GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號：1293

2023 ANNUAL REPORT 年報

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. MA Fujiang *(Chairman)*
Mr. WANG Sheng *(President)*
(appointed on 27 December 2023)
Mr. DING Yu (appointed on 25 August 2023)
Ms. XU Xing
Mr. BAO Xiangyi *(President)*
(resigned on 27 December 2023)
Mr. LU Ao (resigned on 25 August 2023)

Independent Non-executive Directors

Ms. LIU Wenji
Ms. LIU Yangfang
Mr. HO Hung Tim Chester

AUDIT COMMITTEE

Ms. LIU Wenji *(Chairlady)*
Ms. LIU Yangfang
Mr. HO Hung Tim Chester

REMUNERATION COMMITTEE

Ms. LIU Wenji *(Chairlady)*
Mr. MA Fujiang
Ms. LIU Yangfang

NOMINATION COMMITTEE

Ms. LIU Yangfang *(Chairlady)*
Mr. MA Fujiang
Ms. LIU Wenji

COMPANY SECRETARY

Ms. XU Xing

AUTHORISED REPRESENTATIVES

Mr. MA Fujiang
Ms. XU Xing

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

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Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road, Kowloon,
Hong Kong

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Grand Cayman, KY1-9009
Cayman Islands

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISER TO HONG KONG LAW

JINGTIAN & GONGCHENG LLP
Suite 3203-3207, 32/F.
Edinburgh Tower, The Landmark, 15 Queen's Road Central
Central, Hong Kong

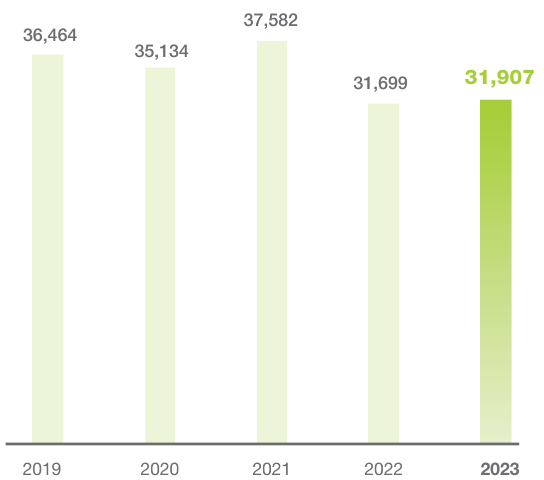
AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

FINANCIAL HIGHLIGHTS

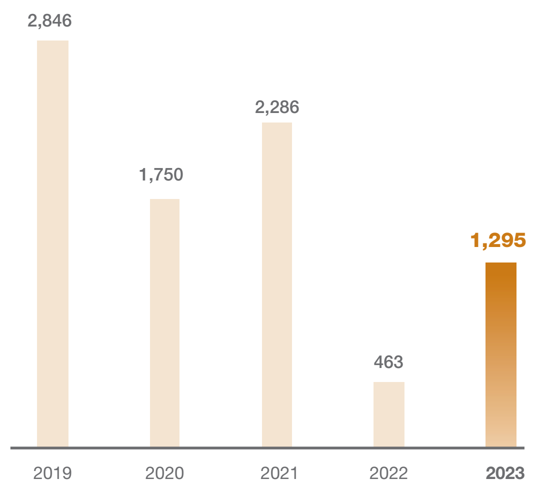
REVENUE

(in RMB million)



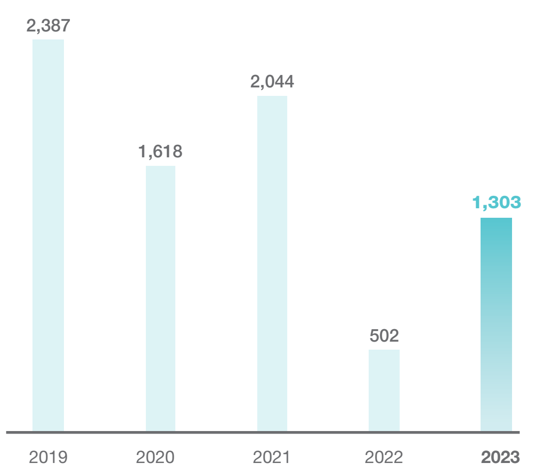
GROSS PROFIT AND GROSS PROFIT MARGIN

(in RMB million)



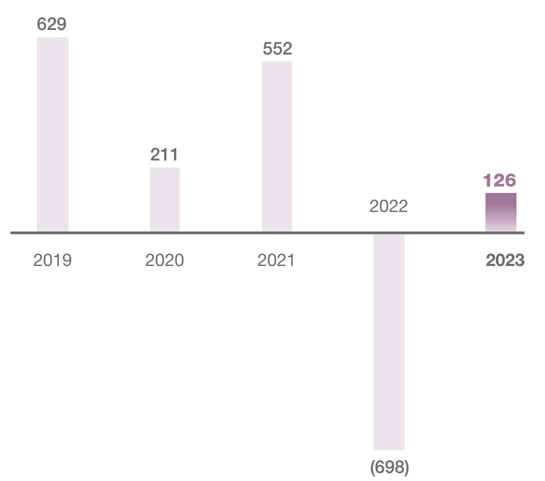
EBITDA

(in RMB million)



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

(in RMB million)



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Directors**") and the management of Grand Baoxin Auto Group Limited (the "**Company**" or "**our Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the year ended 31 December 2023 (the "**Reporting Period**").

In the first half of 2023, China introduced a number of favorable policies to help stabilize the development of the automobile market. However, under the dual influence of price wars and weak demand in the domestic automobile market, the competition in the domestic passenger vehicle industry has intensified, among which survival of the fittest is taking the lead. Correspondingly, China's new energy automobile industry has entered into a new stage of dual development driven by policy and market, and has become an important force leading the transformation of the global automobile industry. As for now, it is important for us to consider and solve the path on how China's automobile dealership industry succeeds in the market where great reshuffle occurs and seize the opportunities to accelerate the corporate upgrade and development in the process of transformation of channel models in the major market trend where new energy vehicles are entering a new stage of scale production and market-oriented rapid development.

In terms of operation, the Group will continue to focus on the luxury car brand dealership business, with an emphasis on the development of luxury brand new energy vehicle sales services and its derivative business. It will further improve the operational quality of core traditional luxury brand stores and consolidate the long-standing advantages of the major luxury brand models distributed by the Group, especially the BMW brand. By promoting strategic marketing driven by market demand and strengthening the business foundation with refined management and control, it will formulate differentiated operational strategies based on different types of luxury brands, so as to ensure the stable sales of new vehicles of the Group and increase the gross profit margins of each luxury brand model on a best effort basis. In terms of management, the Group will continue to facilitate the construction of a financial management center and a fund management center, create an intensive and efficient platform support system in a proactive manner, and further achieve "cost reduction and efficiency improvement" by promoting the platformization of functional departments, in order to provide a solid foundation for deepening the Company's sustainable development.

Last but not least, I would like to, on behalf of the Group, extend my heartfelt gratitude to all our shareholders, business partners and customers from different markets for their enduring trust and support, and also, on behalf of the Board, express our sincere gratitude to all our front-line employees for their diligence and dedication. The Group will adhere to its corporate philosophy of "Service First" and improve its core competitiveness through methods such as refined management and continuous optimization of business structure. At the same time, we will also actively perform our corporate social responsibilities and enhance the Company's brand profile. Looking forward to the future, we firmly believe that, in the face of China's vast market potential, we will be able to leverage our higher quality operation management and high-quality shareholder returns to conclude a new plan, construct new business formats and build sustainable development capabilities.

Yours sincerely,
MA Fujiang
Chairman

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Industry Review

Macroeconomics

Throwing back to 2023, with China's economy and society fully returning to normal, macroeconomic policies are proving to be effective, and high-quality development is progressing steadily, despite the complexity of the global political and economic situation. Various statistics demonstrate that the gradual resumption of market demand with the production supply continues to rise, indicating stable and hopeful economic development.

According to statistics released by the National Bureau of Statistics of China, the domestic GDP in 2023 exceeded RMB126 trillion, achieving a growth rate of 5.2% which represented a faster increase of 2.2 percentage points as compared to 2022. On a quarterly basis, it has shown a trend of low at first, high at medium, and stable at the end, which has been consolidated in a positive way. In general, China's economic and social development has well achieved in "recovering for the better, full of quality, outstanding performance, and surviving extreme difficulty."

Industry Development

During 2023, China's passenger vehicle market is characterised by a continued decline in the market share of traditional fuel vehicles, but this trend has slowed down, as has the growth rate of pure electric models. The growth rate of extended-range models and market share have increased significantly. Under such circumstances, according to the statistics released by CAAM, domestic automobile production and sales reached 30.161 million units and 30.094 million units in 2023 respectively, representing a year-on-year increase of 11.6% and 12% respectively. Among which, the production and sales of passenger cars reached 26.124 million units and 26.063 million units respectively, representing a year-on-year increase of 9.6% and 10.6% respectively. Among which, the sales of Chinese-brand passenger cars reached 14.596 million units, representing a year-on-year increase of 24.1%, while the market share was 56%, representing a year-on-year increase of 6.1%. In terms of the new energy vehicle segment, the production and sales of new energy vehicles reached 9.587 million units and 9.495 million units in 2023 respectively, representing a year-on-year increase of 35.8% and 37.9% respectively. The domestic new energy vehicle sales for the year accounted for 31.6% of all vehicle sales, representing an increase of 6 percentage points as compared to 2022. This year has been a year of rapid change for the automobile consumer market, as well as a year of climbing over hurdles and moving forward under pressure. At the beginning of 2023, the price war in the automobile market triggered by Tesla expanded from new energy vehicles to fuel vehicles, and lasted from the beginning of the year to the end of the year. The general keynote of "price-for-volume" led to a sharp decline in the profits of OEMs and gross profit of distributors, causing a huge impact on the market.

In 2023, self-owned brands strived to "shoot up", while traditional luxury brands performed well one after another. By sorting out the sales situation in China, it was noted that under the influence of the continued efforts of self-owned brands, brand elimination also occurred in the luxury car market. During the Reporting Period, benefiting from the foresight of the new energy transformation and the market competitiveness accumulated by the brands, the sales volume of the three traditional luxury brands (BMW, Benz and Audi) in the Chinese market achieved a year-on-year growth and maintained a solid foundation. These three luxury brands delivered new automobiles of approximately 824,000, 765,000, and 729,000 units, respectively, in the Chinese market, representing a year-on-year growth of 4.2%, 1.7%, and 13.5%, respectively. The BMW group continued to maintain its leading position, while Audi achieved outstanding sales growth. Relatively speaking, in terms of the performance of second-tier luxury brands in the Chinese market, except for Volvo and Jaguar & Land Rover which achieved year-on-year sales growth, other second-tier luxury brands did not achieve satisfactory results.

In the field of traditional luxury brand new energy vehicle models, the BMW group is the leader in electrification transformation among luxury brands, also in a leading position in sales of new energy vehicles. According to the official data, BMW's pure electric vehicle sales achieved outstanding performance during the Reporting Period by delivering approximately 100,000 units last year, representing an increase of more than 138%. Among them, the delivery of i3 and iX3, the pure electric vehicles reached the highest volume. As compared to the same period, the delivery of Audi's electric series, e-tron, achieved stable growth in the Chinese market with approximately 31,000 units reached. The delivery of Mercedes-Benz's pure electric vehicles also doubled year-on-year.

In the field of domestic new force brands, BYD, NIO, Xiaopeng, LI Auto as representatives, have constantly launched new models in pure electricity, plug-in, extended range and other new energy products in 2023. Through the addition of intelligent and other functions demanded by Chinese consumers, the product price of over RMB300,000 has fallen into the conventional luxury car pricing range. The introduction of these products serves in part to compensate for the absence of conventional luxury brands in the new energy product market.

Jan. - Dec. 2023 Mainstream luxury car brand sales in China

Ranking	Brand	Sales Volumn ('000)	on year-on-year basis
	BMW	824.0	4.20%
	Mercerdes Benz	765.0	1.70%
	Audi	729.0	13.50%
	Tesla	622.0	41.10%
	Cadillac	183.0	-1.50%
	LEXUS	181.0	-1.60%
	VOLVO	168.0	0.80%
	NIO	165.7	38.87%
	Jaguar & Land Rover	108.0	21.90%
	Porsche	81.0	-14.30%
	Lincoln	73.0	-8.40%
	Maserati	4.3	-12.10%
	Total	3,904.0	14.90%

(*Note:* The major luxury automobile brands in China are: BMW, Benz, Audi, Tesla, Cadillac, Lexus, Volvo, NIO, Jaguar & Land Rover, Porsche, Lincoln, Maserati)

BUSINESS OVERVIEW

During the Reporting Period, the Group emphasized automobile sales just as much as service quality in its policy concern. In view of the external environment with continuous pressure, with the focus on increasing the overall sales volume of new automobiles, the Group continued to optimise its brand structure and efficiency for each store so as to achieve stable prices in new automobiles on a best effort basis. Meanwhile, it guaranteed steady quality improvement of after-sales service business to better meet customer needs, and achieved quality and healthy development of the derivative business. The Group has kept abreast of market trends, acted on changes in a proactive manner and adjusted its business strategies, leading to a steady and healthy operation despite the adverse environment and achieving positive development.

For the year ended 31 December 2023, our revenue amounted to approximately RMB31,907.0 million, representing a year-on-year increase of 0.7%; gross profit amounted to RMB1,294.6 million, representing an increase of 179.4%; profit attributable to owners of the parent, having turned losses into gains, amounted to RMB125.7 million, as compared to loss attributable to owners of the parent of RMB698.0 million for the year ended 31 December 2022; during the Reporting Period, earnings per share recorded of RMB0.04.

New automobile sales

In 2023, China's passenger car market continued the competition with fuel vehicles and new energy vehicles markets, advancing at the same pace. In the face of objective factors such as price wars throughout the year, consumption downgrades, the withdrawal of the purchase tax halving policy launched in 2022, and the China VI Standard from A to B, the sales and gross profit margin of new automobiles of the Group have faced unprecedented challenges.

During the Reporting Period, despite the impact of the above adverse factors, the Group maintained the stability of its new automobile sales business through the following aspects: firstly, it has taken a proactive approach to adjust its brand and model structure so as to alleviate the adverse impact arising from the sharp decline in new automobile prices in the market, safeguarding the comprehensive profits of new automobile sales; secondly, it has strengthened resource integration and improved business synergy between stores of the same brand in different regions to maximize the benefits of the rebate policy formulated by brand OEMs; finally, the Group has also enhanced its online empowerment approach, broadened the channels by exploring the front-end of sales, encouraged stores to fully invest in live broadcast business, and achieved new sales growth points outside the showroom, so as to reduce the negative impact of market price competition.

For the year ended 31 December 2023, the Group sold a total of 87,960 units of new automobiles, representing an increase of 2.4% as compared to the corresponding period in 2022. However, the revenue generated from the sales of new automobile amounted to RMB27,634.0 million, representing a year-on-year decrease of 1.1%, of which, the sales revenue of luxury and ultra-luxury cars was RMB25,974.0 million, representing a year-on-year increase of 0.1%, which accounted for 94.0% of new automobile sales revenue. In the full year of 2023, the overall gross profit margin of new automobiles of the Group was -0.4% (2022: -3.1%).

After-sales services

During the Reporting Period, the Group took advantage of its business scale to focus on strengthening the procurement cost control of parts and components and decorative supplies. Through centralized procurement and allocation of parts and components in various regions, it prevented abnormal increases in inventory and ensured continuous optimization of the inventory structure. Meanwhile, the Group endeavored to seize the rigid demand of customers for vehicle maintenance by maintaining regular communication with customers and understanding their car usage habits, maintenance frequency and after-sale service requirements to increase customer stickiness. In addition, the Group required various brand stores to further strengthen the training of after-sales technical personnel, and enhance professional learning, so as to provide customers with higher quality services. It has achieved a steady and improving trend of development of the Group's after-sales services.

During the Reporting Period, the revenue of after-sales services was RMB4,236.6 million, representing a year-on-year increase of 14.1%, accounting for 13.3% of the total revenue of the Group. The gross profit of after-sales services was RMB1,365.9 million, representing a year-on-year increase of 5.5%, and the gross profit margin of after-sales services was 32.2%.

Derivative business

During the Reporting Period, the Group has ensured the basic stability of overall sales revenue of new automobiles by continuously overhauling the existing management system, enriching the variety of derivative service products as well as implementing sales price management measures for single vehicle + derivative business. For the year ended 31 December 2023, the income of the Group's derivative business was RMB1,219.1 million, representing a year-on-year increase of 49.9%.

- **Automobile finance business**

  During the Reporting Period, due to its scale advantage, the Group actively engaged in policy negotiations with factories, financial institutions and banking institutions with respect to key brands and key regions. It aimed to broaden the scope of collaboration and optimise the product structure. While continuing to launch OEM cooperative discount products, the Group has also strengthened its cooperation with internet car leasing platforms to enhance its differentiated competitiveness. Furthermore, on the premise of ensuring a certain amount of business, we have improved business quality management and effectively extended the number of financial product periods. This has allowed customers to enjoy the high-quality financial products while also significantly increasing their stickiness with the stores.

  During the Reporting Period, the Group recorded the income of the automobile finance business at RMB861.7 million, representing an increase of 92.2% as compared to RMB448.3 million for the corresponding period in 2022.

- **Second-hand automobile business**

  During the Reporting Period, the Group adopted a prudent strategy in its second-hand automobile business centred on 4S shops. Considering the current operating situation and policy opportunities, the Group aims to improve the second-hand automobile replacement business with the unified operation and management style. Meanwhile, the Group strengthened the construction of key capabilities in second-hand automobiles, implemented a standardised business control model to boost the turnover efficiency and ensure the healthy and virtuous operation of inventory.

  During the Reporting Period, the penetration rate of second-hand automobile business of the Group was 19.5%, representing a year-on-year increase of 0.8 percentage points. The replacement rate of second-hand automobiles was 18.4%, representing an increase of 1.8 percentage points as compared to the corresponding period in 2022.

- **Insurance business**

  During the Reporting Period, the Group has constantly enhanced the scale and quality of the insurance renewal and non-auto insurance businesses. The Group strengthened communication and cooperation with the insurance companies to secure policy support in various aspects. By offering customers one-stop service, we connected the customers' servicing requirements to the whole vehicle life cycle, thus supporting the sales and after-sales of passenger cars business.

  During the Reporting Period, the insurance commission income of the Group was RMB288.4 million, representing an increase of 1.7% compared to RMB283.6 million for the corresponding period in 2022.

Network layout

As a leading domestic dealer of luxury automobiles, the Group's business mainly concentrates in the eastern part of China, which acts as the axis for expanding into the northern, central and southern part of China and also the northeast and northwest regions of China, thus covering the majority of the mainstream market for luxury and ultra-luxury automobiles in China as of now.

During the Reporting Period, the Group continued to optimize its brand structure and implemented its strategic policy that emphasized on internal adjustment based on the changes in the external business environment, strived to strengthen the policies on the improvement on management optimization and operational efficiency of existing stores based on its existing brands, and enhanced the concentration on high-quality brands and eliminated weaker brands, so as to achieve the objectives of cost reduction and optimization. During the Reporting Period, the Group adjusted certain stores that had weaker profitability so as to match the brand structure of the Group with the market structure by taking into account the actual operating conditions of each store as well as rational predictions regarding the market demand in the region and brand where it operates. For brands and stores that continued to record a loss, we would adopt a "shut down and resume" strategy to control inventory at a reasonable level and prevent operational risks. This could reduce capital expenditure of the Group while further raised the efficiency of capital usage.

During the Reporting Period, the Group actively adjusted 5 operating stores that had weaker profitability. As of 31 December 2023, the Group operated a total of 102 operating stores and owned a diversified car brand portfolio comprising 9 luxury and ultra-luxury automobile brands (namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Alfa Romeo, Porsche, Rolls Royce and Maserati).

Management Upgrade

During the Reporting Period, under pressure from the external environment, the Group regularly focused on the improvement of operational efficiency, and further strengthened internal refined and flattened management. The Group implemented the construction of a financial management center and a fund management center to unify the indicators of each 4S operating store, improve the analysis and management of costs and expenses, track fixed and variable costs dynamically and strengthen the control of costs. Also, the financial and capital resource sharing mechanisms of each store have been improved to save duplicate expenses, enhance collaborative sharing effects, and promote platforms in each functional department to achieve the goal of reducing costs and increasing efficiency.

In addition, while the Group constantly improved its operation and management system, it also utilized resources comprehensively according to different automobile brands sold by the Group, and coordinated business departments for each car brand on the basis of regional management, so as to complement each other and maximize the Group's synergy effect.

FUTURE OUTLOOK AND STRATEGIES

Outlook

Automobile consumption is of great significance in boosting domestic consumption and stabilising industrial and economic development in China, and the state has always attached great importance to its position in the national economy. The 2024 report on the work of the Government pointed out that, this year's GDP growth rate is around 5%. Stable growth in consumption should be promoted through stabilising and expanding traditional consumption, encouraging and promoting the replacement of old products with new ones, and boosting the consumption of intelligent internet-connected new energy automobiles, electronic products and other bulk consumption measures. In February 2024, the State Council approved a new programme that focus on actively launching the car trade-in programme. It encourages and promotes the trade-in of consumer goods, including automobiles, to promote the demand for automobile consumption. Policy support, technology and product upgrades will inject new vitality into the automobile market, and will also effectively promote the release of passenger car market demand. According to the CAAM, it is expected that the sales volume of passenger cars in 2024 will be 26.8 million, representing a year-on-year growth of 3%.

In terms of the principal business, the Group has focused on new automobile sales, after-sales maintenance, and derivative business derived from the underlying business in order to consolidate the strategic foundation of its industrial operations. The Group remains dedicated to the 4S stores as its core, establishing a timely and effective incentive protection mechanism to effectively empower the industry frontline. Meanwhile, while ensuring a reasonable scale, the Group will enhance the quality of its operations and further optimise its sales structure to achieve a multi-level and diverse business structure, strengthen its service capability and continuously enhance its competitiveness in the market.

In terms of management, the Group will improve its internal work processes and shortcomings by tapping into its internal potential. It will enable the Group to better cope with the various risks and challenges arising from the accelerated phase-out of the industry. Also, the Group is committed to ensuring effective control and management of every operational process. Furthermore, the Group will establish management measures and concepts for continuous industry benchmarking, regional benchmarking and store benchmarking, continuously improve the management system and process standards, aiming to effectively achieve the goal of cost reduction and efficiency improvement each year.

In terms of development, the Group has paid close attention to the progress of transformation and upgrades of various traditional luxury brands under the overall trend of electrification in China's passenger vehicle market, especially the core brands that we distribute. When consolidating our principal business of traditional luxury brands, we will also actively explore the cooperation models with multiple manufacturers of luxury brands in the field of new energy so as to strengthen the distribution of major new energy models from luxury brands, to adapt to the new market competition and to meet customer needs.

In the future, the Group will continue to rely on its core resources and advantages with a more open and inclusive attitude in facing the development and changes of the automobile consumption market. Meanwhile, the Group will adhere to the distribution and services of traditional luxury automobile brands with the goal of providing high-quality services and a focus on achieving its healthy, sustainable and stable long-term development, striving to become a luxury brand car dealer and service provider in China with efficient operation management and long-term sustainable development.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of our revenue for the period indicated:

	Year ended 31 December			
	2023		2022	
Revenue source	**Revenue (RMB'000)**	**Contribution to total revenue (%)**	Revenue (RMB'000)	Contribution to total revenue (%)
Automobile sales	**27,633,956**	**86.6**	27,948,010	88.2
Luxury and ultra-luxury brands	**25,973,625**	**81.4**	25,955,432	81.9
Mid-to-upper market brands	**1,660,331**	**5.2**	1,992,578	6.3
After-sales business	**4,236,566**	**13.3**	3,713,369	11.7
Luxury and ultra-luxury brands	**4,042,866**	**12.7**	3,508,409	11.1
Mid-to-upper market brands	**193,700**	**0.6**	204,960	0.6
Finance leasing services	**36,457**	**0.1**	37,308	0.1
Total revenue	**31,906,979**	**100**	31,698,687	100

Revenue from the sales of automobiles decreased by 1.1% as compared to the year ended 31 December 2022 due to the fact that during the Reporting Period, as a result of the impact of the full-year automobile pricing war, the key direction of "price for volume" led to a decrease in the Group's revenue from new automobile sales as compared to the same period last year.

Automobile sales generated a substantial portion of our revenue, accounting for 86.6% of our total revenue for the year ended 31 December 2023. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 81.4% (2022: 81.9%) and 5.2% (2022: 6.3%), respectively, of our total revenue.

Revenue from the after-sales business increased by 14.1% from RMB3,713.4 million for the year ended 31 December 2022 to RMB4,236.6 million for the same period in 2023.

Cost of sales and services

For the year ended 31 December 2023, our cost of sales and services decreased by 2.0%, from RMB31,235.3 million for the same period in 2022 to RMB30,612.4 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB27,732.2 million for the year ended 31 December 2023, representing a decrease of RMB1,079.4 million, or 3.7%, from the same period in 2022. The cost of sales attributable to our after-sales business amounted to RMB2,870.6 million for the year ended 31 December 2023, representing an increase of RMB451.9 million, or 18.7% from the same period in 2022.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2023 was RMB1,294.6 million, representing an increase of RMB831.2 million or 179.4% from the same period in 2022 which was primarily due to the recovery of new automobile sales business as compared with the same period in 2022. Gross profit from automobile sales increased RMB765.3 million from negative RMB863.6 million for the year ended 31 December 2022 to negative RMB98.3 million for the same period in 2023. Gross profit from after-sales business increased by 5.5% from RMB1,294.7 million for the year ended 31 December 2022 to RMB1,366.0 million for the same period in 2023.

Gross profit margin for the year ended 31 December 2023 was 4.1% (2022: 1.5%), of which we recorded negative gross margin of automobile sales of 0.4% (2022: -3.1%) and of after-sales business was 32.2% (2022: 34.9%).

Other income and gains, net

Other income and gains, net decreased by 4.5% from RMB1,281.1 million for the same period in 2022 to RMB1,223.1 million for the year ended 31 December 2023.

During the Reporting Period, it was mainly due to the impairment of goodwill and long-term assets resulting from the active adjustment and optimization of the weaker profitability stores by the Group.

Selling and distribution costs and administrative expenses

For the year ended 31 December 2023, the Group's selling and distribution costs decreased by 5.2% to RMB1,100.0 million from RMB1,160.3 million for the same period in 2022. The Group's administrative expenses increased by 0.5% from RMB626.6 million for the same period in 2022 to RMB630.0 million.

Profit/(loss) from operations

As a result of the foregoing, our profit from operations for the year ended 31 December 2023 was RMB787.7 million as compared with a loss from operations of RMB42.4 million for the same period in 2022.

Finance costs

Finance costs increased by 2.1% from RMB539.4 million for the year ended 31 December 2022 to RMB550.7 million for the same period in 2023.

Income tax

Income tax decreased by 11.2% from RMB129.6 million for the year ended 31 December 2022 to RMB115.0 million for the same period in 2023.

Profit/(loss) for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended 31 December 2023 was RMB114.1 million as compared with a loss for the year of RMB700.5 million in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2023, our cash and bank balances amounted to RMB185.3 million, representing a decrease of 62.7% from RMB496.1 million as at 31 December 2022. The Group took the lead to optimise the scale of interest-bearing liabilities and improve the efficiency of the use of its own funds to meet daily operating expenses and working capital needs.

Our primary uses of cash were to purchase new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating costs. We financed our liquidity requirements through a combination of short-term bank loans and other borrowings and cash flows generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the year ended 31 December 2023, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB174.4 million (for the year ended 31 December 2022: RMB776.2 million generated), RMB185.9 million (for the year ended 31 December 2022: RMB275.5 million used), and RMB276.0 million (for the year ended 31 December 2022: RMB1,748.4 million used), respectively.

Net current assets

As at 31 December 2023, the Group had net current assets of RMB3,662.6 million, representing an increase of RMB642.0 million from RMB3,020.6 million as at 31 December 2022.

Capital expenditure

The Group's capital expenditures primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended 31 December 2023, the Group's total capital expenditures amounted to RMB586.2 million (2022: RMB549.0 million).

Inventories

The Group's inventories primarily consisted of new automobiles and spare parts and accessories. Each of the Group's dealership stores individually manages its orders for new automobiles and after-sales products. The Group coordinates and aggregates orders for automobile accessories and other automobile-related products across its dealership network.

The Group's inventories increased by 11.0% from RMB3,223.0 million as at 31 December 2022 to RMB3,577.7 million as at 31 December 2023.

The average inventory turnover days of the Group for the year ended 31 December 2023 increased to 40.0 days from 34.6 days in 2022. The increase in inventory turnover days during the Reporting Period was mainly due to the Group's reasonable adjustments to its inventory levels in response to market changes.

Trade Receivables

Trade receivables increased from RMB484.9 million for the year ended 31 December 2022 to RMB764.1 million for the year ended 31 December 2023.

Interest-bearing bank and other borrowings

As at 31 December 2023, the Group's available and unutilised banking facilities amounted to approximately RMB6,103.4 million (31 December 2022: RMB7,272.8 million).

The interest-bearing bank and other borrowings of the Group as at 31 December 2023 were RMB6,016.5 million, representing an increase of RMB294.5 million from RMB5,722.0 million as at 31 December 2022. The increase in the Group's bank loans and other borrowings during the Reporting Period was mainly due to the reduction in the scale of financing for bills payable as a result of the active adjustment of the financing structure according to market changes, and funds provided by financial institutions also increased accordingly.

PRINCIPAL RISKS AND UNCERTAINTIES

Volatility risk of government policies

The relationship between the development of the passenger vehicle market and the change in the domestic and external economic environment is relatively close. Changes in economic cycle will directly affect the development of passenger vehicle industry standards. If China's macro economy slows down in its growth or has a continuous downturn in the future which affects the increase in disposable income of households, then car purchasing by residents will decrease accordingly and the industry will be affected to a certain extent, whereby may affect the development of the Company's principal business. In addition, adjustment of relevant policies in automobile industry, such as policy on car purchase restriction and policy on national automobile industry, may have a certain extent of impact on the new automobile sales business of the Company.

Business risk

As a passenger vehicle retail service provider that operates 4S dealership stores and provides comprehensive services such as after-sales services, the Group mainly relies on the automobile suppliers (manufacturers) and is subject to significant influence brought by the automobile suppliers (manufacturers). The Group's rights in relation to the operation of sales website, supply of motor vehicles and spare parts, as well as other important aspects of the Group's business and operations shall have to adhere to the dealership authorization agreements made between the Group and automobile suppliers (manufacturers). If the financial conditions and operating results of the automobile suppliers (manufacturers) fluctuate, such automobile suppliers (manufacturers) may enter into or renew dealership agreements and authorization agreements on various terms that are reasonable or acceptable to the Group. Certainly, the Group can also choose to terminate the dealership agreements or authorization agreements with the automobile suppliers (manufacturers) based on the Group's adjustment of business strategy or on other reasons. If any of the aforementioned situation occurs, the Group's business and operating conditions may be affected. In order to manage the above-mentioned business risks that the Group is exposed to, the Group will achieve a cooperative and win-win relationship by enhancing friendly communication with automobile manufacturers.

Interest rate risk and foreign exchange rate risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Certain of our borrowings were floating rate borrowings that are linked to Loan Prime Rate and SOFR. Increases in interest rates could adversely affect our finance costs, profit and our financial condition.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We believe our operations currently are not subject to any significant and direct foreign exchange risk. We do not currently use any derivative financial instruments to hedge our exposure to foreign exchange risk.

Gearing ratio

The Group monitors capital by using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, non current amounts due to related parties less cash and bank balances. Our gearing ratio for the year ended 31 December 2023 was 62.1% (2022: 65.4%).

Human resources

As at 31 December 2023, the Group had 6,230 employees (31 December 2022: 6,785). Total staff costs for the year ended 31 December 2023, excluding Directors' remuneration were approximately RMB1,048.6 million (2022: RMB1,067.3 million).

The Group values the recruiting and training of quality personnel. We implement remuneration policy, bonus and long term incentive schemes with reference to the performance of the Group and individual employees. The Group also provides benefits, such as insurance, medical and retirement funds, to employees to sustain competitiveness of the Group.

Contingent liabilities

As at 31 December 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at 31 December 2023, the pledge assets was consist of pledged deposits, inventories, property, plant and equipment, leasehold land, finance lease receivables, investment property amounted to RMB4,866.3 million (31 December 2022: RMB6,242.7 million) and equity of a subsidiary of the Company.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

Acquisitions

The Group did not have any significant acquisitions of subsidiaries and affiliated companies during the year ended 31 December 2023.

Disposals

The Group did not have any significant disposals of subsidiaries and affiliated companies during the year ended 31 December 2023.

Investment

The Group did not have any significant investment during the year ended 31 December 2023.

EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 31 December 2023 and up to the date of this report .

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value, formulate its business strategies and policies and enhance its accountability.

The Company has applied the principles set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

In the opinion of the Directors, throughout the year ended 31 December 2023, the Company has complied with all of the code provisions as set out in the CG Code, save and except for code provision C.2.1.

Under the code provision C.2.1, the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Ma Fujiang, being the Chairman and executive Director of the Company, is responsible for the operation and management of the Board. No chief executive officer has been appointed by the Company. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

CORPORATE GOVERNANCE CULTURE

Built on our corporate philosophy of "Service First", we are committed towards lawful, ethical and responsible operation of our business to promote honestybased and win-win cooperation in the operating environment. We are also committed to developing a positive corporate governance culture that allows employees across the Group to thrive, meet their full potential, and that enables our Company to deliver long-term sustainable growth and success. The Company has designed and adopted strict internal procedures to ensure the compliance of its business operations with the relevant rules and regulations. The CG code published by the Stock Exchange by sets out the principles of good corporate governance, and the Group manages its corporate affairs (such as its board composition, audit, internal control and risk management) in accordance with such principles. This corporate governance report provides a channel through which shareholders may evaluate how the Group has applied such principles to its business.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors.

Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

The Board has also adopted the Model Code as guidelines for its employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

Role of the Board

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management. The delegated functions and powers are reviewed periodically to ensure that they remain appropriate.

Matters specifically reserved for the Board include the approval of financial statements, dividend policy, significant changes in accounting policies, strategies, budgets, internal control system, risk management system, material transactions (in particular those that may involve conflicts of interests), selection of directors, changes to appointments such as company secretary and external auditors, remuneration policy for Directors and senior management, terms of reference of Board committees, as well as major corporate policies such as the code of conduct and whistle-blowing policy.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Group are delegated to the executive Directors and senior management of the Company. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective defined written terms of reference.

Pursuant to code provision B.1.4 of the CG Code, the Board has established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) the number of independent non-executive Directors must comply with the requirement under the Listing Rules; and (iii) the independent non-executive Directors shall devote sufficient time to discharge their duties as a Director. Furthermore, the Board may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board had reviewed the implementation and considered such mechanism(s) was effective during the year.

Composition

The Board currently comprises seven members, consisting of four executive Directors and three independent non-executive Directors as detailed below:

The Board

Executive Directors
Mr. MA Fujiang *(Chairman)*
Mr. WANG Sheng *(President)* (appointed on 27 December 2023)
Mr. DING Yu (appointed on 25 August 2023)
Ms. XU Xing
Mr. BAO Xiangyi *(President)* (resigned on 27 December 2023)
Mr. LU Ao (resigned on 25 August 2023)

Independent non-executive Directors
Ms. Liu Wenji
Ms. Liu Yangfang
Mr. Ho Hung Tim Chester

The biographical details of the Directors are set out on pages 35 to 37 of this annual report. In addition, a list of the names of the Directors and their role and function is published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

None of the members of the Board is related to one another.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Insurance Coverage

Appropriate insurance coverage on Director's and officer's liabilities in respect of legal actions against them arising from corporate activities has been arranged by the Company.

Chairman and Chief Executive Officer

The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer focuses on the Group's business development and daily management and operations generally. The positions of the Chairman of the Board and the chief executive officer are held by separate individuals with a view to maintaining an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

Mr. Ma Fujiang, an executive Director, acted as the Chairman of the Company, while Mr. Wang Sheng, an executive Director, acted as the President of the Company. The role and responsibilities of the chief executive officer are delegated to other executive Directors and management of the Company. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

Independent Non-executive Directors

During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, with one of whom possesses appropriate professional qualification, accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years, unless terminated by not less than three months' notice in writing served by either the Company or the executive Director, with effect from their respective dates of appointment, subject to renewal.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of one year with effect from their respective dates of appointment, subject to renewal.

In accordance with the Company's articles of association, all Directors are required to retire by rotation at least once every three years and are eligible for re-election at the annual general meeting.

At each annual general meeting, one-third of the current Directors shall retire from office. Any new directors appointed either to fill a casual vacancy, or as an addition to the Board during the year by the Board following the recommendation of the Nomination Committee, are subject to re-election by shareholders of the Company at the next following annual general meeting after their appointment.

In accordance with articles 16.2 and 16.18 of the Company's second amended and restated memorandum and articles of association and code provision B.2.2 of the CG Code, Mr. Wang Sheng, Mr. Ding Yu, Ms. Xu Xing, Ms. Liu Wenji and Ms. Liu Yangfang shall retire at the Annual General Meeting of the Company to be held on 14 June 2024 (the "**2024 AGM**"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the 2024 AGM.

The Nomination Committee has confirmed that the Company will support their re-election.

Board Committees

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

The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice where appropriate and upon request. Details of these Board committees, including their compositions, major responsibilities and functions, and work performed during the year ended 31 December 2023 are set out below.

Audit Committee

The Audit Committee consists of the following members during the year ended 31 December 2023:

Independent Non-executive Directors

Ms. Liu Wenji *(Chairlady)*
Ms. Liu Yangfang
Mr. Ho Hung Tim Chester

The primary functions of the Audit Committee include (i) assisting the Board in reviewing financial information and the effectiveness of the financial reporting process; (ii) implementing internal control and risk management systems; (iii) planning audits and maintaining a good relationship with the Company's external auditors; and (iv) organising a system to enable employees of the Company to raise, in confidence, any concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2023, the Audit Committee met twice to:

- review the consolidated financial statements, annual and interim reports before submission to the Board for approval; review any significant issues on the financial reporting and compliance procedures, scope of work and appointment of external auditors, any connected transactions of the Group;

- make arrangements for employees to discuss any possible operational improprieties; and

- review the risk management and internal control systems, and the effectiveness of the Company's internal audit function.

The Audit Committee also met with the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee consists of the following members during the year ended 31 December 2023:

Independent Non-executive Directors

Ms. Liu Wenji *(Chairlady)*
Ms. Liu Yangfang

Executive Director

Mr. MA Fujiang

The primary functions of the Remuneration Committee include (i) reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and (ii) establishing transparent procedures for developing such remuneration policy and structure to attract, retain and motivate them to run the Company successfully. The remuneration policy for non-executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the prevailing market standard. Individual Directors and senior management are not involved in deciding their own remuneration.

During the year ended 31 December 2023, the Remuneration Committee met three times to:

- assess performance of executive Directors;

- review the remuneration policy and structure of the Company and the remuneration packages of executive Directors and senior management; and

- review and make recommendations to the Board on remuneration packages of the Directors and senior management and other related matters.

During the period under review, no Director or any of his associates took part in any discussion about his own remuneration.

Nomination Committee

The Nomination Committee consists of the following members during the year ended 31 December 2023:

Independent Non-executive Directors

Ms. Liu Yangfang *(Chairlady)*
Ms. Liu Wenji

Executive Director

Mr. MA Fujiang

The primary functions of the Nomination Committee include (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; (ii) making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iii) developing and formulating relevant procedures for the nomination and appointment of Directors; (iv) making recommendations to the Board on the appointment or re-appointment of Directors; (v) planning the succession of Directors; and (vi) assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year ended 31 December 2023, the Nomination Committee met three times to:

- review the structure, size and composition of the Board;
- assess the independence of the independent non-executive Directors;
- consider the qualifications of the retiring Directors standing for election at the annual general meeting; and
- review the Board Diversity Policy and the progress on achieving the measurable objectives implementing the Board diversity policy.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the year ended 31 December 2023, the Board has held six board meetings to review financial and operating performance of the Company and to discuss future strategies. The Directors participated in the Board meetings in person or through electronic means.

Draft agendas of each meeting are normally made available to the Directors in advance. Notice and draft agendas of regular Board meetings are served to all Directors at least 14 days before the meeting, to enable them to include other matters in the agenda. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors updated of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

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

All the Directors have access to advice and services of the company secretary, who is responsible for ensuring that Board procedures and applicable regulations under the Company's articles of association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

All minutes are kept by the Company and are open for inspection by any Director during normal office hours with reasonable advance notice. Matters considered and decisions reached at Board and Committee meetings are recorded with sufficient detail in the minutes. Draft and final versions of minutes of Board meetings will be sent to all Directors for their comments and recorded within a reasonable time after the relevant meeting is held.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board Committee meetings and the general meeting of the Company held during the year ended 31 December 2023 is set out in the table below:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Ma Fujiang	6/6	N/A	3/3	3/3	1/1
Mr. Wang Sheng (Note 1)	N/A	N/A	N/A	N/A	N/A
Mr. Bao Xiangyi (Note 2)	6/6	N/A	N/A	N/A	1/1
Mr. Ding Yu (Note 3)	2/2	N/A	N/A	N/A	N/A
Mr. Lu Ao (Note 4)	4/4	N/A	N/A	N/A	1/1
Ms. Xu Xing	6/6	N/A	N/A	N/A	N/A
Independent non-executive Directors					
Ms. Liu Wenji	6/6	2/2	3/3	3/3	1/1
Ms. Liu Yangfang	6/6	2/2	3/3	3/3	1/1
Mr. Ho Hung Tim Chester	6/6	2/2	N/A	N/A	1/1

Notes:

1. Mr. Wang Sheng has been appointed as an executive Director with effect from 27 December 2023. No board meetings nor general meeting were held after his appointment.

2. Mr. Bao Xiangyi has resigned as an executive Director on 27 December 2023. 6 board meetings and 1 general meeting were held during his tenure.

3. Mr. Ding Yu has been appointed as an executive Director with effect from 25 August 2023, 2 board meetings and nil general meeting were held after was appointed.

4. Mr. Lu Ao has resigned as an executive Director on 25 August 2023. 4 board meetings and 1 general meeting were held during his tenure.

Apart from regular Board meetings, the Chairman of the Board also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2023.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as Directors of the Company and of the conduct, business activities and development of the Company and to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director will receive comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be issued to Directors where appropriate. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments in which the Group conducts its business to the Directors.

During the year ended 31 December 2023, all Directors have been required to provide the Company with a record of the training they received on a half-year basis, and such records have been maintained by the Company.

A summary of the Directors' participation in internal and other external training for the year ended 31 December 2023 is as follows:

Name of Directors	**Attending briefing/seminars**	**Reading materials/ regulatory updates/ management monthly updates**
Executive Directors		
Mr. Ma Fujiang	√	√
Mr. Wang Sheng	√	√
Mr. Ding Yu	√	√
Ms. Xu Xing	√	√
Independent non-executive Directors		
Ms. Liu Wenji	√	√
Ms. Liu Yangfang	√	√
Mr. Ho Hung Tim Chester	√	√

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the corporate governance functions set out in the code provision D.3.3 of the CG Code.

The Board reviewed (i) the Company's corporate governance policies and practices; (ii) the training and continuous professional development of Directors and senior management; (iii) the Company's policies and practices on compliance with legal and regulatory requirements; (iv) the code of conduct applicable to the employees and Directors; and (v) the Company's compliance with the CG Code and disclosures in this Corporate Governance Report.

The Board and the Audit Committee will continue to review and improve the corporate governance practices and standards of the Company to ensure that their business and decision-making processes are regulated in a proper and prudent manner.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee considers that the Board Diversity Policy is sufficient to serve the purpose and the Board Diversity Policy, has reviewed as appropriate, to ensure its effectiveness during the year.

Pursuant to the amended Rule 13.92 of the Listing Rules (effective from 1 January 2022), the Stock Exchange will not consider diversity to be achieved for a single gender board. As at the date of this report, the Board is in compliance with the requirement of appointing at least a director of a different gender under the Listing Rules and achieve the current measurable targets set by the Company.

Currently, the Board has 7 directors, among which 3 are female directors. The Group considers that the current circumstances of gender diversity in respect of the Board are satisfactory. During the Reporting Period, there were no mitigating factors or circumstances which make achieving gender diversity across the workforce (including the Board, senior management and other employees) more challenging or less relevant.

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

BOARD NOMINATION POLICY

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

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

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2023.

With the assistance of the finance department of the Group, the Directors have ensured that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors have also ensured that the financial statements of the Group are published in a timely manner in accordance with the applicable laws and regulations.

The management of the Company has provided to the Board all explanation and information necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are submitted to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors has prepared the financial statements on a going concern basis.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 51 to 55 of this annual report.

AUDITORS’ REMUNERATION

The remuneration paid to the Group’s external auditors, Ernst & Young for the year ended 31 December 2023 is set out below:

Services provided	Fees (RMB’000)
Audit services	6,100
Total	6,100

No non-audit services had been provided during the year ended 31 December 2023.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company’s strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The risk management and internal control systems, which include a defined management structure with specified limits of authority and control responsibilities, is designed to (i) facilitate effective and efficient operations; (ii) ensure reliability of financial reporting and compliance with applicable laws and regulations; (iii) identify and manage potential risks; and (iv) safeguard the assets of the Group.

The Company has developed the internal risk control systems and the corresponding management code, and the audit department of internal control is in place under each region of the Group, tracking the implementation of the risk control system and the management code on a regular basis.

The internal auditor reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During its annual review, the Audit Committee also considers the adequacy of resources, qualifications and experience of staff of the Group’s accounting and financial reporting function and their training programs and budgets.

To supplement the above, employees can report any misconduct, impropriety or fraud cases within the Group to the Audit Committee without the fear of recrimination.

In respect of the procedure of dealing with and disseminating inside information as well as the internal control measure:

- The Group strictly complies with the disclosure requirements of the Listing Rules and the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission in June 2012 for dealing with and disseminating inside information.

- The Group discloses broad and non-exclusive information to the public through financial report, announcement and official website.

- The Group has established the internal confidential rules directed against the senior management and general staff who can access inside information due to their rankings or duties, provides education and training on confidential regulations and requires the aforesaid staff to sign a confidential commitment. In respect of results announcement or material transaction, the Group strictly controls and limits the scope of staff who can access information. The material sensitive information is concealed by confidential code (including electronic, written and verbal). The Group also gives written notices about the lock-up period and other matters required for special attention to avoid the dissemination of inside information.

Based on the results of evaluations and representations made by the management and the internal auditor during the year ended 31 December 2023, the Board, as supported by the Audit Committee, is satisfied that (i) there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that threaten the achievement of its business objectives; (ii) that appropriate systems of risk management and internal control have been in place during the year ended 31 December 2023 and up to the date of approval of this annual report; and (iii) that the Company's risk management and internal control systems are effective and adequate.

COMPANY SECRETARY

Ms. Xu Xing ("**Ms. Xu**") is the company secretary.

Ms. Xu, who is the executive Director of the Company, was appointed as a joint company secretary on 20 November 2018. On 19 November 2021, the Stock Exchange has confirmed that Ms. Xu satisfies the requirements to act as the sole company secretary of the Company under Rule 3.28 of the Listing Rules (the "**Confirmation**"). Following the Confirmation, Ms. Xu has been appointed as the sole company secretary of the Company with effect from 20 November 2021.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

Ms. Xu has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of professional training to update her skills and knowledge for the year ended 31 December 2023.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. The goal of developing staff remuneration packages is to enable the Company to motivate the executive Directors and senior management by linking their remuneration to the Company's operating results, individual performances and comparable market rates. Details of the remuneration of each Director for the year ended 31 December 2023 are set out in note 9 to the financial statements of this annual report.

For the year ended 31 December 2023, the aggregate emolument paid to members of non-director senior management was within the following bands:

By Band	Number of Individuals
HK$1,000,001-HK$1,500,000	4
HK$1,500,001-HK$2,000,000	0

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedure for Convening an Extraordinary General Meeting by Shareholders

Pursuant to the Company's articles of association, any two or more shareholders (or any one shareholder which is a recognised clearing house) holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary either via personal delivery or mail (for the attention of the Board of Directors/Company Secretary, at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong) or via email (info@klbaoxin.com). The Board shall, within 21 days from the date of deposit of the requisition, duly convene a general meeting to be held within another 21 days.

Procedure for Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration either via personal delivery or mail (for the attention of the Board of Directors/Company Secretary, at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong) or via email (info@klbaoxin.com).

The Board may, in its sole discretion, consider if such proposals are appropriate and shall put forward such proposals to the shareholders for approval at the next annual general meeting, or at an extraordinary general meeting to be convened by the Board, as appropriate.

Procedure for Putting Forward Enquiries to the Board

Shareholders are, at any time, welcome to send their enquires or requests to the Board via personal delivery or mail (for the attention of Shareholder Communication, at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong) or via email (info@klbaoxin.com).

Note: The Company will not normally deal with verbal or anonymous enquiries.

For the avoidance of doubt, shareholder(s) must deposit/send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's aforesaid address, and provide his/her/their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

The Shareholder Communication Policy and Procedures for Shareholders to Propose a Person for Election as Director are available on the website of the Company.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and extraordinary general meetings. The Chairman of the Board, independent non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at general meetings to meet shareholders and answer their enquiries.

In addition, to promote effective communication, the Company maintains a website at www.klbaoxin.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The Board reviews the implementation and effectiveness of the above shareholder communication policy on an annual basis. For the year under review, the Board considers that the policy is adequate and effective for the following reasons: (a) the policy provides multiple channels of communication to meet the different preferences of shareholders or stakeholders, including the publication of updates on the Company's official website (such as financial results and reports, announcements and circulars), correspondence and email addresses for them to communicate in writing, and telephone number for them to communicate directly with each other in conversation and physical general meetings; (b) the Directors and the chairmen of Board Committee, the Company Secretary and/or other professional advisers (if any) attending the general meetings will be available to answer questions from Shareholders; and (c) designated officers of the Company will be responsible for responding promptly to enquiries or comments from Shareholders or stakeholders.

CONSTITUTIONAL DOCUMENTS

On 20 April 2023, the Board has proposed amendments to the Company's memorandum of association and articles of association to (i) hold hybrid general meetings and electronic general meetings; (ii) bring the existing articles of association of the Company in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules; and (iii) incorporate certain housekeeping amendments. Details of the amendments are set out in the circular of the Company dated 27 April 2023. The second amended and restated memorandum and articles of association of the Company were adopted by a special resolution passed at an annual general meeting of the Company on 15 June 2023.

The second amended and restated memorandum and articles of association of the Company is available on both the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ma Fujiang (馬赴江), aged 60, has been an executive Director, the Chairman of the Board and a member of the Remuneration Committee and the Nomination Committee of the Company since 17 June 2022. Mr. Ma is a qualified Senior Operation Manager (高級經營師). Mr. Ma joined China Grand Automotive Services Group Company Limited (廣匯汽車服務集團股份公司), a company listed on Shanghai Stock Exchange (SSE Stock Code: 600297)("**CGA**"), in May 2012 and is currently the chairman and executive vice president of the board of CGA. Mr. Ma previously acted as the director of Xinjiang Electromechanical Equipment Co., Ltd.* (新疆機電設備有限責任公司) from 1991 to September 2002, the deputy general manager and the general manager of Xinjiang Tianhui Auto Sales Service Co., Ltd.* (新疆天匯汽車銷售服務有限公司), a subsidiary of CGA, from October 2002 to February 2009 and the general manager of Lanzhou Guanghui Saichi Auto Service Co., Ltd.* (蘭州廣匯賽馳汽車服務有限公司), a subsidiary of CGA, from February 2009 to July 2013.

Mr. Wang Sheng (王勝), aged 50, has been executive director and the president of the Company since 27 December 2023. He currently serves as the president and a director of China Grand Automotive Services Group Co., Ltd. ("**CGA**"), a company listed on the Shanghai Stock Exchange (SSE Stock Code: 600297). From December 2015 to October 2022, he served as the deputy general manager and general manager of the Northwest Region Operations of CGA as well as the general manager of the Audi Brand Business Unit of CGA. From October 2022 to December 2023, he has served as the vice president and general manager of the Operations and Management Department of CGA.

Mr. Ding Yu (丁瑜), aged 49, has been an executive director, vice president and the chief financial officer of the company since 25 August 2023. He has over 20 years of experience in commercial and financial market. He has excellent ability in capital management, with extensive interdisciplinary working experience and business acumen. He currently serves as the vice president, a director and the chief financial officer of China Grand Automotive Services Group Co., Ltd., a company listed on the Shanghai Stock Exchange ("**SSE**") (SSE Stock Code: 600297) and a controlling Shareholder in the Rules Governing the Listing of Securities on the Stock Exchange of the Company.

From May 2019 to December 2019, he was the vice president of the China Zheng Tong Auto Services Holdings Limited, a company listed on the Stock Exchange (stock code: 1728). From April 2018 to April 2019, he was the chief financial officer of China New Higher Education Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 2001), and from July 2018 to April 2019, he was also as an executive director of such company. From July 2005 to January 2011, he was head of finance department and senior management of Guo Sheng Pawn Co., Ltd. (a subsidiary of Shanghai International Group), Meihao Holdings Group Co., Ltd., and Sinar Mas Paper (China) Investment Company Limited. Mr. Ding worked in two commercial banks, China Merchants Bank and Industrial Bank Co., Ltd., for ten years from July 1995 to June 2005.

He graduated from East China Normal University in July 1995, majored in International Accounting under the International Finance Faculty, and obtained a master degree in business administration from the University of Canberra, Australia, in November 2006. He is a fellow member of the Chartered Institute of Management Accountants and a member of the Association of International Accountants.

* For identification purpose only

Ms. XU Xing (許星), aged 46, has been the executive director of the Company since 8 June 2018 and was the non-executive director of the Company from October 2017 to June 2018. She was also appointed as a joint company secretary of the Company on 20 November 2018 and the sole company secretary of the Company on 19 November 2021. Ms. Xu is primarily responsible for the corporate governance and capital market related matters of the Company and therefore has extensive experience in matters concerning the board of directors and the corporate governance of the Company. Ms. Xu was also appointed as the vice president of the Company in May 2017. Ms. Xu is the director and the secretary of the board and vice president of CGA and was the assistant to the president of CGA from October 2016 to June 2018. Prior to joining CGA, Ms. Xu was the executive president of Shanghai Yanhua Smartech Group Co., Ltd (上海延華智能科技(集團)股份有限公司) ("**SYSG**"), a company listed on Shenzhen Stock Exchange (SHE: 002178) from January 2014 to October 2016. Ms. Xu was also the deputy general manager and secretary of the board of SYSG from December 2009 to August 2014. From November 2007 to May 2009, Ms. Xu was a senior consultant in Han Consulting (China) Ltd. (漢普管理諮詢(中國)有限公司). Ms. Xu has over 10 years of experience in senior management. Ms. Xu obtained a master's degree from University of Portsmouth, United Kingdom in 2006 and a MBA degree from Shanghai University of Finance and Economics (上海財經大學) in 2007. Ms. Xu also obtained a EMBA from China Europe International Business School (中歐國際工商學院) and the Certificate of Secretary of the Board (董事會秘書資格證書) issued by the Shenzhen Stock Exchange in 2009.

Currently, Ms. Xu is the vice president of China Automobile Dealers Association (中國汽車流通協會) and vice secretary general of Dalian Association for Public Companies (大連上市公司協會). She was awarded the honorary titles of 8 March Red Banner Pacesetter in Shanghai (上海市三八紅旗手) and Top 10 IT Youth New Talent in Shanghai (上海IT青年十大新銳). She was also awarded the honorary titles of the 10th, 14th and 17th Golden-plated Secretaries to the Board (新財富金牌董秘), 4A for the performance of directors of public companies rated by the China Association for Public Companies (中國上市公司協會) in 2022, the Top 100 Excellent Secretaries (百強優秀董秘獎) of public companies in China, as well as the Golden-plated Secretaries (金牌董秘) by a number of institutions including Securities Daily (證券日報), Securities Times (證券時報), Shanghai Securities News (上海證券報) and Sina Finance (新浪財經).

Independent non-executive Directors

Ms. LIU WENJI (劉文姬), aged 60, has been an independent non-executive director, the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company since 30 June 2021. Ms. Liu has over 30 years of professional management experience in government departments and companies. She has been the deputy secretary general of China Automobile Dealers Association since November 2007. She was the former deputy director of the Fuel Department of the Ministry of Domestic Trade from September 1990 to July 1999 and manager of Assets Department of China Automobile Trade General Corp. (中國汽車貿易總公司) from July 1999 to June 2002. She was the assistant to the general manager of Huaxing New World Auto Service Company Limited*(華星新世界汽車服務有限公司) from June 2002 to July 2007.

Ms. Liu obtained a bachelor's degree of business management from the China University of Mining and Technology (中國礦業大學) in July 1985 and a master's degree of engineering from the same university in July 1990.

* For identification purpose only

Ms. LIU Yangfang (劉陽芳), aged 52, is an independent non-executive director, the chairman of the Nomination Committee, and a member of each of the Audit Committee and the Remuneration Committee of the Company. Ms. Liu has been the managing partner and the deputy director of HENG TAI LAW OFFICES ("**HENG TAI**") (Previously name as C & S Law Firm) since January 2016. She was the partner of HENG TAI from December 2008 to December 2015 and the practicing lawyer of HENG TAI from July 2000 to November 2008. She has been an independent director of Ningbo Vichnet Technology Co., Ltd. since December 2022. Ms. Liu has over 15 years of professional legal service experience in corporate law. Ms. Liu obtained a bachelor 's degree of law majoring in International Economic Law of Fudan University in July 2000 and a master 's degree (LLM) from Chicago-Kent College of Law of Illinois Institute of Technology in the United States of America in May 2010, respectively. Ms. Liu was appointed as an independent non-executive director of the Company on 8 June 2018.

Mr. HO HUNG TIM CHESTER (何鴻添), aged 57, has been an independent non-executive director and a member of the Audit Committee of the Company since 30 June 2021. Mr. Ho has over 30 years of professional accounting and financial service experience in Canada and Hong Kong. He has been the external independent member of the Investment Committee of Canadian Race Relations Foundation since January 2020. He was a tax senior of Arthur Andersen & Co. (Canada) from January 1990 to October 1992 and a senior accountant of Ernst & Young (Hong Kong) from December 1992 to September 1994. He worked in Anglo Chinese Corporate Finance, Limited from May 1995 to July 2000, and left the firm as a director. He later worked in Hang Lung Group Limited as a senior investment manager from August 2000 to June 2002. He worked in China Resources Group from June 2002 to December 2014, and left the firm as the senior deputy chief financial officer of Finance Department.

Mr. Ho obtained a first class honour of bachelor's degree of arts in economic and social studies from the University of Manchester in England in July 1988 and a master's degree of business administration from the University of Toronto in Canada in November 1990. He is a member of the American Institute of Chartered Financial Analyst, a Fellow of Canadian Securities Institute, a Canadian Certified Investment Manager, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Professional Accountants of Ontario (Canada) and a member of the American Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Our senior management team are as follows:

Mr. Wang Sheng (王勝) is the president and the executive Director of the Company. Please refer to "Directors and Senior Management — Directors" for a description of his biography.

Mr. Ding Yu (丁瑜) is the vice president, chief financial officer and executive Director of the Company. Please refer to "Directors and Senior Management — Directors" for a description of his biography.

Ms. XU Xing (許星) is the vice president and the executive Director of the Company. Please refer to "Directors and Senior Management — Directors" for a description of her biography.

COMPANY SECRETARY

Ms. XU Xing (許星) has been appointed as the joint company secretary of the Company since 20 November 2018 and the sole company secretary of the Company since 20 November 2021. Please refer to "Directors and Senior Management — Directors" and "Corporate Governance Report — Company Secretary" for a description of her biography.

REPORT OF THE DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in the Cayman Islands. Its principal place of business in Hong Kong is situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and have been registered as a non-Hong Kong company under the Companies Ordinance on 16 November 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2023 is set out in the section headed "Management Discussion and Analysis" from pages 7 to 18 of this annual report.

RESULTS

The Group's results for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on page 57 of this annual report.

FINANCIAL STATEMENTS

The profits of the Group for the year ended 31 December 2023 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 56 to 162 of this annual report.

A summary of the results for the year and of the assets and liabilities of the Group as at 31 December 2023 and for the last five financial years are set out on page 164 of this annual report.

RESERVES

As at 31 December 2023, distributable reserves of the Company amounted to RMB2,385.8 million (2022: RMB2,385.8 million). Details of movements in reserves of the Company during the year are set out in note 46 to the financial statements.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2023 (2022: nil) according to the Group's development plan, having comprehensively considered factors including the macroeconomic environment, the current operation of the Company, and future development fund requirements.

ANNUAL GENERAL MEETING

The 2024 AGM will be held on 14 June 2024. Notice of the 2024 AGM will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are eligible to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2024 AGM, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 7 June 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year are set out in note 34 to the financial statements.

Except as disclosed in this annual report, during the year ended 31 December 2023, the Company had no material investment held, had not carried out any material acquisition or disposal of subsidiaries, associates and joint ventures, and had no definite plan for material investment or acquisition of capital assets.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

Save as disclosed otherwise below, each of the transactions carried out with CGA, the controlling shareholder of the Company, or CGA's subsidiary, which was set out in note 42 to the financial statements, constitutes connected transactions under Chapter 14A of the Listing Rules but are exempt from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

Baoxin Property Leasing Framework Agreement

On 3 November 2022, the Company and CGA renewed the property leasing framework agreement (the "**Baoxin Property Leasing Framework Agreement**"), pursuant to which the Group shall lease certain property(ies) and/or land owned by the Group to CGA and/or its subsidiaries.

The term of the Baoxin Property Leasing Framework Agreement shall be from 3 November 2022 to 31 December 2024 and is subject to annual caps of RMB10,000,000, RMB11,000,000 and RMB12,000,000 for the years ended 31 December 2022, 2023 and 2024, respectively. The Baoxin Property Leasing Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 3 November 2022 for further details.

CGA Property Leasing Framework Agreement

On 3 November 2022, the Company and CGA renewed property leasing framework agreement (the "**CGA Property Leasing Framework Agreement**"), pursuant to which CGA and/or its subsidiaries shall lease certain property(ies) and/or land owned by CGA and/or its subsidiaries to the Group.

The term of the CGA Property Leasing Framework Agreement shall be from 3 November 2022 to 31 December 2024 and is subject to annual caps of RMB10,000,000, RMB11,000,000 and RMB12,000,000 for the years ended 31 December 2022, 2023 and 2024, respectively. The CGA Property Leasing Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 3 November 2022 for further details.

Procurement Framework Agreement

On 18 December 2023, the Company and CGA renewed a procurement framework agreement (the "**Procurement Framework Agreement**"), pursuant to which the parties have agreed that the Group, and CGA and its subsidiaries (the "**CGA Group**") will purchase from and sell to each other certain passenger vehicles, passenger vehicles parts and accessories in accordance with the terms of the Procurement Framework Agreement.

The term of the Procurement Framework Agreement shall be from 1 January 2024 to 31 December 2026. The proposed purchase annual caps for the aggregate amount to be paid by the Company under the Procurement Framework Agreement for each of the period from 1 January 2024 to 31 December 2024, the year ending 31 December 2025 and the year ending 31 December 2026 is RMB24,000,0000, respectively. The proposed sales annual caps for the aggregate amount to be paid by CGA under the Procurement Framework Agreement for each of the period from 1 January 2024 to 31 December 2024, the year ending 31 December 2025 and the year ending 31 December 2026 is RMB24,000,000. The Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company and are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Please refer to the announcements of the Company dated 18 December 2023 for further details.

Save as disclosed above, all related-party transactions set out in note 42 to the financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Confirmation by auditor

The external auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. Nothing has come to the auditor's attention that causes it to believe that the above-mentioned continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) have exceeded the annual caps of the transactions.

Confirmation by independent non-executive Directors

The independent non-executive Directors reviewed the nature, the implementation of the annual caps, pricing policy and internal control procedure of the above-mentioned continuing connected transactions, and confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2023, as far as the Directors are aware, the Group has complied with all relevant laws and regulations that have significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

As a public listed company, the Group complies with all relevant national and local environmental laws and regulations, and has established internal environmental policies accordingly. By implementing energy saving and recycling measures, we strive to minimize emission and reduce waste. In addition, we encourage our employees to actively play a role in achieving the sustainable development of the Group through engaging in environmentally friendly practices.

The Group will release the ESG report required by the Listing Rules separately on the website of the Stock Exchange same as the publication date of this annual report. The ESG report will detail the environmental and social performance of the Group during the year.

DIRECTORS

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

Executive Directors
Mr. MA Fujiang *(Chairman)*
Mr. WANG Sheng *(President)* (appointed on 27 December 2023)
Mr. DING Yu (appointed on 25 August 2023)
Ms. XU Xing
Mr. BAO Xiangyi *(President)* (resigned on 27 December 2023)
Mr. LU Ao (resigned on 25 August 2023)

Independent Non-Executive Directors
Ms. LIU Wenji
Ms. LIU Yangfang
Mr. HO Hung Tim Chester

Pursuant to articles 16.18 and 16.2 of the Company's articles of association and code provision B.2.2 of the CG Code, Mr. Wang Sheng, Mr. Ding Yu, Ms. Xu Xing, Ms. Liu Wenji and Ms. Liu Yangfang will retire at the 2024 AGM. All the above Directors, being eligible, will offer themselves for re-election at the 2024 AGM.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Other than the connected transactions set out in this annual report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party, and in which a Director or an entity connected with a Director had a direct or indirect material interest, subsisted at the end of the year or at any time during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

Save as disclosed in the "Connected Transaction and Continuing Connected Transactions" as set out in this annual report and the related party transactions disclosed in Note 42 to the consolidated financial statements of this annual report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders (the "**Controlling Shareholders**") or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year ended 31 December 2023.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office in defending any proceedings in which judgement is given in his/her favour, or which he/she is acquitted. The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities.

EQUITY-LINKED ARRANGEMENTS

Apart from the Share Option Scheme (as defined below) of the Company set forth in note 35 to the financial statements, the Company did not enter into any equity-linked agreement during the year ended 31 December 2023, nor was there any subsisting equity-linked agreement entered into by the Company at the end of the reporting year.

SHARE OPTION SCHEME

The Company operated a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The Company had adopted a share option scheme on 14 December 2011 (the "**Share Option Scheme**"). A summary of the terms of the Share Option Scheme is set out in appendix VI to the Company's prospectus dated 2 December 2011 and Note 35 to the financial statements.

The Share Option Scheme became effective on 14 December 2011 and remained in force for 10 years. The Share Option Scheme has expired on 14 December 2021 and according to the terms of the Share Option Scheme, no further options are available for grant since that expired date. As such, the number of options available for grant under Share Option Scheme at the beginning and the end of the year 2023 is nil.

The number of shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2023 divided by the weighted average number of shares in issue for the year is 1.64%.

Movements of option shares under the Share Option Scheme during the year ended 31 December 2023 were as follows:

						Number of shares options					
	Date of grant	Exercise price per share	Exercise period from	until	Vesting period (Notes)	Outstanding as at 01/01/2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31/12/2023
(i) Directors											
WANG Sheng (v)	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	90,000	–	–	–	–	90,000
XU Xing	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	1,800,000	–	–	–	–	1,800,000
BAO Xiangyi (vii)	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	400,000	–	–	–	–	400,000
LU Ao (vi)	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	1,800,000	–	–	–	–	1,800,000
(ii) Eligible employees	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	42,507,000	–	–	–	–	42,507,000
				Total:		46,597,000	–	–	–	–	46,597,000

Notes:

(i) 30% of the share options will be vested on, and exercisable from, the first anniversary of the date of grant;

(ii) a further 30% of the share options will be vested on, and exercisable from, the second anniversary of the date of grant;

(iii) a further 40% of the share options will be vested on, and exercisable from, the third anniversary of the date of grant;

(iv) The closing price of the shares of the Company immediately before the date of grant (i.e. as at 27 March 2018) was HK$3.27.

(v) Mr. Wang Sheng was appointed as an executive director with effect from 27 December 2023. Please refer to the announcement of the Company dated 27 December 2023 for details.

(vi) Mr. Lu Ao has resigned as an executive Director with effect from 25 August 2023. Please refer to the announcement of the Company dated 25 August 2023 for details.

(vii) Mr. Bao Xiangyi has resigned as an executive Director, with effect from 27 December 2023. Please refer to the announcement of the Company dated 27 December 2023 for details.

Details of Share Option Scheme and the share options issued under the Share Option Scheme are included in note 35 to the financial statements.

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

As at 31 December 2023, the interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules were as follows:

Name of Director/ chief executive	Capacity/ nature of interest	Number of ordinary shares	Number of underlying shares pursuant to share options (1, 2)	Approximate percentage in the Company's issued voting shares
WANG Sheng	Beneficial owner	–	90,000 (L)	0.00%
XU Xing	Beneficial owner	–	1,800,000 (L)	0.06%

Notes:

(1) These underlying shares were unlisted option shares granted pursuant to the Share Option Scheme, particulars of which are set out in the section headed "Share Option Scheme" in this report.

(2) The letter "L" denotes the person's long position in such shares.

Save as disclosed above, as at 31 December 2023, none of the Directors, chief executives and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company 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.

Apart from the Share Option Scheme, during the year ended 31 December 2023, the Company and any of its subsidiaries were not a party to any arrangements 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. Save for those disclosed above, during the year 31 December 2023, none of the Directors (including their respective spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefits plans of our Group are set out in note 32 to the financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2023, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, who had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under section 336 of the SFO were as follows:

Name	Capacity/ nature of interest	Number of ordinary shares[3]	Approximate percentage in the Company's issued voting shares
China Grand Automotive Services (Hong Kong) Limited ("**CGA HK**") (廣匯汽車服務(香港)有限公司) [1]	Beneficial interest	1,921,117,571 (L)	67.70%
*China Grand Automotive Services Co., Ltd. ("**CGA Limited**") (廣匯汽車服務有限責任公司) [1]	Interest in controlled corporation	1,921,117,571 (L)	67.70%
Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) [1]	Interest in controlled corporation	1,921,117,571 (L)	67.70%
China Grand Automotive Services Group Co., Ltd. ("**CGA**") (廣匯汽車服務集團股份公司) [1]	Interest in controlled corporation	1,921,117,571 (L)	67.70%
Baoxin Investment Management Ltd. [2]	Beneficial interest	219,379,630 (L)	7.73%
M Asia Holding Limited [2]	Interest in controlled corporation	219,379,630 (L)	7.73%
TMF (Cayman) Ltd. [2]	Trustee interest	219,379,630 (L)	7.73%
Yang Chu Yu [3]	Founder of a discretionary trust who can influence how the trustee exercises his discretion	219,379,630 (L)	7.73%

* For identification purpose only

Notes:

(1) CGA HK is wholly owned by Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) (which is in turn owned as to approximately 44.23% by CGA Limited and approximately 55.77% by CGA). CGA Limited is wholly owned by CGA. Each of CGA Limited, Shanghai Huiyong Automotive Distribution Co., Ltd. and CGA are deemed to be interested in the shares held by CGA HK.

(2) TMF (Cayman) Ltd. in its capacity as trustee of a discretionary trust set up by Yang Chu Yu holds the entire issued share capital of M Asia Holding Limited which received 50,000 shares representing 100% interest in Baoxin Investment Management Ltd as trust distribution from a discretionary trust set up by Yang Aihua and TMF (Cayman) Ltd on 2 May 2023. Baoxin Investment Management Ltd owns 219,379,630 shares, equivalent to 7.73% shareholding in the listed corporation.

(3) Yang Chu Yu sets up and is the settlor of a discretionary trust with TMF (Cayman) Ltd. as trustee holding 100% interest in M Asia Holding Limited. On 2 May 2023, M Asia Holding Limited was transferred 100% interest in Baoxin Investment Management Ltd. which in turn owns 7.73% shareholding in the listed corporation. Accordingly, Yang Chu Yu owns indirect interest in Baoxin Investment via her trust and holds the interest in the listed corporation.

(4) The letter "L" denotes the person's long position in such shares.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at 31 December 2023.

MAJOR CUSTOMERS AND SUPPLIERS

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year under review, and sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year, no major customer segment information is presented in accordance with HKFRS 8 Operating Segments.

The aggregate purchase attributable to the Group's five largest suppliers accounted for approximately 83.04% (2022: 84.72%) and the largest supplier accounted for approximately 50.92% (2022: 46.24%) of the Group's total purchases for the year ended 31 December 2023.

At no time during the year ended 31 December 2023 have the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report (the "**Latest Practicable Date**"), the Company maintained the prescribed public float as required by the Listing Rules as at the Latest Practicable Date.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF FOR HOLDERS OF LISTED SECURITIES

As at 31 December 2023, holders of listed securities of the Company were not entitled to obtain any relief from taxation by reason of their holding of such securities pursuant to the laws of the Cayman Islands.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognises that our employees, customers and business associates are key to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting the community and social welfare.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. Furthermore, we have established and will continue to promote our KPI-driven corporate culture with a clear career and promotion system to motivate our employees. Our employees are provided with rotation opportunities both cross-stores and cross-functions to develop their skills and their own career path with us.

We promote a customer-oriented culture within the Company. The Company values the feedback from customers by daily communication and other means. The Company has also established the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards.

We have strong and established working relationships with leading global automakers and their PRC joint venture corporations. We believe that our suppliers are equally important in our development into a first-class automobile dealer enterprise. Therefore, we proactively collaborate with our business partners to deliver quality sustainable services.

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

ASSESSMENT OF PROPERTY INTERESTS OR TANGIBLE ASSETS

During the year ended 31 December 2023, the Company has not valued its property interests or other tangible assets in accordance with Chapter 5 of the Listing Rules.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE LISTING RULES

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors report below details of loan facilities, which existed during the year ended 31 December 2023 and up to the date of this annual report and included conditions relating to specific performance of the controlling shareholder of the Company:

On 4 March 2022, the Company (as borrower) entered into a facility agreement (the "**Facility Agreement**") with (among others) Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)("**SCBHK**") as global coordinator, SCBHK and China Everbright Bank Company Limited, Shanghai Branch as mandated lead arranger and bookrunners, China Citic Bank Corporation Limited Suzhou Branch and China Guangfa Bank Co., Ltd, Shanghai Branch as lead arrangers, Industrial Bank Co., Ltd, Shanghai Branch as arranger, a syndicate of banks as original lenders, SCBHK as facility agent and SCBHK as security agent for a term loan facility in the aggregate amount of US$130,000,000, while the aggregate amount may be increased by the Company in accordance with the Facility Agreement by an aggregate amount of not more than US$150,000,000 (the "**Facilities**"). The Facilities are available for drawdown for a period of 7 months from the date of the Facility Agreement and the loans made under the Facility Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. CGA will provide joint and several liability guarantee for the Facilities. The purpose of the Facilities is (among others) to refinance the existing indebtedness of the Company and for general corporate purposes of the Group.

Pursuant to the Facility Agreement, upon the occurrence of a "Change of Control", no lender under the Facility Agreement is obliged to fund any utilization and any lender under the Facility Agreement may, subject to SCBHK (as facility agent) giving not less than 15 days' notice to the Company, cancel any or all of its commitments and declare its participation in the loans together with accrued interest, and all other amounts accrued or outstanding under the finance documents immediately due and payable.

A "Change of Control" is defined under the Facilities Agreement to include, among others:

(i) CGA, directly or indirectly, ceases to be the single largest shareholder of the Company or ceases to control the Company;

(ii) the Company ceases to be consolidated in the audited and consolidated financial statements of CGA;

(iii) CGA ceases to beneficially own, directly or indirectly, 100% of the equity interests in China Grand Automotive Services LLC. (廣匯汽車服務有限責任公司) ("**CGA LLC**") or ceases to control CGA LLC;

(iv) CGA ceases to beneficially own, directly or indirectly, 100% of the equity interests in China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) ("**CGA HK**") or ceases to control CGA HK;

(v) CGA ceases to beneficially own, directly or indirectly, at least 75% of the equity interests in Shanghai Dexin Automotive Services Co., Ltd. (上海德新汽車服務有限公司) ("**Shanghai Dexin**") or (following any consolidation by merger with any member of CGA Group) the merged entity of Shanghai Dexin and the applicable member of CGA Group (the "**Shanghai Dexin Merged Entity**") or ceases to control Shanghai Dexin or (if applicable) Shanghai Dexin Merged Entity, unless any reduction below such minimum shareholding percentage is due to any strategic investment in Shanghai Dexin or (if applicable) Shanghai Dexin Merged Entity in accordance with the Facility Agreement; or

(vi) CGA ceases to beneficially own, directly or indirectly, at least 75% of the equity interests in Huitong Xincheng Leasing Co., Ltd. (匯通信誠租賃有限公司) ("**HTXC Leasing**") or ceases to control HTXC Leasing, unless any reduction below such minimum shareholding percentage is due to the listing of HTXC Leasing or any strategic investment in HTXC Leasing in accordance with the Facility Agreement.

AUDITORS

Our external auditor, Ernst & Young, will retire and their re-appointment as the external auditor of the Company has been recommended by the Audit Committee, endorsed by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board

MA Fujiang
Chairman

Hong Kong, 28 March 2024

EY 安永

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To the shareholders of GRAND BAOXIN AUTO GROUP LIMITED
(Incorporated in the Cayman Islands as an exempted company with limited liability)

OPINION

We have audited the consolidated financial statements of GRAND BAOXIN AUTO GROUP LIMITED (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 162, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	**How our audit addressed the key audit matter**
Impairment assessment of goodwill	
The carrying value of goodwill amounted to RMB1,143,416,000, after provision for impairment of RMB103,651,000 as at 31 December 2023. The Group is required to perform an impairment test for goodwill at least annually. The impairment test was based on the recoverable values of the respective cash-generating units ("CGUs") to which the goodwill was assigned. We focused on this area because management's impairment assessment processes were complex and involved significant judgements, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and the discount rates applied. Specific disclosures about goodwill are included in note 2.4 "Material accounting policies", note 3 "Significant accounting judgements and estimates" and note 19 "Goodwill" to the financial statements.	We evaluated the forecasts used in the determination of the recoverable values with respect to future revenues and operating results by comparing the forecasts with the historical performance of the respective CGUs and the business development plan. We involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular the discount rates and long-term growth rates. We also checked the related disclosures.
Vendor rebates	
The Group recognised volume-related vendor rebates on an accrual basis based on the terms of the suppliers' contracts. As at 31 December 2023, the rebates receivable included in the consolidated statement of financial position amounted to approximately RMB7,294,221,000. We focused on this area because the balance of rebates receivable was significant and the process of calculation of the accrual was complex. Specific disclosures about vendor rebates are included in note 2.4 "Material accounting policies" and note 24 "Prepayments, other receivables and other assets" to the financial statements.	We obtained an understanding of and tested management's key internal controls in relation to the recognition of vendor rebates. We checked the rebate policies adopted against the terms of the relevant supplier contracts and checked the calculation of the rebates receivables based on the rebate policies. We also checked the subsequent settlement of the rebates against the accrued balances.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

The directors of the Company 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. Our 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.
- 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.

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5(a)	**31,906,979**	31,698,687
Cost of sales and services provided	6(b)	**(30,612,366)**	(31,235,287)
Gross profit		**1,294,613**	463,400
Other income and gains, net	5(b)	**1,223,093**	1,281,086
Selling and distribution expenses		**(1,099,982)**	(1,160,253)
Administrative expenses		**(630,043)**	(626,622)
Profit/(loss) from operations		**787,681**	(42,389)
Finance costs	7	**(550,666)**	(539,375)
Share of (loss)/profits of:			
Joint ventures	20	**(4,927)**	75
Associates	21	**(2,987)**	10,785
Profit/(loss) before tax	6	**229,101**	(570,904)
Income tax expense	8	**(115,008)**	(129,576)
Profit/(loss) for the year		**114,093**	(700,480)
Attributable to:			
Owners of the parent		**125,747**	(697,982)
Non-controlling interests		**(11,654)**	(2,498)
		114,093	(700,480)
Earnings/(loss) per share attributable to ordinary equity holders of the parent	12		
Basic and diluted			
– For profit/(loss) for the year (RMB)		**0.04**	(0.25)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT/(LOSS) FOR THE YEAR	**114,093**	(700,480)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	4,691
Exchange differences on translation of financial statements	**(52,911)**	(304,737)
Net other comprehensive loss that may be reclassified To profit or loss in subsequent periods	**(52,911)**	(300,046)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(52,911)**	(300,046)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**61,182**	(1,000,526)
Attributable to:		
Owners of the parent	**72,836**	(998,028)
Non-controlling interests	**(11,654)**	(2,498)
	61,182	(1,000,526)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,266,678**	3,426,806
Investment properties	14	**358,031**	392,720
Right-of-use assets	15(a)	**1,298,534**	1,577,322
Goodwill	19	**1,143,416**	1,222,016
Other intangible assets	16	**1,187,541**	1,291,848
Prepayments and deposits	17	**72,220**	52,610
Finance lease receivables	18	**89,301**	69,167
Investments in joint ventures	20	**97,396**	102,323
Investments in associates	21	**123,308**	127,524
Deferred tax assets	33(a)	**352,947**	291,501
Total non-current assets		**7,989,372**	8,553,837
CURRENT ASSETS			
Inventories	22	**3,577,652**	3,222,985
Trade receivables	23	**764,120**	484,894
Finance lease receivables	18	**120,503**	136,647
Prepayments, other receivable and other assets	24	**8,851,167**	9,488,041
Amounts due from related parties	42(c)	**94,444**	49,957
Financial assets at fair value through profit and loss	25	**134,569**	89,356
Pledged deposits	26	**1,371,384**	2,646,629
Cash in transit	27	**4,437**	10,919
Cash and bank balances	28	**185,274**	496,110
Total current assets		**15,103,550**	16,625,538
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**5,519,790**	5,275,072
Trade and bills payables	30	**3,843,580**	6,375,288
Other payables and accruals	31	**1,008,371**	1,054,212
Lease liabilities	15(b)	**90,787**	158,997
Amounts due to related parties	42(c)	**332,138**	145,997
Income tax payable		**646,314**	595,340
Total current liabilities		**11,440,980**	13,604,906

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (restated)
NET CURRENT ASSETS		**3,662,570**	3,020,632
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,651,942**	11,574,469
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**496,718**	446,975
Other payables		**334**	9,649
Lease liabilities	15(b)	**946,947**	1,122,879
Amounts due to related parties	42(c)	**2,044,580**	1,862,447
Deferred tax liabilities	33(b)	**428,062**	458,400
Total non-current liabilities		**3,916,641**	3,900,350
Net assets		**7,735,301**	7,674,119
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**23,277**	23,277
Reserves	36	**7,737,711**	7,664,875
		7,760,988	7,688,152
Non-controlling interests		**(25,687)**	(14,033)
Total equity		**7,735,301**	7,674,119

Ma Fujiang
Director

Ding Yu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owner of the parent										
	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Statutory reserve* RMB'000	Merger reserve* RMB'000	Other reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	23,277	2,372,982	108,373	1,413,201	(18,532)	25,370	(421,828)	5,183,337	8,686,180	(11,535)	8,674,645
Loss for the year	–	–	–	–	–	–	–	(697,982)	(697,982)	(2,498)	(700,480)
Cash flow hedges	–	–	–	–	–	4,691	–	–	4,691	–	4,691
Exchange differences related to foreign operations	–	–	–	–	–	–	(304,737)	–	(304,737)	–	(304,737)
Total comprehensive loss for the year	–	–	–	–	–	4,691	(304,737)	(697,982)	(998,028)	(2,498)	(1,000,526)
Transfer from retained profits	–	–	–	26,156	–	–	–	(26,156)	–	–	–
Equity-settled share options forfeited	–	–	(379)	–	–	–	–	379	–	–	–
At 31 December 2022	23,277	2,372,982	107,994	1,439,357	(18,532)	30,061	(726,565)	4,459,578	7,688,152	(14,033)	7,674,119
At 1 January 2023	**23,277**	**2,372,982**	**107,994**	**1,439,357**	**(18,532)**	**30,061**	**(726,565)**	**4,459,578**	**7,688,152**	**(14,033)**	**7,674,119**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**125,747**	**125,747**	**(11,654)**	**114,093**
Exchange differences related to foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**(52,911)**	**-**	**(52,911)**	**-**	**(52,911)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(52,911)**	**125,747**	**72,836**	**(11,654)**	**61,182**
Transfer from retained profits	**-**	**-**	**-**	**56,291**	**-**	**-**	**-**	**(56,291)**	**-**	**-**	**-**
At 31 December 2023	**23,277**	**2,372,982**	**107,994**	**1,495,648**	**(18,532)**	**30,061**	**(779,476)**	**4,529,034**	**7,760,988**	**(25,687)**	**7,735,301**

* These reserve accounts comprise the consolidated reserves of RMB7,737,711,000 (2022: RMB7,664,875,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Profit/(loss) before tax	6	**229,101**	(570,904)
Adjustments for:			
Share of losses/(profits) of joint ventures	20(b)	**4,927**	(75)
Share of losses/(profits) of associates	21	**2,987**	(10,785)
Depreciation of property, plant and equipment	13	**279,706**	268,401
Depreciation of right-of-use assets	15(a)	**183,573**	203,373
Amortisation of other intangible assets	16	**59,722**	61,806
Fair value gain on financial assets at fair value through profit and loss	5	**(45,213)**	(6,994)
Bank interest income	5	**(9,325)**	(20,753)
(Gain)/loss on disposal of items of property, plant and equipment	5	**(4,533)**	3,356
Loss/(gain) on disposal of items of intangible assets	5	**42**	(33)
Write-down of inventories to net realisable value	6	**45,432**	73,675
Gain on disposal of investment in an associate	6	**–**	(42,743)
Finance costs	7	**550,666**	539,375
Provision for impairment of trade receivables, finance lease receivables, prepayments, other receivables and other assets	6	**34,272**	(3,234)
Impairment of goodwill, intangible assets and property, plant and equipment	5	**196,536**	–
Fair value loss of investment properties	6	**34,689**	1,596
Net loss/(profit) on termination of lease contract	15	**2,783**	(5,300)
Gain on disposal of a subsidiary		**(8,266)**	–
		1,557,099	490,761
Decrease in pledged deposits		**1,240,213**	409,441
Decrease/(increase) in cash in transit		**6,482**	(8,991)
Increase in trade receivables		**(303,749)**	(108,624)
Decrease in prepayments, deposits and other receivables		**429,202**	1,341,324
Increase in inventories		**(400,322)**	(514,139)
(Increase)/decrease in finance lease receivables		**(10,056)**	35,003
Increase in amounts due from related parties – trade-related		**(7,004)**	(2,389)
Decrease in trade and bills payables		**(2,530,029)**	(470,198)
Decrease in other payables and accruals		**(13,362)**	(82,941)
Increase/(decrease) in amounts due to related parties – trade-related		**310,060**	(3,612)
Cash generated from operations		**278,534**	1,085,636
Income tax paid		**(104,147)**	(309,448)
Net cash flows generated from operating activities		**174,387**	776,188

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(582,442)**	(546,308)
Proceeds from disposal of items of property, plant and equipment		**340,157**	291,275
Purchase of items of other intangible assets		**(1,567)**	(3,126)
Acquisition of financial assets, net of cash paid		**(40,950)**	–
Proceeds from disposal of items of other intangible assets		**3,209**	2,052
Proceeds from disposal of a subsidiary		**7,563**	–
Interest received		**9,324**	17,192
Dividends received		**28,831**	4,346
Decrease/(increase) of term deposits of maturity over three months		**50,000**	(40,000)
Purchase of a land use right		**–**	(922)
Net cash flows used in investing activities		**(185,875)**	(275,491)
Financing activities			
Proceeds from bank and other borrowings		**5,591,245**	6,203,015
Repayment of bank and other borrowings		**(5,407,434)**	(6,836,412)
Decrease in pledged deposits for bank and other borrowings		**35,033**	193,055
Borrowings from related parties		**341,046**	891,107
Repayment of borrowings from related parties		**(408,002)**	(1,802,173)
Interest paid		**(283,581)**	(279,184)
Principal portion of lease payments		**(144,343)**	(117,760)
Net cash flows used in financing activities		**(276,036)**	(1,748,352)
Net decrease in cash and cash equivalents		**(287,524)**	(1,247,655)
Cash and cash equivalents at beginning of year		**446,110**	1,691,133
Effect of foreign exchange rate changes, net		**26,688**	2,632
Cash and cash equivalents at end of year	28	**185,274**	446,110
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the statement of financial position	28	**185,274**	496,110
Short-term deposits with maturity over three months, not restricted as to use	28	**–**	(50,000)
Cash and cash equivalents as stated in the statement of cash flows		**185,274**	446,110

1. CORPORATE AND GROUP INFORMATION

GRAND BAOXIN AUTO GROUP LIMITED (the "Company") was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 December 2011. On 21 June 2016, China Grand Automotive Services Co. Limited ("CGA") officially completed the pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company.

During the year, the Group was principally engaged in the sale and service of motor vehicles. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is CGA, the shares of which are listed on the Shanghai Stock Exchange.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of operation/ date of incorporation or registration	Authorised/registered/ paid-in/issued capital	Percentage of ownership interest Held by the Company	Held by a subsidiary	Principal activities
NCGA Holdings Limited	Hong Kong 2006	Registered and paid-in capital of US$117,839,975	100%	–	Investment holding
燕駿汽車有限公司 (Yan Jun Auto Co., Limited)	Hong Kong 1993	Registered and paid-in capital of HK$59,900,000	–	100%	Investment holding
金花企業集團(香港)有限公司 (Gin Wi Enterprises Group (HK) Limited)	Hong Kong 1999	Registered and paid-in capital of HK$10,000	–	100%	Investment holding
聯鷹集團有限公司 (Eagle Reach Group Co., Ltd.)	Hong Kong 2013	Registered and paid-in capital of Nil	–	100%	Investment holding
開隆投資管理有限公司 (Kailong Investments Management Limited)	Hong Kong 2010	Authorised capital of HK$10,000, issued capital of HK$1 and paid-in capital of nil	–	100%	Investment holding
上海寶信汽車銷售服務有限公司 (Shanghai Baoxin Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2004	Registered and paid-in capital of RMB214,650,000	–	100%	Sale and service of motor vehicles
上海開隆汽車貿易有限公司 (Shanghai Kailong Automobile Trading Co., Ltd.)	Shanghai, the PRC 1999	Registered and paid-in capital of RMB87,000,000	–	100%	Sale and service of motor vehicles
蘇州寶信汽車銷售服務有限公司 (Suzhou Baoxin Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2004	Registered and paid-in capital of RMB1,100,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of operation/ date of incorporation or registration	Authorised/registered/ paid-in/issued capital	Percentage of ownership interest Held by the Company	Held by a subsidiary	Principal activities
青島信寶行汽車銷售服務有限公司 (Qingdao Xinbaohang Automobile Sales & Services Co., Ltd.)	Qingdao, the PRC 2008	Registered and paid-in capital of RMB138,400,000	–	100%	Sale and service of motor vehicles
天津寶信汽車銷售服務有限公司 (Tianjin Baoxin Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2008	Registered and paid-in capital of RMB138,600,000	–	100%	Sale and service of motor vehicles
常熟寶信汽車銷售服務有限公司 (Changshu Baoxin Automobile Sales & Services Co., Ltd.)	Changshu, the PRC 2006	Registered and paid-in capital of RMB90,000,000	–	100%	Sale and service of motor vehicles
杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2008	Registered and paid-in capital of RMB110,000,000	–	100%	Sale and service of motor vehicles
泰州信寶行汽車銷售服務有限公司 (Taizhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Taizhou, the PRC 2010	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
蘇州信寶行汽車銷售服務有限公司 (Suzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Suzhou, the PRC 2010	Registered and paid-in capital of RMB85,000,000	–	100%	Sale and service of motor vehicles
北京燕寶汽車服務有限公司 (Beijing Yanbao Auto Services Co., Ltd.)	Beijing, the PRC 1995	Registered and paid-in capital of RMB89,350,000	–	100%	Rendering of car repair and maintenance services
北京燕德寶汽車銷售有限公司 (Beijing Yan De Bao Auto Sales Co., Ltd.)	Beijing, the PRC 2002	Registered and paid-in capital of RMB235,030,000	–	100%	Sale of motor vehicles
烏魯木齊燕寶汽車銷售服務有限公司 (Urumqi Yanbao Auto Sales & Services Co., Ltd.)	Urumqi, the PRC 2005	Registered and paid-in capital of RMB145,600,000	–	100%	Sale and service of motor vehicles
北京燕英捷燕順捷汽車銷售服務有限公司 (Beijing Yanyingjie & Yanshunjie Auto Sales & Services Co., Ltd.)	Beijing, the PRC 1998	Registered and paid-in capital of RMB170,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of operation/ date of incorporation or registration	Authorised/registered/ paid-in/issued capital	Percentage of ownership interest Held by the Company	Held by a subsidiary	Principal activities
北京燕豪汽車銷售服務有限公司 (Beijing Yanhao Auto Sales & Services Co., Ltd.)	Beijing, the PRC 2009	Registered and paid-in capital of RMB169,130,000	–	100%	Sale and service of motor vehicles
大連燕德寶汽車銷售有限公司 (Dalian Yandebao Auto Sales Co., Ltd.)	Dalian, the PRC 2002	Registered and paid-in capital of RMB176,000,000	–	100%	Sale and service of motor vehicles
西安金花寶鼎汽車銷售服務有限公司 (Xi'an Ginwi Baoding Auto Services Co., Ltd.)	Xi'an, the PRC 2001	Registered and paid-in capital of RMB121,000,000	–	100%	Sale and service of motor vehicle
北京晨德寶汽車銷售服務有限公司 (Beijing Chendebao Auto Sales and Services Co., Ltd.)	Beijing, the PRC 2003	Registered and paid-in capital of RMB344,500,000	–	100%	Sale and service of motor vehicles
廊坊燕寶汽車銷售服務有限公司 (Langfang Yanbao Auto Sales & Services Co., Ltd.)	Langfang, the PRC 2011	Registered and paid-in capital of RMB85,000,000	–	100%	Sale and service of motor vehicles
四川港宏汽車銷售有限責任公司 (Sichuan Ganghong Auto Sales Co., Ltd.)	Sichuan, the PRC 1996	Registered and paid-in capital of RMB35,000,000	–	100%	Sale and service of motor vehicles
揚州信寶行汽車銷售服務有限公司 (Yangzhou Xinbaohang Automobile Sales & Services Co., Ltd.)	Yangzhou, the PRC 2010	Registered and paid-in capital of RMB33,000,000	–	100%	Sale and service of motor vehicles
蕪湖眾國寶泓汽車銷售服務有限公司 (Wuhu Zhongguo Baohong Automobile Sales & Services Co., Ltd.)	Wuhu, the PRC 2013	Registered and paid-in capital of RMB55,000,000	–	100%	Sale and service of motor vehicles
四川港宏風神汽車銷售有限公司 (Sichuan Ganghong Fengshen Automobile Sales Co., Ltd.)	Sichuan, the PRC 2000	Registered capital of RMB53,000,000 and paid-in capital of RMB28,000,000	–	100%	Sale and service of motor vehicles
四川港宏西物時代汽車銷售有限公司 (Sichuan Ganghong Xiwushidai Automobile Sales Co., Ltd.)	Sichuan, the PRC 2003	Registered and paid-in capital of RMB38,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of operation/ date of incorporation or registration	Authorised/registered/ paid-in/issued capital	Percentage of ownership interest Held by the Company	Held by a subsidiary	Principal activities
寧波寶信汽車銷售服務有限公司 (Ningbo Baoxin Automobile Sales & Services Co., Ltd.)	Ningbo, the PRC 2008	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
東莞寶信汽車銷售服務有限公司 (Dongguan Baoxin Automobile Sales & Services Co., Ltd.)	Dongguan, the PRC 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
溫州捷順汽車技術服務有限公司 (Wenzhou Jieshun Auto technique & Services Co., Ltd.)	Wenzhou, the PRC 2006	Registered and paid-in capital of RMB120,000,000	–	100%	Sale and service of motor vehicles
溫州好德寶汽車服務有限公司 (Wenzhou Haodebao Auto Services Co., Ltd.)	Wenzhou, the PRC 2006	Registered and paid-in capital of RMB55,000,000	–	100%	Sale and service of motor vehicles
上海晨隆汽車銷售有限公司 (Shanghai Chenlong Automobile Sales Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB39,000,000	–	100%	Sale and service of motor vehicles
上海徐匯開隆汽車銷售服務有限公司 (Shanghai Xuhui Kailong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2006	Registered and paid-in capital of RMB27,000,000	–	100%	Sale and service of motor vehicles
合肥寶泓汽車銷售服務有限公司 (Hefei Baohong Automobile Sales & Services Co., Ltd.)	Hefei, the PRC 2012	Registered and paid-in capital of RMB76,000,000	–	100%	Sale and service of motor vehicles
上海眾國寶泓汽車銷售服務有限公司 (Shanghai Zhongguo Baohong Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2010	Registered and paid-in capital of RMB80,000,000	–	100%	Sale and service of motor vehicles
四川港宏凱威行汽車銷售服務有限公司 (Sichuan Ganghongkaiweihang Automobile Sales & Services Co., Ltd.)	Sichuan, the PRC 2011	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
煙臺寶信汽車銷售服務有限公司 (Yantai Baoxin Automobile Sales & Services Co., Ltd.)	Yantai, the PRC 2012	Registered and paid-in capital of RMB87,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of operation/ date of incorporation or registration	Authorised/registered/ paid-in/issued capital	Percentage of ownership interest Held by the Company	Held by a subsidiary	Principal activities
上海寶信實嘉汽車銷售有限公司 (Shanghai Baoxin Shijia Automobile Sales Co., Ltd.)	Shanghai, the PRC 2012	Registered capital of RMB1,765,946,328 and paid-in capital of RMB300,000,000	–	100%	Sale and service of motor vehicles
上海鼎信融資租賃有限公司 (Shanghai Dingxin Finance Leasing Co., Ltd.)	Shanghai, the PRC 2013	Registered and paid-in capital of USD30,000,000	100%	–	Finance leasing
溫州市好達機電有限公司 (Wenzhou Haoda electromechanical Co., Ltd.)	Wenzhou, the PRC 2000	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
紹興捷順汽車銷售服務有限公司 (Shaoxing Jieshun Automobile Sales & Services Co., Ltd.)	Shaoxing, the PRC 2010	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
瑞安市寶隆汽車銷售服務有限公司 (Ruian Baolong Automobile Sales & Services Co., Ltd.)	Ruian, the PRC 2008	Registered capital of RMB43,800,000 and paid-in capital of RMB39,420,000	–	100%	Sale and service of motor vehicles
北京寶信行汽車銷售服務有限公司 (Beijing Baoxinhang Auto Sales and Services Co., Ltd.)	Beijing, the PRC 2013	Registered and paid-in capital of RMB150,000,000	–	100%	Sale and service of motor vehicles
石家莊銘之寶汽車銷售服務有限公司 (Shijiazhuang Mingzhibao Automobile Sales & Services Co., Ltd.)	Shijiazhuang, the PRC 2018	Registered and paid-in capital of RMB22,000,000	–	100%	Sale and service of motor vehicles
四川港宏盛業汽車銷售服務有限公司 (Sichuan Ganghong Shengye Automotive Sales & Services Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
四川港宏盛豐汽車銷售服務有限公司 (Sichuan Ganghong Shengfeng Automotive Sales & Services Co., Ltd.)	Chengdu, the PRC 2010	Registered and paid-in capital of RMB45,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of operation/ date of incorporation or registration	Authorised/registered/ paid-in/issued capital	Percentage of ownership interest Held by the Company	Held by a subsidiary	Principal activities
寧海寶信汽車銷售服務有限公司 (Ninghai Baoxin Automobile Sales & Services Co., Ltd.)	Ninghai, the PRC 2010	Registered and paid-in capital of RMB49,000,000	–	100%	Sale and service of motor vehicles
杭州富陽寶信汽車銷售服務有限公司 (Hangzhou Fuyang Baoxin Automobile Sales & Services Co., Ltd.)	Hangzhou, the PRC 2011	Registered and paid-in capital of RMB60,000,000	–	100%	Sale and service of motor vehicles
無錫信寶行汽車銷售服務有限公司 (Wuxi Xinbaohang Automobile Sales & Services Co., Ltd.)	Wuxi, the PRC 2012	Registered and paid-in capital of RMB10,000,000	–	90%	Sale and service of motor vehicles
上海五角場開隆汽車貿易有限公司 (Shanghai Wujiaochang Kailong Automobile Trading Co., Ltd.)	Shanghai, the PRC 2011	Registered capital of RMB50,000,000 and paid-in capital of RMB10,000,000	–	70%	Sale and service of motor vehicles
上海天華汽車銷售有限公司 (Shanghai Tianhua Automobile Sales Co., Ltd.)	Shanghai, the PRC 2002	Registered capital of RMB30,000,000 and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
天津申隆汽車銷售服務有限公司 (Tianjin Shenlong Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2011	Registered and paid-in capital of RMB150,000,000	–	100%	Sale and service of motor vehicles
陝西天華汽車銷售服務有限公司 (Shaanxi Tianhua Automotive Sales & Services Co., Ltd.)	Xian, the PRC 2012	Registered capital of RMB80,000,000 and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
深圳申隆汽車銷售服務有限公司 (Shenzhen Shenlong Automotive Sales & Services Co., Ltd.)	Shenzhen, the PRC 2012	Registered and paid-in capital of RMB65,000,000	–	100%	Sale and service of motor vehicles
唐山燕時達汽車銷售服務有限公司 (Tangshan Yanshida Automobile Sales & Services Co., Ltd.)	Tangshan, the PRC 2011	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of operation/ date of incorporation or registration	Authorised/registered/ paid-in/issued capital	Percentage of ownership interest Held by the Company	Held by a subsidiary	Principal activities
天津榮沃汽車銷售服務有限公司 (Tianjin Rongwo Automobile Sales & Services Co., Ltd.)	Tianjin, the PRC 2014	Registered and paid-in capital of RMB90,000,000	–	100%	Sale and service of motor vehicles
上海匯寶行汽車銷售服務有限公司 (Shanghai Huibaohang Automobile Sales & Services Co., Ltd.)	Shanghai, the PRC 2013	Registered capital of RMB65,000,000 and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
霍爾果斯寶衡服務有限公司 (Horgos Baoheng Service Co., Ltd.)	Horgos, the PRC 2020	Registered capital of RMB1,000,000 and paid-in capital of RMB500,000	–	100%	Other services
東臺寶通汽車服務有限責任公司 (Dongtai Baotong Automobile Service Co.,Ltd.)	Dongtai, the PRC 2020	Registered and paid-in capital of RMB1,000,000	–	100%	Sale and service of Motor vehicles

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain derivative financial instruments, investment properties and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendment to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

Other than as explained below regarding the impact of Amendment to *HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, the new and revised HKFRSs did not have any significant impact on the financial position and performance of the Group:

(a) *Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impact on the consolidated statements of financial position:

	Increase/(decrease)		
	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
Assets			
Deferred tax assets	**223,626**	288,654	309,379
Liabilities			
Deferred tax liabilities	**(223,626)**	(288,654)	(309,379)
Net deferred tax assets recognised in the consolidated statement of financial position	**4,379**	4,363	6,383
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(4,379)**	(4,363)	(6,383)

Note: The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 33 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

The consolidated statement of financial position as at 31 December 2022 has been restated as an additional amount of approximately RMB4,363,000 was recognized for both deferred tax assets and deferred tax liabilities. Hence, they did not have any material impact on the balances of retained profits and non-controlling interests at that date.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associates or joint ventures upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

The Group applies the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired are recorded as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured are less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations not involving entities under common control (continued)

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

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

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

Fair value measurement

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

Impairment of non-financial assets

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets(continued)

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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); and
- (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 parent of the Group.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Category	Estimated useful life	Estimated residual value
Buildings	30 years	5%
Leasehold improvements	Over the shorter of the lease term and estimated useful lives	–
Plant and machinery	5 to 10 years	5%
Furniture and fixtures	3 to 5 years	5%
Motor vehicles	4 to 5 years	5%

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

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

Category	**Estimated useful life**
Software	5 years
Dealership agreements	20 to 40 years
Customer relationship	15 years
Car licences	Indefinite useful life
Club membership	29 years

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Leasehold land	20 to 45 years
Buildings	2 to 30 years
Motor vehicles	1 to 2 years

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

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

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

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

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments) (continued)

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

Simplified approach

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related parties, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

(a) Sale of motor vehicles

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

(b) Rendering of after-sales services

For the rendering of after-sales services related to repairs and maintenance under manufacturers warranties or covered by insurance companies and customer-paid repairs and maintenance, the control is transferred overtime and therefore, the performance obligation is satisfied and revenue is recognised over time, if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(ii) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(iii) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

Other income

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

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

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

Contract liabilities

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

Vendor rebates

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits

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

Borrowing costs

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

Dividends

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

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company, established in the Cayman Islands, uses the Hong Kong dollar as its functional currency. As the Group mainly operates in Chinese Mainland, RMB is used as the presentation currency of the Group. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Judgement in the timing of satisfaction of performance obligations

For the provision of after-sales services, management has assessed that the Group has a present right to payment from customers for the service rendered at a point in time upon finalisation, delivery and acceptance upon the service completion. Therefore, the Company has satisfied that the performance obligation of after-sales services is satisfied at a point in time and recognised after-sales revenue at a point in time.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets as at 31 December 2023 was RMB352,947,000 (31 December 2022: RMB291,501,000 (restated)). More details are given in note 33(a)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2023 of goodwill was RMB1,143,416,000 (31 December 2022: RMB1,222,016,000). Further details are given in note 19.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and other financial assets

The Group uses a provision matrix to calculate ECLs for trade receivables, finance lease receivables, financial assets included in prepayments, other receivables and other assets and amounts due from related parties. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables and other financial assets is disclosed in note 18, note 23, note 24 and note 44 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

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

Estimation of fair value of investment properties

Investment properties were revalued based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties (continued)

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2023 was RMB358,031,000 (2022: RMB392,720,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore a depreciation charge in the future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Write-down of inventories to net realisable value

The Group's inventories are stated at the lower of cost and net realisable value. The assessment of impairment of inventories involves the use of estimates and judgements. These estimates are made with reference to aged inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the estimated net realisable values of inventories decline below their carrying amounts. Due to changes in market conditions, actual saleability of goods may be different from the estimation and profit or loss could be affected by differences in this estimation.

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical areas

Since most of the Group's revenue was generated from the sale and service of motor vehicles in Chinese Mainland and most of the Group's non-current assets were located in Chinese Mainland, geographical information as required by HKFRS 8 *Operating Segments* is not presented.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, major customer information as required by HKFRS 8 *Operating Segments* is not presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sale of motor vehicles	**27,633,956**	27,948,010
After-sales services	**4,236,566**	3,713,369
Revenue from other sources		
Finance leasing services	**36,457**	37,308
Total Revenue	**31,906,979**	31,698,687

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or service		
Sale of motor vehicles	**27,633,956**	27,948,010
After-sales services	**4,236,566**	3,713,369
Total revenue from contracts with customers	**31,870,522**	31,661,379
Timing of revenue recognition		
At a point in time	**31,870,522**	31,661,379

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

	2023 RMB'000	2022 RMB'000
Sale of motor vehicles	**404,411**	566,122
After-sales services	**233,257**	220,295
Total contract liabilities	**637,668**	786,417

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(a) Revenue: (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sale of motor vehicles

Each sale of motor vehicles is a single performance obligation. The transaction price for a vehicle sale is determined with the customer at the time of sale. The performance obligation is satisfied upon delivery of the motor vehicles. The Group generally receive payment directly from the customer at the time of sale or from the third-party financial institutions within 30 days following the sale. In certain cases, the Group generally arranges finance lease with a period of one to three years.

After-sales services

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

5. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Other income and gains, net:

	Notes	2023 RMB'000	2022 RMB'000
Commission income		**1,219,102**	813,017
Advertisement support received from automobile manufacturers		**18,539**	20,672
Gross rental income from investment property operating leases*		**17,869**	17,512
Rental income from subleases		**16,815**	29,763
Government grants**		**77,739**	88,462
Bank interest income		**9,325**	20,753
Gain/(loss) on disposal of items of property, plant and equipment		**4,533**	(3,356)
(Loss)/gain on disposal of items of intangible assets		**(42)**	33
Fair value loss on investment properties	14	**(34,689)**	(1,596)
Fair value gain on financial assets at fair value through profit and loss		**45,213**	6,994
Foreign exchange differences, net		**46,463**	246,936
Gain on disposal of investment in an associate		**–**	42,743
(Loss)/gain on termination of lease	15(c)	**(2,783)**	5,300
Impairment of goodwill, intangible assets and property, plant and equipment		**(196,536)**	–
Gain on disposal of a subsidiary		**8,266**	–
Others		**(6,721)**	(6,147)
Total other income and gain		**1,223,093**	1,281,086

* Rental income from investment property operating leases does not include variable lease payments that do not depend on an index or a rate.

** There are no unfulfilled conditions or contingencies related to these grants.

6. PROFIT/(LOSS) BEFORE TAX

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

		2023 RMB'000	2022 RMB'000
(a)	**Employee benefit expense (including Directors' and chief executive's remuneration (note 9)):**		
	Wages and salaries	828,660	820,304
	Other welfare	223,294	250,501
	Total	1,051,954	1,070,805

		2023 RMB'000	2022 RMB'000
(b)	**Cost of sales and services**		
	Cost of sales of motor vehicles	27,732,245	28,811,632
	Others	2,880,121	2,423,655
	Total	30,612,366	31,235,287

6. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

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

(c) Other items:

	Notes	2023 RMB'000	2022 RMB'000
Depreciation of property, plant and equipment*	13	**279,706**	268,401
Depreciation of right-of-use assets***	15(a)	**183,573**	203,373
Amortisation of other intangible assets*	16	**59,722**	61,806
Advertisement and business promotion expenses		**209,348**	249,296
Auditor's remuneration		**6,100**	6,100
Bank charges		**27,930**	27,042
Foreign exchange differences, net		**(46,463)**	(246,936)
Lease payments not included in the measurement of lease liabilities*	15(c)	**39,671**	26,854
Logistics and petroleum expenses		**33,480**	51,921
Office expenses		**14,695**	16,178
Impairment of financial assets:			
Impairment of trade receivables	23	**23,286**	721
Impairment of prepayments, other receivables and other assets		**4,920**	(3,637)
Impairment of finance lease receivables		**6,066**	(318)
Write-down of inventories to net realisable value**		**45,432**	73,675
(Gain)/loss on disposal of items of property, plant and equipment		**(4,533)**	3,356
Loss/(gain) on disposal of items of intangible assets		**42**	(33)
Gross rental income from investment properties		**(17,869)**	(17,512)
Rental income from subleases		**(16,815)**	(29,763)
Government grants		**(77,739)**	(88,462)
Fair value loss on investment properties	14	**34,689**	1,596
Fair value gain on financial assets at fair value through profit and loss		**(45,213)**	(6,994)
Bank interest income		**(9,325)**	(20,753)
Gain on disposal of investment in an associate		**–**	(42,743)
Impairment of goodwill, intangible assets and property, plant and equipment		**196,536**	–
Gain on disposal of a subsidiary		**(8,266)**	–

* The amount of these depreciation of property, plant and equipment, amortisation of other intangible assets, depreciation of right-of-use assets and lease expenses is included in "cost of sales and services provided", "selling and distribution expenses" and "administrative expenses" in the consolidated statement of profit or loss.

** The amount of these write-down of inventories to net realisable value is included in "cost of sales and services provided" in the consolidated statement of profit or loss.

*** The amount of depreciation of depreciation of right-of-use assets and lease expenses are included in "cost of sales and services provided", "selling and distribution expenses", "administrative expenses" and "other income and gains, net" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank and other borrowings (including amounts due to related parties)	**486,091**	465,133
Incl: Loan arrangement fee	**18,211**	21,827
Interest on lease liabilities (note 15)	**64,575**	74,242
Total interest expense on financial liabilities not at fair value through profit or loss	**550,666**	539,375

8. INCOME TAX

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

	2023 RMB'000	2022 RMB'000
Current tax	**205,700**	204,031
Deferred tax (note 33)	**(90,692)**	(74,455)
Total tax charge for the year	**115,008**	129,576

Pursuant to the relevant rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Company and the subsidiaries of the Company incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2022: 16.5%). Hong Kong profit tax has been provided on the estimated assessable profits arising in Hong Kong during the year presented.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the uniform income tax rate is 25% (2022: 25%), except for two subsidiaries in Xinjiang Uygur Autonomous Region which were exempted from income tax in the first five years and 15 subsidiaries in Sichuan Province which were entitled to income tax rate of 15% under the western development policy.

8. INCOME TAX (continued)

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

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

	2023 RMB'000	2022 RMB'000
Profit/(loss) before tax	**229,101**	(570,904)
Tax at the statutory tax rate	**43,496**	(157,821)
Tax losses not recognised	**124,150**	298,580
Expenses not deductible for tax	**1,758**	2,562
Profits and losses attributable to joint ventures and associates	**1,979**	(2,715)
Tax losses utilised from previous periods	**(56,375)**	(11,030)
Tax charge	**115,008**	129,576

The share of tax attributable to joint ventures and associates is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December 2023				
	Director's Fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement schemes RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Independent non-executive directors					
– Liu Wenji	100	–	–	–	100
– Ho Hung Tim Chester	100	–	–	–	100
– Liu Yangfang	100	–	–	–	100
Executive directors					
– Ma Fujiang *(Chairman)*	–	1,000	–	–	1,000
– Bao Xiangyi *(President)* (3)	–	800	–	–	800
– Ding Yu (2)	–	176	–	–	176
– Xu Xing	–	500	–	–	500
– Lu Ao (4)	–	518	–	–	518
– Wang Sheng *(President)* (1)	–	11	–	–	11
Total	300	3,005	–	–	3,305

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

	Year ended 31 December 2022				
	Director's Fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement schemes RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Independent non-executive directors					
– Liu Wenji	100	–	–	–	100
– Ho Hung Tim Chester	100	–	–	–	100
– Liu Yangfang	100	–	–	–	100
Executive directors					
– *Ma Fujiang (Chairman)*	–	547	–	–	547
– *Bao Xiangyi (President)*	–	292	–	–	292
– Lu Ao	–	800	–	–	800
– Xu Xing	–	500	–	–	500
– Lu Wei (5)	–	500	–	–	500
– Wang Xinming (6)	–	533	–	–	533
Total	300	3,172	–	–	3,472

(1) Mr. Wang Sheng was appointed on 27 December 2023.
(2) Mr. Ding yu was appointed on 25 August 2023.
(3) Mr. Bao Xiangyi resigned on 27 December 2023.
(4) Mr. Lu Ao resigned on 25 August 2023.
(5) Mr. Lu Wei resigned on 13 June 2022.
(6) Mr. Wang Xinming resigned on 6 September 2022.

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

During the years ended 31 December 2022 and 2023, there was no options granted to executive directors. The fair value of options granted in 2018, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' and chief executive's remuneration disclosures.

10. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the year included one executive director (2022: nil). Details of the remuneration for the year of the four (2022: five) highest paid employees who are not executive directors are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits	3,899	5,982

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

	2023	2022
HK$500,001 to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	3	4
HK$1,500,001 to HK$2,000,000	–	1
Total	4	5

During the years ended 31 December 2022 and 2023, there was no options granted to executive directors. The fair value of options granted in 2018, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above disclosures.

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil). No compensation was paid to any of the directors or the five highest paid individuals (including directors and employees) for the loss of office as a director of any member of the group or of any other office in connection with the management of the affairs of any member of the group distinguishing between contractual and other payments.

11. DIVIDENDS

No dividend was recommended for the year ended 31 December 2023 (2022: Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,837,511,429 in issue during the year ended 31 December 2023 (2022: 2,837,511,429).

The exercise price of the share option was higher than the market stock price. No shares options were exercised during the year. Therefore, the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic and diluted profit/(loss) per share is based on:

Earnings/(loss)	**2023** **RMB'000**	2022 RMB'000
Profit/(loss) attributable to ordinary equity holders of the parent	**125,747**	(697,982)

Shares	**2023**	2022
Weighted average number of ordinary shares in issue during the year	**2,837,511,429**	2,837,511,429

Earnings/(loss) per share	**2023** **RMB'000**	2022 RMB'000
Basic and diluted	**0.04**	(0.25)

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023							
Cost	3,144,562	1,171,574	469,336	300,780	640,176	26,417	5,752,845
Accumulated depreciation	(846,277)	(827,688)	(345,347)	(239,602)	(67,125)	–	(2,326,039)
Net carrying amount	2,298,285	343,886	123,989	61,178	573,051	26,417	3,426,806
At 1 January 2023, net of accumulated depreciation	2,298,285	343,886	123,989	61,178	573,051	26,417	3,426,806
Additions	4,980	55,966	22,166	17,898	432,388	35,514	568,912
Disposal of a subsidiary	(37,545)	–	(466)	(54)	–	(130)	(38,195)
Disposals	(997)	(3,757)	(2,777)	(3,637)	(324,456)	–	(335,624)
Depreciation provided during the year (note 6)	(77,844)	(72,500)	(27,736)	(19,095)	(82,531)	–	(279,706)
Impairment	(45,109)	(26,668)	(3,611)	(123)	(4)	–	(75,515)
Transfers	10,689	5,432	–	–	9,197	(25,318)	–
At 31 December 2023, net of accumulated depreciation and impairment	2,152,459	302,359	111,565	56,167	607,645	36,483	3,266,678
At 31 December 2023							
Cost	3,085,420	1,167,577	461,975	287,053	671,167	36,483	5,709,675
Accumulated depreciation	(932,961)	(865,218)	(350,410)	(230,886)	(63,522)	–	(2,442,997)
Net carrying amount	2,152,459	302,359	111,565	56,167	607,645	36,483	3,266,678

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022							
Cost	3,120,062	1,088,260	458,180	292,215	609,301	48,363	5,616,381
Accumulated depreciation	(766,036)	(787,841)	(322,108)	(236,508)	(59,960)	–	(2,172,453)
Net carrying amount	2,354,026	300,419	136,072	55,707	549,341	48,363	3,443,928
At 1 January 2022, net of accumulated depreciation	2,354,026	300,419	136,072	55,707	549,341	48,363	3,443,928
Additions	82	46,258	19,163	25,092	386,223	69,092	545,910
Disposals	(1,820)	(1,674)	(2,346)	(1,456)	(287,335)	–	(294,631)
Depreciation provided during the year	(81,198)	(64,149)	(29,711)	(18,165)	(75,178)	–	(268,401)
Transfers	27,195	63,032	811	–	–	(91,038)	–
At 31 December 2022 net of accumulated depreciation	2,298,285	343,886	123,989	61,178	573,051	26,417	3,426,806
At 31 December 2022							
Cost	3,144,562	1,171,574	469,336	300,780	640,176	26,417	5,752,845
Accumulated depreciation	(846,277)	(827,688)	(345,347)	(239,602)	(67,125)	–	(2,326,039)
Net carrying amount	2,298,285	343,886	123,989	61,178	573,051	26,417	3,426,806

As at 31 December 2023, the application for the property ownership certificates for certain buildings with a net book value of RMB105,865,000 (31 December 2022: RMB117,714,000) was still in progress.

As at 31 December 2023, certain of the Group's buildings, leasehold improvements and furniture with an aggregate net book value of RMB175,561,000 (31 December 2022: RMB88,129,000) and motor vehicles with an aggregate net book value of appropriately RMB227,080,000 (2022: RMB72,917,000) were pledged as security for the Group interest-bearing bank and other borrowings (note 29(b) and note 29 (c)).

Due to weak profitability or under adjustment due to weaker profitability of some of the dealer shops, management has conducted impairment assessment for the related assets.

The recoverable amount has been determined from value in use calculations, based on the valuation carried based on cash flow projections, for each of the Group's cash generating units ("CGUs"), dealer shops. The Group prepares cash flow projections derived from a five-year financial budget plan approved by the management. The discount rate of 13% used for value in use calculations is pre-tax and reflect specific risks relating to the CGUs.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Key assumptions for the value in use calculations relate to the estimation of cash inflows or outflows which include budgeted sales and gross margin. Such estimation is based on the CGUs' past performance and management's expectations for the market developments. As a result, impairment losses on property, plant and equipment and intangible assets (Note 16) of approximately RMB75,515,000 and RMB42,421,000 respectively (2022: nil) were recognised in profit or loss of the Group in respect of the year ended 31 December 2023.

14. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**392,720**	394,316
Net loss from a fair value adjustment	**(34,689)**	(1,596)
Carrying amount at 31 December	**358,031**	392,720

The Group's investment properties consist of three commercial properties in the PRC. The Group's investment properties were revalued on 31 December 2023 based on valuations performed by an independent professionally qualified valuer, at RMB358,031,000 (31 December 2022: RMB392,720,000). The Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summarised details of which are included in note 15 to the financial statements.

Fair value hierarchy

Investment properties held by the Group in the consolidated statement of financial position were valued into Level 3 in the fair value hierarchy. During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

The valuation technique is the discounted cash flow method and the key inputs are as follows:

Significant unobservable inputs

	2023	2022
Estimated rental value (per sq.m. per month)	**RMB36 – RMB135**	RMB37 – RMB136
Long-term growth rate p.a	**1% – 3%**	1% – 3%
Long-term vacancy rate	**5%**	5%
Discount rate	**5% – 6%**	4% – 6%

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long-term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long-term vacancy rate.

As at 31 December 2023, certain of the Group's investment properties with an aggregate net book value of appropriately RMB358,031,000 (31 December 2022: RMB239,064,000) were pledged as security for certain of the Group interest-bearing bank and other borrowings (note 29(c)).

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods of 20 to 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 45 years, while motor vehicles generally have lease terms between 1 and 2 years. The rest of the leases generally have lease terms of 12 months or less and/or are individually of low value.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2022	583,160	1,094,992	1,678,152
Additions	32,920	107,526	140,446
Depreciation charge	(34,679)	(168,694)	(203,373)
Termination of lease	(8,974)	(28,929)	(37,903)
As at 31 December 2022	572,427	1,004,895	1,577,322

	Leasehold land RMB'000	**Buildings RMB'000**	**Total RMB'000**
As at 1 January 2023	**572,427**	**1,004,895**	**1,577,322**
Additions	**30,171**	**106,617**	**136,788**
Depreciation charge	**(33,007)**	**(150,566)**	**(183,573)**
Disposal of a subsidiary	**(14,555)**	**–**	**(14,555)**
Termination of lease	**(86,016)**	**(131,432)**	**(217,448)**
As at 31 December 2023	**469,020**	**829,514**	**1,298,534**

As at 31 December 2023, certain of the Group's leasehold land with an aggregate net book value of appropriately RMB67,752,000(31 December 2022: RMB29,413,000) was pledged as security for the Group interest-bearing bank and other borrowings (note 29(b) and note 29 (c)).

15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2023 **RMB'000**	2022 RMB'000
Carrying amount at 1 January	**1,281,876**	1,305,323
New leases	**132,022**	137,516
Accretion of interest recognised during the year	**64,575**	74,242
Payments	**(208,918)**	(192,002)
Termination of lease	**(214,665)**	(43,203)
Disposal of a subsidiary	**(17,156)**	–
Carrying amount at 31 December	**1,037,734**	1,281,876
Analysed into:		
Current portion	**90,787**	158,997
Non-current portion	**946,947**	1,122,879

The maturity analysis of lease liabilities is disclosed in note 44 to the financial statements.

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

	2023 **RMB'000**	2022 RMB'000
Interest on lease liabilities	**64,575**	74,242
Depreciation charge of right-of-use assets	**183,573**	203,373
Expense relating to short-term leases (included in cost of sales, administrative and selling and distribution expenses)	**39,067**	26,825
Expense relating to leases of low-value assets (included in cost of sales, administrative and selling and distribution expenses)	**604**	29
Disposal of a subsidiary	**(2,601)**	–
Termination of lease	**2,783**	(5,300)
Total amount recognised in profit or loss	**288,001**	299,169

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 37(c) and 40, respectively, to the financial statements.

15. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of three commercial properties under operating lease arrangements and the Group also subleases certain of its buildings and land. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB34,684,000 (2022: RMB47,275,000), details of which are included in note 5(b) to the financial statements.

At 31 December 2023 and 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**43,190**	38,835
After one year but within two years	**37,739**	39,437
After two years but within three years	**41,795**	38,291
After three years but within four years	**40,652**	40,117
After four years but within five years	**28,505**	41,226
After five years	**110,537**	135,405
Total	**302,418**	333,311

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Dealership agreements RMB'000	Customer relationship RMB'000	Car licences RMB'000	Club membership RMB'000	Total RMB'000
Cost:						
At 1 January 2023	33,424	1,445,755	299,894	24,111	2,454	1,805,638
Additions	7	–	–	1,560	–	1,567
Disposals	–	–	–	(3,251)	–	(3,251)
Disposal of a subsidiary	–	–	–	(480)	–	(480)
At 31 December 2023	33,431	1,445,755	299,894	21,940	2,454	1,803,474
Accumulated amortisation and impairment:						
At 1 January 2023	17,543	291,140	202,934	–	2,173	513,790
Amortisation charge for the year	2,553	36,895	19,993	–	281	59,722
Impairment	–	42,421	–	–	–	42,421
At 31 December 2023	20,096	370,456	222,927	–	2,454	615,933
Net book value:						
At 31 December 2023	13,335	1,075,299	76,967	21,940	–	1,187,541

16. OTHER INTANGIBLE ASSETS (continued)

	Software RMB'000	Dealership agreements RMB'000	Customer relationship RMB'000	Car licences RMB'000	Club membership RMB'000	Total RMB'000
Cost:						
At 1 January 2022	33,248	1,445,755	299,894	23,575	2,454	1,804,926
Additions	572	–	–	2,554	–	3,126
Disposals	(396)	–	–	(2,018)	–	(2,414)
At 31 December 2022	33,424	1,445,755	299,894	24,111	2,454	1,805,638
Accumulated amortisation:						
At 1 January 2022	15,339	252,666	182,941	–	1,433	452,379
Charge for the year	2,599	38,474	19,993	–	740	61,806
Disposals	(395)	–	–	–	–	(395)
At 31 December 2022	17,543	291,140	202,934	–	2,173	513,790
Net book value:						
At 31 December 2022	15,881	1,154,615	96,960	24,111	281	1,291,848

The Group's principal identifiable intangible assets represent dealership agreements in Chinese Mainland with various vehicle manufacturers and customer relationship acquired from third parties. The dealership agreements do not include a specified contract period or termination arrangement. The customer relationship is amortised over 15 years and the dealership agreements are amortised from 20 to 40 years, which is management's best estimation of their useful lives.

The Group's car licences are registered in Chinese Mainland and are expected to continuously contribute to the net cash inflow of the Group with no specific expiry date.

17. PREPAYMENTS AND DEPOSITS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepayments for purchase of items of property, plant and equipment	42,262	22,041
Long-term deposits	29,958	30,569
Total	72,220	52,610

18. FINANCE LEASE RECEIVABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Analysed as:		
Current	120,503	136,647
Non-current	89,301	69,167
Total	209,804	205,814

At 31 December 2023, the future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables 31 December 2023 RMB'000	Present value of minimum lease receivables 31 December 2023 RMB'000
Finance lease receivables:		
Within one year	142,658	120,503
Later than one year and not later than five years	102,902	89,301
Total	245,560	209,804
Less: Unearned finance lease income	30,752	
Present value of minimum lease payment receivables	214,808	
Less: Allowances for impairment losses	5,004	
Total net finance lease receivables	209,804	

18. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease receivables 31 December 2022 RMB'000	Present value of minimum lease receivables 31 December 2022 RMB'000
Finance lease receivables:		
Within one year	161,877	136,647
Later than one year and not later than five years	78,547	69,167
Total	240,424	205,814
Less: Unearned finance lease income	28,917	
Present value of minimum lease payment receivables	211,507	
Less: Allowances for impairment losses	5,693	
Total net finance lease receivables	205,814	

As at 31 December 2023, finance lease receivables amounting to RMB57,145,000 was pledged to secure interest-bearing bank borrowings (note 29(b)) (31 December 2022: RMB62,227,000).

Measurements of allowances for impairment losses are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**5,693**	18,070
Write off	**(6,755)**	(12,059)
Charge/(credit) for the year	**6,066**	(318)
At 31 December	**5,004**	5,693

The information about the credit risk exposure on the Group's finance lease receivables using a provision matrix is disclosed in note 44 to the financial statements.

19. GOODWILL

	RMB'000
As at 1 January 2022:	
Cost	1,247,067
Accumulated impairment	(25,051)
Net carrying amount	1,222,016
Cost at 1 January 2022, net of accumulated impairment	1,222,016
At 31 December 2022:	1,222,016
At 31 December 2022:	
Cost	1,247,067
Accumulated impairment	(25,051)
Net carrying amount	1,222,016
Cost at 31 December 2022, net of accumulated impairment	1,222,016
Impairment during the year	(78,600)
Cost at 31 December 2023, net of accumulated impairment	1,143,416
At 31 December 2023:	
Cost	1,247,067
Accumulated impairment	(103,651)
Net carrying amount	1,143,416

19. GOODWILL (continued)

Impairment testing of goodwill

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

Goodwill acquired through business combinations is allocated to the cash-generating units, i.e. 4S dealership business acquired for impairment testing.

The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 2.2% (2022: 2.3%). The discount rate applied to the cash flow projections beyond the one-year period is 13.0% (2022: 13.0%).

The carrying amount of goodwill allocated to each cash-generating unit (or group of cash-generating units) of the operation of the 4S dealership business that is not individually material to the Group is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
4S dealership business	**1,143,416**	1,222,016

Key assumptions used in the value-in-use calculation

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

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

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

19. GOODWILL (continued)

Sensitivity to changes in assumptions

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

20. INVESTMENTS IN JOINT VENTURES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Share of net assets	**56,561**	61,488
Loans to a joint venture	**40,835**	40,835
Total	**97,396**	102,323

瀋陽業喬信寶汽車銷售服務有限公司 (Shenyang Yeqiao Xinbao Automobile Sales & Services Co., Ltd., "Shenyang Yeqiao") is a joint venture of the Group and is considered to be a related party of the Group. The loans to the joint venture are unsecured, interest-free and repayable on demand. In the opinion of the Directors, these loans are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the joint venture.

(a) Particulars of joint ventures

Joint venture	Place of registration and business	Registered and paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shenyang Yeqiao	Shenyang, the PRC	RMB10,000,000	50%	50%	50%	Sale and service of motor vehicles
Shanghai Rongzhi Catering Management Co., Ltd.	Shanghai, the PRC	USD1,000,000	50%	50%	50%	Catering management

(b) The following table illustrates the summarised financial information of the Group's joint ventures:

	2023 RMB'000	2022 RMB'000
Share of the joint ventures' (loss)/profit for the year	**(4,927)**	75
Share of the joint ventures' total comprehensive (loss)/income for the year	**(4,927)**	75
Aggregate carrying amount of the Group's investments in the joint ventures	**97,396**	102,323

21. INVESTMENTS IN ASSOCIATES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Share of net assets	**123,308**	127,524

The following table illustrates the aggregate financial information of the Group's associates that is not individually material:

(a) Particulars of associates

Associates	Place of registration and business	Registered and paid-in capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Wuxi Kailong Real Estate Co., Ltd.	Jiangsu, the PRC	Registered capital of RMB120,000,000 and paid-in capital of RMB70,000,000	30%	30%	30%	Real estate development
Deyang Nan Ling Gang Hong Automobile Sales & Services Co., Ltd.	Sichuan, the PRC	Registered and paid-in capital of RMB25,000,000	49%	49%	49%	Sale and service of motor vehicles
Sichuan Gang Hong Vehicle Trade Co., Ltd.	Sichuan, the PRC	Registered and paid-in capital of RMB31,000,000	40%	40%	40%	Sale and service of motor vehicles
Qingdao Motors (H.K.) Limited	Hong Kong	HKD1,000	26%	26%	26%	Sale and service of motor vehicles

21. INVESTMENTS IN ASSOCIATES (continued)

(b) The following table illustrates the summarised financial information of the Group's associates:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Share of the associates' (loss)/profit for the year	**(2,987)**	10,785
Share of the associates' total comprehensive (loss)/income for the year	**(2,987)**	10,785
Aggregate carrying amount of the Group's investments in associates	**123,308**	127,524

The Group's amounts due from the associates are disclosed in note 42 to the financial statements.

22. INVENTORIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Motor vehicles	**3,236,011**	2,931,492
Spare parts, accessories and others	**388,363**	364,542
Subtotal	**3,624,374**	3,296,034
Less: Provision for inventories	**46,722**	73,049
Total	**3,577,652**	3,222,985

As at 31 December 2023, vehicle certificates ("車輛合格證") for certain of the Group's inventories with an aggregate carrying amount of RMB1,337,407,000 (31 December 2022: RMB850,874,000) were pledged as security for the Group's interest-bearing bank and other borrowings (note 29(b) and note 29(c)).

As at 31 December 2023, vehicle certificates for certain of the Group's inventories with an aggregate carrying amount of RMB1,273,506,000 (31 December 2022: RMB2,253,405,000) were pledged as security for the Group's bills payable.

As at 31 December 2023, the carrying amount of inventories with provision carried at net realisable value was RMB699,099,000(31 December 2022: RMB1,133,844,000).

23. TRADE RECEIVABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	**781,054**	489,026
Impairment	**(16,934)**	(4,132)
Net carrying amount	**764,120**	484,894

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. The Group generally provides a credit term of 30 days to customers for the automobile sales price financed by the financial institutions. The Group also generally provides a credit term of two to three months to automobile manufacturers or insurance companies for the claims of repairs and maintenance under manufacturer warranties or covered by insurance companies. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, net of loss allowance, is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	**657,916**	402,353
More than 3 months but less than 1 year	**62,495**	54,362
Over 1 year	**43,709**	28,179
Total	**764,120**	484,894

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**4,132**	3,644
Impairment losses (note 6)	**23,286**	721
Amount written off as uncollectible	**(10,484)**	(233)
At end of year	**16,934**	4,132

23. TRADE RECEIVABLES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of groupings of various customer segments with similar loss patterns (i.e., by product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is disclosed in note 44 to the financial statements.

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepayments to suppliers	**1,256,775**	2,762,161
Rebates	**7,294,221**	6,352,947
VAT recoverable (i)	**178,391**	79,404
Prepaid interest expense	**–**	360
Loans to employees	**2,293**	2,113
Others	**128,394**	295,704
	8,860,074	9,492,689
Impairment allowance	**(8,907)**	(4,648)
Total	**8,851,167**	9,488,041

Note:

(i) The Group's sales of motor vehicles are subject to Chinese Mainland Value Added Tax ("VAT"). Input VAT on purchases can be deducted from the output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rate for domestic sales of the Group is 13%.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. An impairment analysis was performed at each reporting date. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. As at 31 December 2022 and 2023 the Group estimated that the expected loss rate for non-trade other receivables was minimal under the 12-month expected credit loss method.

The information about the credit risk exposure on the Group's prepayments, other receivables and other assets is disclosed in note 44 to the financial statements.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Unlisted equity investments, at fair value	**134,569**	89,356

26. PLEDGED DEPOSITS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deposits pledged with banks as collateral against		
– letters of credit granted by the banks	**69,915**	40,965
– bill facilities granted by the banks	**1,258,084**	2,527,247
– short-term bank and other borrowings (note 29)	**43,385**	78,417
Total	**1,371,384**	2,646,629

As at 31 December 2023, the above pledged bank deposits amounting to RMB1,371,384,000 (31 December 2022: RMB2,646,629,000) were denominated in RMB and earned interest at interest rates stipulated by the respective finance institutions.

27. CASH IN TRANSIT

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash in transit	**4,437**	10,919

Cash in transit represents the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

28. CASH AND BANK BALANCES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash and cash equivalents	**185,274**	446,110
Short-term deposits with maturity over three months, not restricted as to use	**–**	50,000
Total	**185,274**	496,110

At the end of the reporting period, the cash and bank balances and short-term deposits of the Group denominated in Renminbi ("RMB") amounted to RMB141,500,000 (2022: RMB459, 702,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed (a)	3.3-6.4	2024	1,686,160
– guaranteed (a) **	SOFR*+3.5	On demand	676,663
– secured (b)	3.3-6.6	2024	479,108
– secured (b)	6.6	On demand	29,000
– unsecured	3.5-6.7	2024	44,947
– secured and guaranteed (c)	3.4-6.7	2024	504,169
Subtotal			3,420,047
Other borrowings			
– guaranteed (a)	4.0-11.0	2024	462,954
– secured (b)	6.1-8.8	2024	248,509
– secured and guaranteed (c)	3.4-8.5	2024	1,374,136
– unsecured	6.5-7.8	2024	14,144
Subtotal			2,099,743
Total			5,519,790
Non-current			
Bank borrowings			
– guaranteed (a)	4.9-5.8	2025	92,399
– secured (b)	4.3-6.0	2025-2026	91,173
– secured and guaranteed (c)	4.3-5.5	2025	276,387
Subtotal			459,959
Other borrowings			
– secured (b)	4.9	2025	2,357
– guaranteed (a)	3.4-4.9	2026	14,468
– secured and guaranteed (c)	4.9	2025-2026	19,934
Subtotal			36,759
Total			496,718

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	31 December 2022		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed (a)	3.9-7.1	2023	2,280,312
– guaranteed (a)**	SOFR*+3.5	On demand	727,103
– secured (b)	3.7-7.2	2023	595,694
– unsecured	6.6	On demand	29,000
– unsecured	3.4-8.5	2023	163,529
– secured and guaranteed (c)	3.7-7.1	2023	352,000
Subtotal			4,147,638
Other borrowings			
– guaranteed (a)	5.3-8.9	2023	292,294
– secured (b)	1.0-9.7	2023	91,437
– secured and guaranteed (c)	7.0-9.0	2023	696,594
– unsecured	5.1-11.0	2023	17,824
– unsecured(d)	4.35	2023	29,285
Subtotal			1,127,434
Total			5,275,072
Non-current			
Bank borrowings			
– guaranteed (a)	4.9	2024-2025	203,170
– secured (b)	5.5-5.8	2024	243,805
Subtotal			446,975
Total			446,975

* The secured overnight financing rate (SOFR)

** As at 31 December 2023, long-term bank borrowings with an aggregate carrying amount of approximately USD98,100,000, which is repayable in March 2025 per loan agreements, with repayment on demand clause, have been classified as current liabilities in order to comply with the requirements set out in Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* as one repayment on demand clause stipulated in the loan contracts is triggered. Based on the consent of majority lenders, the relevant financial requirement for the period end 31 December 2023 has been waived.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(a) The Group's certain bank borrowings and other borrowings are guaranteed by:

(i) Certain of the Group's bank and other borrowings which amounted to RMB2,050,591,000 (2022: RMB1,979,438,000) guaranteed by CGA as at 31 December 2023; and

(ii) Certain of the Group's bank and other borrowings which amounted to RMB882,053,000 (2022: RMB1,523,441,000) guaranteed by CGA and its subsidiary as at 31 December 2023.

(b) The Group's certain bank and other borrowings are secured by:

(i) The Group's certain bank borrowings amounted to RMB261,557,000 (2022:RMB186,354,000) were secured by the land, property, plant and equipment amounting to RMB264,674,000 (2022:RMB112,944,000), and leasehold land amounting to RMB32,643,000 (2022:RMB27,573,000),and long-term bank borrowings of RMB74,627,000 (2022:RMB230,000,000) were secured by the property, land, plant and equipment amounting to RMB33,276,000 (2022:RMB32,949,000), leasehold land amounting to RMB26,625,000 (2022:RMB1,840,000), and nil investment property. (2022:RMB239,064,000).

(ii) Finance lease receivables which amounted to RMB57,145,000 (2022: RMB62,227,000) pledged for bank borrowings amounting of RMB55,574,000 (2022: RMB56,850,000) as at 31 December 2023.

(iii) Certain of the Group's bank and other borrowings which amounted to RMB37,000,000 (2022: RMB62,899,000) were secured by the pledge of certain of the Group's time deposits amounting of RMB30,000,000 (31 December 2022: RMB27,381,000).

(iv) Certain of the Group's bank and other borrowings RMB421,389,000 (2022: RMB394,833,000) were secured by mortgages over the vehicle certificates for certain of the Group's inventories with a carrying value of RMB292,015,000 (31 December 2022: RMB90,777,000).

(c) The Group's certain bank and other borrowings are secured and guaranteed as follows:

(i) The Group's certain bank borrowings amounted to RMB197,500,000 (2022: RMB101,500,000) were guaranteed by CGA and its subsidiary as at 31 December 2023, and were secured by land, property, plant and equipment amounting to RMB95,695,000 (2022: RMB15,153,000), leasehold land amounting to RMB8,484,000 (2022: RMB nil), and investment property amounting to RMB130,755,000 (2022: RMB nil)

(ii) Certain of the Group's bank borrowings and other borrowings which amounted to RMB1,486,591,000 (2022: RMB883,744,000) were secured by mortgages over the vehicle certificates for certain of the Group's inventories, which had an aggregate carrying value of approximately RMB1,041,669,000 (2022: RMB750,349,000) and guaranteed by CGA as at 31 December 2023.

(iii) Certain of the Group's bank and other borrowings which amounted to RMB10,348,000 (2022: RMB10,000,000) were guaranteed by CGA as at 31 December 2023, and were secured by mortgages over the vehicle certificates for certain of the Group's inventories as at 31 December 2023, amounting to RMB3,723,000 (2022: RMB nil), and the pledge of certain of the Group's time deposits amounting to RMB1,126,000 (2022: RMB9,748,000).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(c) The Group's certain bank and other borrowings are secured and guaranteed as follows: (continued)

(iv) Certain of the Group's bank and other borrowings which amounted to RMB29,887,000(2022: RMB53,350,000) were secured by the pledge of certain of the Group's time deposits amounting to RMB12,259,000 (2022: RMB51,036,000) and guaranteed by CGA as at 31 December 2023.

(v) Certain of the Group's bank borrowings amounting to RMB230,000,000 (2022: nil) were guaranteed by CGA and its subsidiary and secured by pledge of land, property, plant and equipment amounting to RMB8,996,000 (2022: RMB nil) and investment property amounting to RMB227,276,000 (2022: RMB nil).

(vi) As at 31 December 2023, certain of the Group's bank borrowings amounting to RMB120,300,000 (2022: RMB nil) were guaranteed by CGA and secured by pledge of certain land, property, plant and equipment held by CGA

(vii) As at 31 December 2023, certain of the Group's bank borrowings amounting to RMB100,000,000 (2022:RMB nil) were guaranteed by CGA and secured by pledge of 100% of equity of Shanghai Huibaohang Automobile Sales & Services Co., Ltd., a subsidiary ultimately held by the Company.

(d) As at 31 December 2023, the Group had unutilised banking facilities of RMB6,103,399,000 (2022: BMB 7,272,770,000).

30. TRADE AND BILLS PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables	**576,212**	405,903
Bills payable	**3,267,368**	5,969,385
Trade and bills payables	**3,843,580**	6,375,288

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	**2,659,669**	4,864,325
3 to 6 months	**1,036,774**	1,332,940
6 to 12 months	**93,114**	163,473
Over 12 months	**54,023**	14,550
Total	**3,843,580**	6,375,288

The trade payables are non-interest-bearing. The trade payables are normally settled on 60-day terms.

31. OTHER PAYABLES AND ACCRUALS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contract liabilities	**630,562**	637,668
Taxes payable (other than income tax)	**33,263**	87,927
Payables for purchase of items of property, plant and equipment	**16,241**	15,855
Interest payables	**8,958**	10,775
Staff payroll and welfare payables	**88,810**	66,115
Payables for purchase of equity interests from third parties and acquisition of non-controlling interests	**7,000**	47,950
Others	**223,537**	187,922
Total	**1,008,371**	1,054,212

Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Short-term advances received from customers		
Sale of motor vehicles	**399,176**	404,411
After-sales services	**231,386**	233,257
Total contract liabilities	**630,562**	637,668

Contract liabilities include short-term advances received to deliver new motor vehicles and after-sales services.

32. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the People's Republic of China (the "PRC") state regulations, the subsidiaries of Chinese Mainland participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Chinese Mainland subsidiaries are required to make contributions to the local social security bureau at 16% to 40% (2022: 16% to 40%) of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Chinese Mainland subsidiaries. The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Chinese Mainland subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 12% (2022: 5% to 12%) of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for such contributions to the accommodation fund.

As at 31 December 2023, the Group had no significant obligation apart from the contributions stated above.

33. DEFERRED TAX

(a) Deferred tax assets

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

	Losses available for offsetting against future taxable profits RMB'000	Accrued expenses RMB'000	Lease liabilities RMB'000	Inventory impairment RMB'000	Others RMB'000	Total RMB'000
At 31 December 2021	152,642	40,552	-	8,243	43,066	244,503
Effect of adoption of amendments to HKAS 12	–	(16,592)	326,331	–	–	309,379
At 1 January 2022 (restated)	152,642	23,600	326,331	8,243	43,066	553,882
Deferred tax recognised in the consolidated statement of profit or loss during the year	34,709	433	(5,862)	9,885	10,212	49,377
Gross deferred tax assets at 31 December 2022 (restated)	187,351	24,033	320,469	18,128	53,278	603,259
At 31 December 2022 and 1 January 2023	**187,351**	**24,033**	**320,469**	**18,128**	**53,278**	**603,259**
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	**48,691**	**1,451**	**(61,036)**	**(6,582)**	**11,886**	**(5,590)**
Gross deferred tax assets at 31 December 2023	**236,042**	**25,484**	**259,433**	**11,546**	**65,164**	**597,669**

33. DEFERRED TAX (continued)

(b) Deferred tax liabilities

	Capitalis ation of costs in relation to construction in progress RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Right-of-use assets RMB'000	Fair value adjustment of Investment Properties RMB'000	Others RMB'000	Total RMB'000
At 31 December 2021	34,023	349,408	–	44,138	58,288	485,857
Effect of adoption of amendments to HKAS 12	–	–	309,379	–	–	309,379
At 1 January 2022 (restated)	34,023	349,408	309,379	44,138	58,288	795,236
Deferred tax recognised in the consolidated statement of profit or loss during the year	(1,525)	(16,498)	(20,725)	3,079	10,591	(25,078)
Gross deferred tax liabilities at 31 December 2022 (restated)	32,498	332,910	288,654	47,217	68,879	770,158
At 31 December 2022 and 1 January 2023	32,498	332,910	288,654	47,217	68,879	770,158
Disposal of a subsidiary	(215)	–	–	–	(877)	(1,092)
Deferred tax recognised in the consolidated statement of profit or loss during the year (Note 8(a))	(1,624)	(26,655)	(65,028)	(6,933)	3,958	(96,282)
Gross deferred tax liabilities at 31 December 2023	30,659	306,255	223,626	40,284	71,960	672,784

33. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**352,947**	291,501
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(428,062)**	(458,400)
Net deferred tax liabilities	**(75,115)**	(166,899)

The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Chinese Mainland. In the opinion of the Directors, it is not probable that these subsidiaries and the joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB8,231,515,591 at 31 December 2023 (31 December 2022: RMB8,087,647,778).

Deferred tax assets of RMB719,012,000 (31 December 2022: RMB681,638,000) have not been recognised in respect of tax losses arising in Chinese Mainland as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. These tax losses will expire in one to five years.

34. SHARE CAPITAL

Shares	31 December 2023	31 December 2022
Authorised:		
Ordinary shares	**5,000,000,000 shares of HK$0.01 each**	5,000,000,000 shares of HK$0.01 each
Issued and fully paid:		
Ordinary shares	**2,837,511,429 shares of HK$0.01 each**	2,837,511,429 shares of HK$0.01 each
Equivalent to RMB'000	**23,277**	23,277

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2022 and 31 December 2022	2,837,511,429	23,277	2,372,982	2,396,259
At 1 January 2023 and At 31 December 2023	2,837,511,429	23,277	2,372,982	2,396,259

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 14 December 2011, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the listing date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares available for issue under the Scheme is 46,597,000 shares, representing 1.64%of the issued shares of the Company as at the date of the annual report.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, an amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part of the payment of the exercise price. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one year and ends on the expiry date of the Scheme.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Share.

On 28 March 2018, the Company granted 75,000,000 ordinary shares (the "Granted Option") of HK$0.01 each in the shares of the Company to Directors ("Scheme A") and other employees of the Group ("Scheme B") under the Scheme. These granted options have a total vesting period of three years, out of which 30%, 30% and 40% will become vested at the end of each of these three years, respectively. The share options are exercisable from 28 March 2018 for a period of 10 years.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

35. SHARE OPTION SCHEME (continued)

The following share options were outstanding under Scheme A and Scheme B during the year.

	2023 Weighted average exercise price HK$ per share	**2023 Number of options**	2022 Weighted average exercise price HK$ per share	2022 Number of options
At 1 January	**3.256**	**46,597,000**	3.256	51,897,000
Forfeited during the year	**3.256**	**–**	3.256	(5,300,000)
At 31 December	**3.256**	**46,597,000**	3.256	46,597,000

The exercise prices and exercise periods of the share options outstanding as of 31 December 2023 are as follows:

Number of options	**Exercise price** HK$ per share	**Exercise period**
13,839,100	3.256	28-3-2019 to 27-3-2028
14,039,100	3.256	28-3-2020 to 27-3-2028
18,718,800	3.256	28-3-2021 to 27-3-2028

The Group recognised no share option expense (2022: nil) during the year ended 31 December 2023.

At of 31 December 2023, the Company had 46,597,000 share options outstanding under the Scheme (31 December 2022: 46,597,000). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 46,597,000 additional ordinary shares of the Company and additional share capital of HK$466,000 and share premium of HK$151,254,000 (before issue expenses).

36. RESERVES

(i) Statutory reserve

Pursuant to the relevant PRC rules and regulations, those PRC subsidiaries which are domestic enterprises in the PRC are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company and the excess of the consideration over the carrying amount of the non-controlling interests acquired.

(iii) Other reserve

The other reserve of the Group represents the excess of the consideration over the carrying amount of the non-controlling interests acquired, cash flow hedges, deferred costs of the hedging reserve and the changing fair value upon reclassification from own-occupied properties to investment properties.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of the Company and certain overseas subsidiaries of which the functional currencies are other than the RMB.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB132,022,000 (2022: RMB137,516,000) and RMB132,022,000 (2022: RMB137,516,000), respectively, in respect of lease arrangements for leasehold land and buildings.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2023	**Lease liabilities RMB'000**	**Amounts due to related parties – non trade RMB'000**	**Interest-bearing bank and other borrowings RMB'000**
At 1 January 2023	**1,281,876**	**2,002,918**	**5,722,047**
Changes from financing cash flows	**(144,343)**	**341,046**	**183,811**
New leases	**132,022**	**–**	**–**
Reclass of amounts due from related parties due to disposal of a subsidiary	**–**	**(2,502)**	**–**
Foreign exchange movement	**–**	**4,788**	**28,917**
Interest expense	**64,575**	**120,991**	**81,733**
Interest paid classified as operating cash flows	**(64,575)**	**–**	**–**
Repayment of borrowings from related parties	**–**	**(408,002)**	**–**
Termination of lease	**(214,665)**	**–**	**–**
Disposal of a subsidiary	**(17,156)**	**–**	**–**
At 31 December 2023	**1,037,734**	**2,059,239**	**6,016,508**

2022	Lease liabilities RMB'000	Amounts due to related parties – non trade RMB'000	Interest-bearing bank and other borrowings RMB'000
At 1 January 2022	1,305,323	2,816,980	6,214,881
Changes from financing cash flows	(117,760)	891,107	(633,397)
New leases	137,516	–	–
Foreign exchange movement	–	10,321	50,217
Interest expense	74,242	115,968	61,061
Interest paid classified as operating cash flows	(74,242)	–	–
Repayment of borrowing from related parties	–	(1,802,173)	–
Disposal of investment in an associate	–	(29,285)	29,285
Termination of lease	(43,203)	–	–
At 31 December 2022	1,281,876	2,002,918	5,722,047

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	**144,343**	117,760
Within financing activities	**64,575**	74,242
	208,918	192,002

38. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets were categorised into two groups: 1) financial assets at fair value through profit or loss – equity investments; and 2) financial assets at amortised cost, including trade receivables, finance lease receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, pledged deposits, cash in transit and cash and cash equivalents.

The carrying amounts of financial assets at fair value through profit or loss – equity investments and financial assets at amortised cost as at 31 December 2023 were RMB134,569,000 and approximately RMB2,909,495,000, respectively (31 December 2022: RMB89,356,000 and approximately RMB3,894,320,000, respectively).

The Group's financial liabilities were categorised into two groups: 1) financial liabilities at fair value through profit or loss – derivative financial instruments; and 2) financial liabilities at amortised cost, including trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related parties, interest-bearing bank and other borrowings and lease liabilities.

The carrying amounts of financial liabilities at fair value through profit or loss – derivative financial instruments and financial liabilities at amortised cost as at 31 December 2023 were approximately nil and RMB18,656,098,000, respectively (31 December 2022: nil and RMB15,667,910,000, respectively).

39. CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

40. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted, but not provided for:		
Land use rights and buildings	**2,931**	3,543
Authorised, but not contracted for:		
Land use rights and buildings	**1,200**	1,200
Total	**4,131**	4,743

41. PLEDGE OF ASSETS

Details of the Group's assets pledged for its bank and other borrowings and bills payable are disclosed in note 13, note 14, note 15, note 18, note 22 and note 26, respectively, to the consolidated financial statements.

42. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

The Group had the following transactions with related parties during the year:

		31 December 2023 RMB'000	31 December 2022 RMB'000
Sales of goods to:	(i)		
CGA and companies controlled by CGA		**15,860**	9,614
Purchases of goods from:	(ii)		
CGA and companies controlled by CGA		**60,834**	51,407
Other related parties		**–**	190
Total		**60,834**	51,597
Office rental income from:	(iii)		
CGA and companies controlled by CGA		**3,342**	4,184
Office lease expenses paid or payable to:	(iv)		
CGA and companies controlled by CGA		**7,248**	6,961
Ziyang Qinyuan Machinary Manufacturing Co., Ltd.		**2,638**	–
Total		**9,886**	6,961
Commission charged by:	(v)		
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.		**–**	4,983
Service received from:	(vi)		
Maanshan Aika Shangyun Information & Technology Co., Ltd.		**–**	190
A company controlled by CGA		**1,700**	4,764
Total		**1,700**	4,954
Borrowings from related parties:	(vii)		
CGA and companies controlled by CGA		**341,046**	753,865
Brazos Highland Holding LLC		**–**	129,242
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.		**–**	8,000
Total		**341,046**	891,107
Repayment of borrowings from related parties:	(vii)		
CGA and companies controlled by CGA		**261,589**	1,797,549
Brazos Highland Holding LLC		**146,413**	4,624
Total		**408,002**	1,802,173
Interest expenses:	(vii)		
CGA and companies controlled by CGA		**118,115**	110,782
Brazos Highland Holding LLC		**2,890**	4,349
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.		**–**	882
Total		**121,005**	116,013
Payments on behalf of:	(viii)		
Wuxi Kailong Real Estate Co., Ltd		**7,555**	2,707

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties (continued)

The Group had the following transactions with related parties during the year: (continued)

(i) The sales of goods were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases of goods were made according to the published prices and conditions offered by related parties to their major customers.

(iii) The office rental income arose from operating lease of the Group's office to CGA and companies controlled by CGA according to the market price.

(iv) The office lease expenses were charged by CGA and companies controlled by CGA and Ziyang Qinyuan Machinary Manufacturing Co., Ltd. according to the market price. The operating leases have been recognised as right-of-use assets and lease liabilities in the financial statements, upon the adoption of HKFRS 16 *Leases* effective from 1 January 2019. The above-mentioned lease expenses were the amounts paid or payable for the years presented.

(v) The commission expense was charged for agency service of selling used car provided by the related party. The price was determined according to the published prices and conditions offered to the major customers of the related party.

(vi) The prices for the technology support services were determined in accordance with the prevailing market prices.

(vii) As at the ended 31 December 2023, the Company repaid a total of RMB146,413,000 to Brazos Highland Holding LLC controlled by Guanghui Energy Co., Ltd., a replated party of CGA.

(viii) During the year ended 31 December 2023, the Company paid RMB7,555,000 of construction fee on behalf of Wuxi Kailong Real Estate Co., Ltd.

In the opinion of the Directors, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions.

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Other transactions with related parties:

The Company's ultimate holding company has guaranteed certain bank and other borrowings made to the Group of up to RMB5,068,710,000 as at the end of the reporting period, as disclosed in note 29 to the financial statements.

The Group disposed its subsidiary Tianjin Baodi Auto Sales and Services Co., Ltd. on 1 July 2023 to CGA for consideration of RMB7,572,000.

(c) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the year:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Amounts due from related parties:		
CGA and companies controlled by CGA	**44,318**	3,630
Wuxi Kailong Real Estate Co., Ltd.	**41,315**	33,765
Xinjiang Grand Real Estate Development Co., Ltd.	**8,811**	8,811
Xinjiang Guanghui Coal Clean Refining & Chemical Co., Ltd.	**–**	3,555
Guanghui International Natural Gas Trading Co., Ltd.	**–**	101
Shanghai Rongzhi Catering Management Co., Ltd.	**–**	95
Total	**94,444**	49,957

42. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Outstanding balances with related parties: (continued)

The amounts due from related parties are unsecured, interest-free and has no fixed terms of repayment.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Amounts due to related parties – current		
CGA and companies controlled by CGA	**331,935**	6,543
Ziyang Qinyuan Machinery Manufacturing Co., Ltd.	**203**	80
Brazos Highland Holding LLC	**–**	139,288
Chongqing Shangbo Automotive Co.,Ltd.	**–**	86
Total	**332,138**	145,997
Amounts due to related parties – non-current		
A company controlled by CGA (note 1)	**2,044,580**	1,862,447

Note 1: On 18 May 2020, the Group borrowed a loan of RMB3,520,000,000 from a company controlled by CGA and the due date was extended to 15 May 2026. The interest rate was in line with the benchmark interest rate prescribed by the People's Bank of China. Early repayment is allowed.

Apart from the above-mentioned loan, the amounts due to related parties are unsecured, interest-free and has no fixed terms of repayment. Please refer to note 44 for maturity profile.

(d) Compensation of key management personnel of the Group:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Short-term employee benefits	**3,305**	3,472
Total compensation paid to key management personnel	**3,305**	3,472

Further details of Directors' and chief executive's emoluments are included in note 9 to the consolidated financial statements.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

As at 31 December 2023

	Carrying amounts RMB'000	Fair value RMB'000
Financial assets		
Financial assets at fair value through profit or loss	**134,569**	**134,569**
Financial liabilities		
Interest-bearing bank and other borrowings at fixed interest rate, non-current	**496,718**	**501,515**
Amounts due to related parties, non-current	**2,044,580**	**2,119,830**
Total	**2,541,298**	**2,621,345**

As at 31 December 2022

	Carrying amounts RMB'000	Fair value RMB'000
Financial assets		
Financial assets at Fair value through profit or loss	89,356	89,356
Financial liabilities		
Interest-bearing bank and other borrowings at fixed interest rate, non-current	446,975	452,677
Amounts due to related parties, non-current	1,862,447	1,845,511
Total	2,309,422	2,298,188

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and bank balances, cash in transit, pledged bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, the current portion of finance lease receivables, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related parties, the current portion of bank and other borrowings and the current portion of lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's treasury department headed by the treasury manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The treasury manager reports directly to the chief financial officer and the audit committee. At each reporting date, the treasury department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of prepayments and deposits, finance lease receivables, interest-bearing bank and other borrowings, lease liabilities and other payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease receivables, interest-bearing bank and other borrowings and lease liabilities as 31 December 2023 was assessed to be insignificant. Management has assessed that the fair values of the non-current portion of bank and other borrowings with floating interest rates approximate to their carrying amounts because the interest rates are adjusted periodically by reference to the fair market interest rates.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instrument:

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**–**	**–**	**134,569**	**134,569**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	89,356	89,356

The Group did not have any financial liabilities at fair value through profit or loss as at 31 December 2023 and 31 December 2022.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3

In terms of the fair value disclosure for the non-current portions of amounts due from related parties, pledged deposits, interest-bearing bank and other borrowings with fixed interest rate and amounts due to related parties, the fair values were measured using significant observable inputs (Level 2).

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, other payables, finance lease receivables and lease liabilities, which arise directly from its operations.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group also enters into derivative transactions, including forward currency contracts and interest rate swaps. The purpose is to manage currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing assets other than pledged deposits (Note 26) and cash and bank balances (Note 28).

The Group's interest rate risk arises from its interest-bearing bank and other borrowings, details of which are set out in Note 29. Borrowings at floating interest rates expose the Group to the risk of changes in market interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**(Decrease)/ increase in profit before tax RMB'000**
2023		
USD	**50**	**(3,383)**
USD	**(50)**	**3,383**

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000
2022		
USD	50	(3,636)
USD	(50)	3,636

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of bank deposits, cash and cash equivalents, trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2023 and 2022. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	781,054	781,054
Finance lease receivables	207,521	1,927	5,360	–	214,808
Financial assets included in prepayments, other receivables and other assets	7,569,635	–	–	–	7,569,635
Total	7,777,156	1,927	5,360	781,054	8,565,497

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	–	–	489,026	489,026
Finance lease receivables	204,715	1,955	4,836	–	211,506
Financial assets included in prepayments, other receivables and other assets	6,822,516	–	–	–	6,822,516
Amounts due from related parties	71,908	–	–	95	72,003
Total	7,099,139	1,955	4,836	489,121	7,595,051

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix at 31 December 2023 and 2022 is set as below:

31 December 2023

	Ageing		
	Within 3 months	**3 months to 1 year**	**Over 1 year**
Expected credit loss rate	**–**	**3%**	**16%**
Gross carrying amount (RMB'000)	**623,300**	**64,428**	**93,326**
Expected credit losses (RMB'000)	**–**	**1,933**	**15,001**

31 December 2022

	Ageing		
	Within 3 months	3 months to 1 year	Over 1 year
Expected credit loss rate	–	3%	8%
Gross carrying amount (RMB'000)	402,354	56,043	30,630
Expected credit losses (RMB'000)	–	1,681	2,451

For finance lease receivables to which the Group applies general approach for impairment, information based on the provision matrix at 31 December 2023 and 2022 is set as below:

31 December 2023

	Lifetime ECLs		
	Stage 1	**Stage 2**	**Stage 3**
Expected credit loss rate	**0.8%**	**6.0%**	**60.0%**
Gross carrying amount (RMB'000)	**207,521**	**1,927**	**5,360**
Expected credit losses (RMB'000)	**1,671**	**116**	**3,216**

31 December 2022

	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3
Expected credit loss rate	1.30%	2.90%	60.00%
Gross carrying amount (RMB'000)	204,715	1,955	4,836
Expected credit losses (RMB'000)	2,734	57	2,902

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

For the financial assets included in prepayments, other receivables, amount due from related party and other assets to which the Group applies the general approach for impairment, there was no recent history of default. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate was 0.2% because management estimates that the credit quality of these financial assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

As at 31 December 2023 and 2022, all pledged bank deposits and cash and cash equivalents were deposited financial institutions of high quality without significant credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

As at 31 December 2023

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	**1,026,373**	**1,729,454**	**3,553,769**	**537,164**	**–**	**6,846,760**
Amounts due to related parties	**1,008,371**	**–**	**–**	**2,287,879**	**–**	**3,296,250**
Trade and bills payables	**576,212**	**3,047,423**	**225,195**	**–**	**–**	**3,848,830**
Financial liabilities in other payables and accruals	**235,637**	**–**	**–**	**–**	**–**	**235,637**
Lease liabilities	**–**	**54,884,793**	**140,784,580**	**613,239,997**	**515,625,076**	**1,324,534,446**
	2,846,593	**59,661,670**	**144,563,544**	**616,065,040**	**515,625,076**	**1,338,761,923**

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

As at 31 December 2022

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	998,318	898,552	3,577,159	492,713	–	5,966,742
Amounts due to related parties	145,997	–	–	2,179,942	–	2,325,939
Trade and bills payables	405,903	5,395,917	581,256	–	–	6,383,076
Financial liabilities in other payables and accruals	280,259	–	–	–	–	280,259
Lease liabilities	–	198,264	181,216	936,915	746,300	2,062,695
	1,830,477	6,492,733	4,339,631	3,609,570	746,300	17,018,711

Foreign currency risk

The Group conducts its business primarily in Renminbi. Certain bank deposits and interest-bearing bank and other borrowings were denominated in foreign currencies. As at 31 December 2023, the Group had not hedged its foreign currency as no firm commitments existed at the end of the reporting period.

	Increase/ (decrease) in in rate of %	Increase/ (decrease) in profit before tax RMB'000
2023		
USD strengthens against RMB	**5**	**(28,533)**
USD weakens against RMB	**(5)**	**28,533**
Hong Kong dollar ("HKD") strengthens against RMB	**5**	**69,935**
HKD weakens against RMB	**(5)**	**(69,935)**
2022		
USD strengthens against RMB	5	(43,888)
USD weakens against RMB	(5)	43,888
Hong Kong dollar ("HKD") strengthens against RMB	5	61,411
HKD weakens against RMB	(5)	(61,411)

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, non-current amounts due to related parties and other payables and accruals less cash and bank balances. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Interest-bearing bank and other borrowings	**6,016,508**	5,722,047
Trade and bills payables	**3,843,580**	6,375,288
Other payables and accruals	**1,008,705**	1,063,861
Amounts due to related parties – non-current	**2,044,580**	1,862,447
Less: Cash and bank balances	**(185,274)**	(496,110)
Net debt	**12,728,099**	14,527,533
Equity attributable to owners of the parent	**7,760,988**	7,688,152
Gearing ratio	**62.1%**	65.4%

45. EVENTS AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 31 December 2023.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,883,267**	1,816,072
Total non-current assets	**1,883,267**	1,816,072
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,719**	130,438
Amounts due from subsidiaries	**6,148,413**	5,939,247
Cash and cash equivalents	**28,124**	23,235
Total current assets	**6,178,256**	6,092,920
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**676,663**	727,103
Other payables and accruals	**1,990,533**	2,415,878
Amounts due to subsidiaries	**4,236,110**	3,675,404
Total current liabilities	**6,903,306**	6,818,385
NET CURRENT LIABILITIES	**(725,050)**	(725,465)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,158,217**	1,090,607
NET ASSETS	**1,158,217**	1,090,607
EQUITY		
Share capital	**23,277**	23,277
Reserves (note)	**1,134,940**	1,067,330
Total equity	**1,158,217**	1,090,607

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 Jaunuary 2022	2,372,982	108,373	(128,190)	52,663	(1,610,255)	12,466	808,039
Total comprehensive income for the year	–	–	(62,458)	–	317,058	–	254,600
Equity-settled share option forfeited	–	(379)	–	–	–	379	–
Cash flow hedges, net of tax	–	–	–	4,691	–	–	4,691
At 31 December 2022 and 1 January 2023	2,372,982	107,994	(190,648)	57,354	(1,293,197)	12,845	1,067,330
Total comprehensive income for the year	–	–	(18,461)	–	86,071	–	67,610
At 31 December 2023	2,372,982	107,994	(209,109)	57,354	(1,207,126)	12,845	1,134,940

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of Directors on 28 March 2024.

FIVE-YEAR FINANCIAL SUMMARY

Year ended 31 December 2023

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as applicable, is set out below:

	Year ended December 31				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
REVENUE	**31,906,979**	31,698,687	37,582,644	35,134,341	36,463,878
Cost of sales and services provided	**(30,612,366)**	(31,235,287)	(35,296,852)	(33,384,256)	(33,617,970)
Gross profit	**1,294,613**	463,400	2,285,792	1,750,085	2,845,908
Other income and gains, net	**1,223,093**	1,281,086	1,110,849	1,082,446	869,641
Selling and distribution expenses	**(1,099,982)**	(1,160,253)	(1,211,204)	(1,108,724)	(1,210,639)
Administrative expenses	**(630,043)**	(626,622)	(706,461)	(671,809)	(727,135)
Profit from operations	**787,681**	(42,389)	1,478,976	1,051,998	1,777,775
Finance costs	**(550,666)**	(539,375)	(598,008)	(646,330)	(822,183)
Share of (loss)/profit of a joint venture	**(4,927)**	75	(1,430)	265	1,988
Share of (loss)/profit of associates	**(2,987)**	10,785	29,547	50	59,229
Profit/(loss) before tax	**229,101**	(570,904)	909,085	405,983	1,016,809
Income tax expense	**(115,008)**	(129,576)	(365,726)	(205,301)	(394,052)
Profit/(loss) for the year	**114,093**	(700,480)	543,359	200,682	622,757
Attributable to:					
Owners of the parent	**125,747**	(697,982)	551,986	211,418	629,202
Non-controlling interests	**(11,654)**	(2,498)	(8,627)	(10,736)	(6,445)
	114,093	(700,480)	543,359	200,682	622,757
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**23,092,922**	25,179,375	28,094,667	28,561,475	28,777,820
TOTAL LIABILITIES	**15,357,621**	17,505,256	19,420,022	20,549,301	21,080,641
NON-CONTROLLING INTEREST	**(25,687)**	(14,033)	(11,534)	9,005	27,595
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**7,760,988**	7,688,152	8,686,179	8,003,169	7,669,584

GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司