 18 July 2019: (continued)

During the year ended 31 December 2023, 5,000 options were forfeited, and 635,000 options were exercised (2022: 1,885,000) at a subscription price of HK$6.00 per ordinary share for a total consideration of HK$3,810,000 (equivalent to RMB3,345,000) and consequently, RMB56,000 and RMB3,289,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB1,226,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

The Group recorded equity settled share-base payment expenses of nil for the year ended 31 December 2023 (2022: RMB438,000) (see note 6(b)(ii)).

The number of options granted on 18 July 2019 still outstanding at 31 December 2023 are 3,523,750 (2022: 4,163,750) which have an exercise price of HK$6.00 (2022: HK$6.00) and a remaining contractual life of 5.54 years (2022: 6.54 years).

(iv) Share options granted on 16 January 2020

Pursuant to a resolution of the board of directors of the Company passed on 16 January 2020, 1,940,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 1,940,000 shares of the Company in aggregate with an exercise price of HK$10.80.

Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 16 January 2020, 16 January 2021, 16 January 2022 and 16 January 2023, respectively, and be exercisable until 15 January 2030.

During the year ended 31 December 2023, 27,500 options were forfeited, and 32,500 options were exercised (2022: 82,500) at a subscription price of HK$10.80 per ordinary share for a total consideration of HK$351,000 (equivalent to RMB306,000) and consequently, RMB3,000 and RMB303,000 was recorded in share capital and share premium account respectively. Accordingly, the fair value of these share options in an aggregate amount of RMB102,000 previously recognised in the capital reserve was transferred to the share premium account upon the exercise of share option.

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(iv) Share options granted on 16 January 2020 (continued)

The Group recorded equity settled share-base payment expenses of RMB21,000 for the year ended 31 December 2023 (2022: RMB500,000) (see note 6(b)(ii)).

The number of options granted on 16 January 2020 still outstanding at 31 December 2023 are 1,697,500 (2022: 1,757,500) which have an exercise price of HK$10.8 (2022: HK$10.80) and a remaining contractual life of 6.05 years. (2022: 7.05 years).

(v) Share options granted on 25 May 2022

Pursuant to a resolution of the board of directors of the Company passed on 25 May 2022, 8,901,000 share options were granted to certain eligible employees under the share option scheme adopted by the Company on 13 November 2013, to subscribe for 8,901,000 shares of the Company in aggregate with an exercise price of HK$26.20, among which 240,000 share options were granted to Ms. Luo Liuyu, an executive director of the Company.

Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. Each 25% of these share options will vest on 25 May 2022, 25 May 2023, 25 May 2024 and 25 May 2025, respectively, and be exercisable until 24 May 2032.

The Group recorded equity settled share-base payment expenses of RMB14,494,000) for the year ended 31 December 2023 (2022: RMB30,610,000) (see note 6(b)(ii)).

During the year ended 31 December 2023, 1,051,000 options were forfeited (2022: 288,000 options). The number of options granted on 25 May 2022 still outstanding at 31 December 2023 are 7,562,000 (2022: 8,613,000) which have an exercise price of HK$26.20 and a remaining contractual life of 8.41 years (2022: 9.41 years).

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(v) Share options granted on 25 May 2022 (continued)

(a) The term and conditions of the grants are as follows:

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– On 20 January 2014	4,150,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
– On 4 January 2018	4,150,000	25% on 4 January 2018 25% on 4 January 2019 25% on 4 January 2020 25% on 4 January 2021	10.00 years
– On 18 July 2019	3,230,000	25% on 18 July 2019 25% on 18 July 2020 25% on 18 July 2021 25% on 18 July 2022	10.00 years
– On 25 May 2022	240,000	25% on 25 May 2022 25% on 25 May 2023 25% on 25 May 2024 25% on 25 May 2025	10.00 years

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(v) Share options granted on 25 May 2022 (continued)

(a) The term and conditions of the grants are as follows: (continued)

	Number of Instruments	Vesting conditions	Contractual life of options
Options granted to employees:			
– On 20 January 2014	7,250,000	25% on 1 January 2015 25% on 1 January 2016 25% on 1 January 2017 25% on 1 January 2018	9.82 years
– On 4 January 2018	7,830,000	25% on 4 January 2018 25% on 4 January 2019 25% on 4 January 2020 25% on 4 January 2021	10.00 years
– On 18 July 2019	6,470,000	25% on 18 July 2019 25% on 18 July 2020 25% on 18 July 2021 25% on 18 July 2022	10.00 years
– On 16 January 2020	1,940,000	25% on 16 January 2020 25% on 16 January 2021 25% on 16 January 2022 25% on 16 January 2023	10.00 years
– On 25 May 2022	8,661,000	25% on 25 May 2022 25% on 25 May 2023 25% on 25 May 2024 25% on 25 May 2025	10.00 years
Total share options granted	43,921,000		

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(v) Share options granted on 25 May 2022 (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Exercise price	**Number of options**	Exercise price	Number of options
Outstanding at the beginning of the year	**HK$15.37**	**18,144,250**	HK$4.78	16,193,750
Exercised during the year	**HK$4.26**	**(1,455,000)**	HK$3.42	(6,205,000)
Forfeited during the year	**HK$25.72**	**(1,083,500)**	HK$14.08	(745,500)
Granted during the year	**–**	**–**	HK$26.20	8,901,000
Outstanding at the end of the year	**HK$15.69**	**15,605,750**	HK$15.37	18,144,250
Exercisable at the end of the year	**HK$12.33**	**11,824,750**	HK$9.33	11,214,500

The weighted average share price at the date of exercise for share options exercised during the year was HK$14.42 (2022: HK$24.91).

The options outstanding at 31 December 2023 has an exercise price of HK$2.58, HK$6.00, HK$10.80 or HK$26.20 (2022: HK$2.58, HK$6.00, HK$10.80 or HK$26.20) and a weighted average remaining contractual life of 6.71 years (2022: 7.65 years).

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(v) Share options granted on 25 May 2022 (continued)

(c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measure based on a binomial option-pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option-pricing model.

Fair value of share options and assumptions

	Share options granted on 20 January 2014	Share options granted on 4 January 2018	Share options granted on 18 July 2019	Share options granted on 16 January 2020	Share options granted on 25 May 2022
Fair value at measurement date (expressed as weighted average fair value under binomial option-pricing model)	HK$0.75	HK$0.87	HK$2.35	HK$4.42	HK$7.84
Share price	HK$1.63	HK$2.48	HK$5.71	HK$10.29	HK$26.20
Exercise price	HK$1.80	HK$2.58	HK$6.00	HK$10.80	HK$26.20
Expected volatility (expressed as weighted average volatility used in the modelling under binomial option-pricing model)	54.34%	48.08%	47.47%	48.08%	42.00%
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	9.82 years	10.00 years	10.00 years	10.00 years	10.00 years
Expected dividends	2.02%	5.75%	2.38%	2.73%	2.68%
Risk-free interest rate (based on HKMA Hong Kong Exchange Fund Notes)	2.23%	1.85%	1.56%	1.57%	2.69%

27 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(v) Share options granted on 25 May 2022 (continued)

(c) Fair value of share options and assumptions: (continued)

Fair value of share options and assumptions (continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on the historical earning per share and management's estimation of dividend payment. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2023 **RMB'000**	2022 RMB'000
At the beginning of the year	**101,751**	179,941
Acquisition through business combination	**–**	9,795
Provision for current income tax for the year	**241,231**	384,206
Payment during the year	**(217,992)**	(472,191)
At the end of the year	**124,990**	101,751

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value adjustment arising from business combinations RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Unused tax losses RMB'000	Accruals RMB'000	Inventory provision RMB'000	Distribution of earnings RMB'000	Depreciation charge and capitalised interests of property, plant and equipment RMB'000	Total RMB'000
Deferred tax (liabilities)/ assets arising from:									
At 1 January 2022	(140,952)	(274,074)	323,098	5,917	28,736	–	–	464	(56,811)
Credited/(charged) to profit or loss *(note 7(a))*	32,879	4,331	5,687	10,820	(18,906)	3,784	(42,516)	4,523	602
Transfer to current taxation *(note 7(b))*	–	–	–	–	–	–	76,000	–	76,000
Acquisition through business combination	(768,776)	(34,068)	35,170	–	12,794	–	(33,484)	22,035	(766,329)
At 31 December 2022	(876,849)	(303,811)	363,955	16,737	22,624	3,784	–	27,022	(746,538)
At 1 January 2023	**(876,849)**	**(303,811)**	**363,955**	**16,737**	**22,624**	**3,784**	**-**	**27,022**	**(746,538)**
Credited/(charged) to profit or loss *(note 7(a))*	**50,188**	**29,722**	**(19,080)**	**3,415**	**(3,268)**	**(366)**	**(80,463)**	**(5,426)**	**(25,278)**
Transfer to current taxation *(note 7(b))*	**-**	**-**	**-**	**-**	**-**	**-**	**37,815**	**-**	**37,815**
At 31 December 2023	**(826,661)**	**(274,089)**	**344,875**	**20,152**	**19,356**	**3,418**	**(42,648)**	**21,596**	**(734,001)**

Deferred tax assets in respect of unused tax losses are related to subsidiaries that were established in recent years, which are progressing to their normal operating stage and are expected to derive profits in the foreseeable future. Accordingly, it is considered probable that sufficient taxable profits will be available to utilise their unused tax losses before they expire.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to consolidated statement of financial position:

	The Group	
	2023	2022
	RMB'000	RMB'000
Representing:		
Net deferred tax assets	**133,392**	126,980
Net deferred tax liabilities	**(867,393)**	(873,518)
	(734,001)	(746,538)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB51,662,000 (2022: RMB19,060,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity before they expire. The PRC deductible tax losses in PRC expire within 5 years from the year when such losses were incurred. The tax losses incurred by MeiDong HK do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

The Corporate Income Tax Law of the PRC and its relevant regulations also impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. During the year ended 31 December 2023, the Group is entitled to the reduced withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2023 in respect of undistributed earnings of RMB1,871,517,000 (2022: RMB2,994,562,000) as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at 1 January 2022	99,520	344,554	986	21,989	64,422	–	–	531,471
Profit for the year	–	–	–	–	1,283,031	–	–	1,283,031
Other comprehensive income for the year	–	–	–	–	–	127,320	–	127,320
Total comprehensive income for the year	–	–	–	–	1,283,031	127,320	–	1,410,351
Dividends declared and paid *(note 29(b))*	–	(994,706)	–	–	–	–	–	(994,706)
Equity settled share-based payment *(note 27)*	–	–	–	31,548	–	–	–	31,548
Issue of ordinary shares upon exercise of share options *(note 27)*	533	24,659	–	(6,777)	–	–	–	18,415
Issuance of new shares, net of issuance expense *(note 29(c)(ii))*	1,835	626,980	–	–	–	–	–	628,815
Equity component of convertible bonds *(note 26)*	–	–	–	–	–	–	208,515	208,515
Balance at 31 December 2022	101,888	1,487	986	46,760	1,347,453	127,320	208,515	1,834,409

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Movements in components of equity (continued)

The Company (continued)

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Total RMB'000
Balance at 1 January 2023	101,888	1,487	986	46,760	1,347,453	127,320	208,515	1,834,409
Profit for the year	–	–	–	–	644,290	–	–	644,290
Other comprehensive income for the year	–	–	–	–	–	77,154	–	77,154
Total comprehensive income for the year	–	–	–	–	644,290	77,154	–	721,444
Dividends declared and paid *(note 29(b))*	–	(169,223)	–	–	–	–	–	(169,223)
Equity settled share-based payment *(note 27)*	–	–	–	14,515	–	–	–	14,515
Issue of ordinary shares upon exercise of share options *(note 27)*	129	7,235	–	(1,895)	–	–	–	5,469
Issuance of new shares, net of issuance expense *(note 29(c) (ii))*	5,852	865,339	–	–	–	–	–	871,191
Conversion of convertible bonds *(note 26(i))*	19	9,479	–	–	–	–	(758)	8,740
Repurchase of convertible bonds *(note 26(ii))*	–	–	–	–	–	–	(3,781)	(3,781)
Balance at 31 December 2023	107,888	714,317	986	59,380	1,991,743	204,474	203,976	3,282,764

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2023 RMB'000	2022 RMB'000
Interim dividend for the year, approved and paid during the year, of RMB0.0087 per ordinary share (2022: RMB0.0808 per ordinary share)	**11,712**	103,055

	2023 RMB'000	2022 RMB'000
Final dividend proposed after the statement of financial position date of RMB0.0330 per ordinary share (2022: RMB0.1170 per ordinary share)	**44,426**	157,422

The final dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2023 RMB'000	2022 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.1170 per ordinary share (2022: RMB0.6991 per ordinary share)	**157,511**	891,651

(iii) Other dividends

During the year ended 31 December 2023, subsidiaries of the Group declared and paid dividends of RMB42,896,000 (2022: RMB32,783,000) in cash to non-controlling interests.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital

The share capital of the Group as at 31 December 2023 represented the amount of issued and paid-up capital of the Company with details set out below:

Authorised:

	Note	Par value HK$	**2023** Number of shares (thousand)	**2023** Nominal value of ordinary shares HK$'000	2022 Number of shares (thousand)	2022 Nominal value of ordinary shares HK$'000
At 31 December	*(i)*	0.1	**20,000,000**	**2,000,000**	20,000,000	2,000,000

Ordinary shares, issued and fully paid:

	Note	**Number of ordinary shares** (thousand)	**Nominal value of ordinary shares** HK$('000)
At 1 January 2022		1,247,867	124,787
Issue of ordinary shares upon exercise of share options	*27*	6,205	621
Placement of new shares		22,500	2,250
At 31 December 2022 and 1 January 2023		1,276,572	127,658
Issue of ordinary shares upon exercise of share options	*27*	1,455	146
Placement of new shares	*(ii)*	68,000	6,800
Conversion of convertible bonds	*26*	220	22
At 31 December 2023		1,346,247	134,625
RMB equivalent ('000) at 31 December 2023			107,888
RMB equivalent ('000) at 31 December 2022			101,888

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(i) Authorised share capital

The Company was incorporated on 24 February 2012 with an authorised share capital of HK$10,000,000 divided into 100,000,000 ordinary shares of HK$0.1 each. Pursuant to a resolution dated 16 October 2013 passed by its sole shareholder, Apex Sail, the authorised share capital of the Company was increased from HK$10,000,000 to HK$2,000,000,000 by the creation of 19,900,000,000 new share of HK$0.1 each.

(ii) Placement of new shares

On 17 January 2023, the Company placed 68,000,000 new ordinary shares at the subscription price of HK$15.05 per share. The gross proceeds of HK$1,023,400,000 (equivalent to RMB880,778,000), net of direct share placement expenses of HK$11,140,000 (equivalent to RMB9,587,000), were raised, of which RMB5,852,000 and RMB865,339,000 was credited to share capital and share premium account, respectively.

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the share premium of the Company.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(iii) Capital reserves

Capital reserve comprises the following:

- contributions by the Controlling Shareholder at the respective dates;
- balances arising from transactions with owners in their capacity as the equity owners; and
- the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(s)(iii).

(iv) PRC statutory reserve

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity shareholders.

For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity shareholders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange difference arising from the translation of the financial statements of offshore companies with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2(x).

(vi) Other reserve

Other reserve represents the amount allocated to the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in note 2(q).

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as loans and borrowings, bills payable, convertible bonds and lease liabilities plus unaccrued proposed dividends, less pledged bank deposits, fixed deposits with more than three months to maturity and cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2023, the Group's strategy, which was unchanged from 2022, was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2023 and 2022 was as follows:

		The Group	
		2023	2022
	Note	**RMB'000**	RMB'000
Current liabilities:			
Loans and borrowings	*23*	**1,244,939**	1,413,918
Bills payable	*24*	**1,511,704**	1,649,907
Lease liabilities	*25*	**170,396**	165,195
		2,927,039	3,229,020
Non-current liabilities:			
Loans and borrowings	*23*	**199,500**	492,813
Convertible bonds	*26*	**2,206,781**	2,274,932
Lease liabilities	*25*	**1,213,218**	1,290,624
Total debt		**6,546,538**	7,287,389
Add: Proposed dividends	*29(b)*	**44,426**	157,422
Less: Pledged bank deposits	*21*	**(971,543)**	(910,307)
Fixed deposits with more than three months to maturity when placed	*22(a)*	**(561,905)**	(712,696)
Cash and cash equivalents	*22(a)*	**(2,361,671)**	(1,635,625)
Adjusted net debt		**2,695,845**	4,186,183
Total equity		**5,286,140**	4,433,780
Less: Proposed dividends	*29(b)*	**(44,426)**	(157,422)
Adjusted capital		**5,241,714**	4,276,358
Adjusted net debt-to-capital ratio		**0.51**	0.98

The Group is subject to capital requirements imposed by certain banks as disclosed in note 23(b)(i).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits, time deposits and trade and other receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and time deposits are limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

Trade receivables

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group, insurance commission receivables from insurance companies and warranty receivables from automobile manufacturers. The mortgage is normally settled within one month directly by major financial institutions. While for the receivables from insurance companies and automobile manufacturers, risk of default is considered low, as these are either reputable companies or with good credit rating. Based on past experience, the Group was of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, 32% (2022: 41%) and 13% (2022: 10%) of the total trade receivables were due from the Group's five largest debtors and the largest single debtor respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2023.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Prepayments and other receivables and deposits

Credit risk in respect of prepayments and other receivables and deposits is limited since the counterparties are mainly reputable automobile manufacturers.

The Group measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2023.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	At 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	1,280,774	149,831	58,566	–	1,489,171	1,444,439
Trade and other payables	2,075,973	–	–	–	2,075,973	2,075,973
Convertible bonds	–	2,431,565	–	–	2,431,565	2,206,781
Lease liabilities	174,767	173,074	512,513	1,034,280	1,894,634	1,383,614
	3,531,514	2,754,470	571,079	1,034,280	7,891,343	7,110,807
Financial guarantee issued:						
Maximum amount guaranteed:	210,000	–	–	–	210,000	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	1,479,025	311,268	208,543	774	1,999,610	1,906,731
Trade and other payables	2,173,124	–	–	–	2,173,124	2,173,124
Convertible bonds	–	–	2,747,268	–	2,747,268	2,274,932
Lease liabilities	210,745	218,777	658,176	1,691,991	2,779,689	1,455,819
	3,862,894	530,045	3,613,987	1,692,765	9,699,691	7,810,606
Financial guarantee issued:						
Maximum amount guaranteed:	210,000	–	–	–	210,000	–

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at bank, pledged bank deposits, fixed deposits with more than three months to maturity and interest-bearing borrowings. These financial instruments issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

Cash at bank, pledged bank deposits, fixed deposits with more than three months to maturity and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank, fixed deposits with more than three months to maturity and pledged bank deposits are with fixed interest rates ranging from 0.20% to 5.78% per annum as at 31 December 2023 (2022: 0.25% to 5.53%).

The Group's interest-bearing borrowings and interest rates at the end of the reporting period are set out as follows:

	2023		2022	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings				
Bank loans	2.95 – 6.18	1,191,304	3.27 – 6.18	1,674,963
Borrowings from other financial institutions	7.02 – 8.50	–	7.02 – 8.50	1,227
Convertible bonds	4.73	2,206,781	4.73	2,274,932
Lease liabilities	4.81 – 7.05	1,383,614	4.81 – 7.05	1,455,819
		4,781,699		5,406,941
Variable rate borrowings				
Bank loans	2.95 – 4.05	209,646	3.26 – 7.83	186,419
Borrowings from other financial institutions	1.83 – 8.50	43,489	4.70 – 7.68	44,122
		253,135		230,541
		5,034,834		5,637,482

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2022.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit after tax and retained profits for the year RMB'000
At 31 December 2023		
Basis points	**100**	**1,899**
Basis points	**(100)**	**(1,899)**
At 31 December 2022		
Basis points	100	1,729
Basis points	(100)	(1,729)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through financing activities which give rise to cash and cash equivalents, fixed deposits with more than three months to maturity and loans and borrowings that are denominated in a foreign currency, ie. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to the risk is primarily Renminbi Yuan.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year–end date.

	Exposure to foreign currencies (expressed in Renminbi)			
	2023		2022	
	Renminbi Yuan*	**United States Dollars**	Renminbi Yuan*	United States Dollars
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and cash equivalents	**1,536**	**1,116,311**	1,412	46,305
Fixed deposits with more than three months to maturity when placed	**–**	**335,350**	–	708,230
Loans and borrowings	**(71,719)**	**–**	(95,625)	–
Net exposure arising from recognised assets and liabilities	**(70,183)**	**1,451,661**	(94,213)	754,535

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2023		2022	
	Increase/ (decrease) in foreign exchange rate	**Increase/ (Decrease) in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rate	Increase/ (Decrease) in profit after tax and retained profits RMB'000
United States Dollars	**1%**	**14,517**	1%	7,545
	(1)%	**(14,517)**	(1)%	(7,545)
Renminbi	**10%**	**(7,018)**	10%	(9,421)
	(10)%	**7,018**	(10)%	9,421

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

* No currency risk is identified for those monetary assets or liabilities denominated in Renminbi which are in the functional currency of the relevant group entities as at 31 December 2022.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement

At 31 December 2023 and 31 December 2022, all of the Group's financial instruments were carried at cost or amortised cost not materially different from their fair value.

31 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the consolidated financial statements were as follows:

	The Group	
	2023	2022
	RMB'000	RMB'000
Contracted for	**441**	1,283

32 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2023, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Ye Fan 葉帆	Controlling Shareholder
Ye Tao 葉濤	Close family member of the Controlling Shareholder
Guangdong Dadong Automotive Group Co., Ltd. ("**Dadong Group**") 廣東大東汽車集團有限公司	Controlled by the Controlling Shareholder
Dongguan Meidong 東莞美東汽車服務有限公司	Joint venture
Apex Sail	Immediate parent company

Notes: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Recurring transactions

	2023 RMB'000	2022 RMB'000
Short-term rental expense:		
Dadong Group	720	540
Management service income:		
Dongguan Meidong	4,185	5,063

The Company's directors are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties and in the ordinary course of business.

(b) Non-recurring transactions

	2023 RMB'000	2022 RMB'000
Sales of passenger vehicles:		
Dongguan Meidong	16,960	44,654
Purchases of passenger vehicles:		
Dongguan Meidong	30,863	60,061

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

At 31 December 2023, the Group had the following balances with related parties:

	2023 RMB'000	2022 RMB'000
Other receivables due from:		
Dongguan Meidong	2,527	1,719
Other payables due to:		
Dadong Group	2,124	1,404
Ye Fan	6,944	6,709
	9,068	8,113

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Guarantees and securities issued by related parties

	31 December 2023 RMB'000	31 December 2022 RMB'000
Guarantees issued by related parties in respect of loans and borrowings borrowed by the Group:		
– Ye Fan (i)	**1,181,281**	1,601,335
– Dadong Group (ii)	**13,300**	15,300
	1,194,581	1,616,635
Guarantees issued by a related party in respect of bills issued by the Group:		
– Ye Fan (iii)	**348,369**	1,370,946

(i) Loans and borrowings of RMB1,181,281,000 as at 31 December 2023 (31 December 2022: RMB1,601,335,000) were guaranteed by Mr. Ye Fan.

(ii) Loans and borrowings of RMB13,300,000 as at 31 December 2023 (31 December 2022: RMB15,300,000) were guaranteed by Dadong Group.

(iii) Bills payable of RMB348,369,000 as at 31 December 2023 (31 December 2022: RMB1,370,946,000) were guaranteed by Mr. Ye Fan.

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) Guarantees issued by the Group

	2023 RMB'000	2022 RMB'000
Guarantees issued by the Group in respect of financial facilities granted to a related party:		
– Dongguan Meidong	**80,000**	80,000
Guarantees issued by the Group in respect of bank loans and borrowings granted to a related party:		
– Dongguan Meidong	**130,000**	130,000

(f) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**18,129**	22,974
Equity compensation benefits	**2,287**	4,750
	20,416	27,724

Total remuneration is included in staff costs (see note 6(b)).

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expense and financial assistance as disclosed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

The related party transactions in respect of management service income as disclosed above do not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2023**	31 December 2022
Non-current assets			
Interest in a subsidiary		**4,313,657**	4,242,633
Long-term receivables		**11,792**	11,686
Other non-current assets		**4,742**	4,742
		4,330,191	4,259,061
Current assets			
Other receivables		**15,380**	9,682
Fixed deposits with more than three months to maturity when placed		**309,144**	712,696
Cash and cash equivalents		**1,181,336**	106,905
		1,505,860	829,283
Current liabilities			
Other payables		**187,011**	436,743
Loans and borrowings		**159,495**	470,541
		346,506	907,284
Non-current liabilities			
Convertible bonds	(i)	**2,206,781**	2,274,932
Loans and borrowings		**–**	71,719
		2,206,781	2,346,651
Net current assets/(liabilities)		**1,159,354**	(78,001)
Total assets less current liabilities		**5,489,545**	4,181,060
NET ASSETS		**3,282,764**	1,834,409
EQUITY	*29*		
Share capital		**107,888**	101,888
Reserves		**3,174,876**	1,732,521
TOTAL EQUITY		**3,282,764**	1,834,409

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

(i) The directors consider that, the Company assumed from Sail Vantage Limited the obligations to redeem and convert the Convertible Bonds (see note 26).

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Proposed final dividend

After the end of the reporting period, the directors proposed a final dividend in respect of the year ended 31 December 2023. Further details are disclosed in note 29(b).

(b) Repurchase of the Convertible Bonds

The Group repurchased the Convertible Bonds with an aggregate principal amount of HK$84,000,000 in January 2024. Based on the prevailing conversion price of HK$44.7582 per ordinary share of the Group, the Convertible Bonds repurchased carried rights to convert into 1,876,751 Shares.

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider the immediate parent of the Group to be Apex Sail, which is incorporated under the laws of the British Virgin Islands, and the ultimate controlling party of the Group to be Mr. Ye Fan.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
*Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*	1 January 2024
*Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*	1 January 2024
Amendments to HKFRS 16, Leases: Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements	1 January 2024
Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	16,210,019	20,207,446	23,576,689	28,654,734	**28,554,553**
Profit before taxation	757,411	1,052,220	1,612,763	863,540	**384,474**
Taxation	(199,884)	(281,642)	(399,423)	(307,604)	**(228,694)**
Profit for the year	557,527	770,578	1,213,340	555,936	**155,780**
Profit attributable to equity shareholders of the Company	550,811	750,558	1,165,640	521,029	**140,203**
Non-controlling interests	6,716	20,020	47,700	34,907	**15,577**
Profit for the year	557,527	770,578	1,213,340	555,936	**155,780**
Earnings per share					
Basic (RMB cents)	47.67	62.19	93.62	40.93	**10.44**
Diluted (RMB cents)	47.27	61.36	92.38	40.61	**10.41**

ASSETS AND LIABILITIES

	As at 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Total Assets	5,924,920	7,770,349	9,802,673	14,239,403	**14,220,406**
Total Liabilities	(4,155,572)	(4,425,774)	(5,686,080)	(9,805,623)	**(8,934,266)**
	1,769,348	3,344,575	4,116,593	4,433,780	**5,286,140**
Equity attributable to equity shareholders of the Company	1,711,587	3,226,666	3,946,624	4,275,026	**5,152,255**
Non-controlling interests	57,761	117,909	169,969	158,754	**133,885**
Total Equity	1,769,348	3,344,575	4,116,593	4,433,780	**5,286,140**