CHINA ZHENGTONG AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 1728

CONTENTS

COMPANY PROFILE

China ZhengTong Auto Services Holdings Limited (the "**Company**" or "**ZhengTong**" or "**ZhengTong Auto**", and together with its subsidiaries, the "**Group**") is a leading automobile dealership group in China focusing on the dealership of luxury and ultra-luxury branded automobiles such as BMW, Mercedes-Benz, Porsche, Audi, Jaguar Land Rover, and is part of the Xiamen ITG Holding Group Co., Ltd. ("**ITG Holding**" and together with its subsidiaries, the "**ITG Group**") group of companies. The Group also engages in the dealership of mid-to-high-end brands such as FAW-Volkswagen, Buick, Dongfeng-Nissan, FAW Toyota, and Dongfeng-Honda.

The Group has established a forward-looking strategic network covering developed regions and provinces with strong economic growth in China, which has provided a solid foundation for its future development. As at 31 December 2023, we operated 109 dealership outlets in 37 cities across 16 provinces and municipalities nationwide. Our network not only covers the developed automobile market of some of the affluent first-tier cities and regions, but has also expanded its presence in second and third-tier cities and regions with low but fast-growing automobile penetration. In 2023, the Group further expanded its traditional luxury brand network by opening 4 new distribution outlets, namely, the Mercedes-Benz 4S Store in Longhua District, Shenzhen, the Mercedes-Benz Repair Centre in Yiwu, the Great Wall Haval 4S Store in Hohhot, Inner Mongolia, and the Great Wall-Tank-WEY Co-branded 4S Store in Yizhuang, Beijing.

Adhering to its goal of shaping the "Smile Zhengtong" brand image, the Group has been committed to providing customers with superior automobile sales and after-sales services. The provision of comprehensive automobile solutions and adoption of a customer-oriented business model have allowed the Group to maintain its long-term relationship with customers. The Group has also strengthened its after-sales services with an aim to deliver high-quality and efficient services to its customers. The Group's supply chain logistics, insurance agency, financial leasing and other businesses have complemented its automobile dealership and after-sales service businesses.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2019	2020	2021	2022	**2023**
(RMB'000)					
Revenue	35,137,794	16,880,923	20,985,529	22,606,790	**24,131,975**
Profit/(loss) before taxation	1,163,064	(10,395,426)	(2,213,649)	(130,342)	**(886,600)**
Income tax (expense)/credit	(396,359)	1,782,957	9,641	(167,079)	**66,120**
Profit/(loss) for the year	766,705	(8,588,604)	(3,780,767)	(297,421)	**(820,480)**
Attributable to:					
Ordinary shareholders of the Company	663,862	(8,579,106)	(3,622,131)	(296,285)	**(890,990)**
Perpetual bond holder of the Company	—	—	—	—	**41,708**
Non-controlling interests	102,843	(9,498)	(158,636)	(1,136)	**28,802**
Profit/(loss) for the year	766,705	(8,588,604)	(3,780,767)	(297,421)	**(820,480)**

ASSETS AND LIABILITIES

	2019	2020	2021	2022	**2023**
(RMB'000)					
Total assets	44,857,974	27,995,953	26,129,786	27,732,759	**29,514,801**
Total liabilities	(31,217,677)	(22,683,053)	(25,589,165)	(27,508,315)	**(28,227,741)**
Total equity	13,640,297	5,312,900	540,621	224,444	**1,287,060**
Equity attributable to equity shareholders of the Company	12,418,268	4,108,094	508,430	193,389	**361,830**
Non-controlling interest	1,222,029	1,204,806	32,191	31,055	**925,230**
Total equity	13,640,297	5,312,900	540,621	224,444	**1,287,060**

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS:

On behalf of the Board and all our staff, I would like to extend my sincere gratitude to all shareholders, investors and partners for their continued interest, contribution and support.

In 2023, China's economic and social development withstood internal and external pressures and maintained overall stability. The automotive industry also underwent a period of supply chain adjustment and life cycle reconstruction, and with unprecedently fierce market competition, the industry became one of survival of the fittest. Driven by price reduction and promotions, subsidy policies designed to boost the automotive industry and exports, China's automobile production and sales continued to grow steadily in 2023. According to the data released by the China Association of Automobile Manufacturers, in 2023, production and sales of vehicles in China amounted to 30,161,000 units and 30,094,000 units, respectively (representing a year-on-year increase of 11.6% and 12%, respectively), topping global production and sales volumes for the 15th consecutive year.

However, 2023 has been a challenging year for auto dealers. Although passenger vehicle sales continued to grow, the operating pressure of auto dealers continued to intensify due to factors such as subsidies and price wars. The automobile dealer industry has entered a stage of rebuilding, where leading dealers with comprehensive advantages would be in a position to leverage their scale and network towards reshaping the industry's future.

With the automotive industry at the precipice of a new round of elimination, and benefiting from the guarantee and support in terms of industrial development, financing, resources and talent training provided by ITG Holding, the single largest shareholder of the Group, as well as the concerted efforts of the management team, the Group has continued to focus on developing its sales of luxury and ultra-luxury brands and after-sales service business. The Group has optimised its brand structure and enhanced operational efficiency and management by stepping up its efforts in marketing, planning and operation. In addition, it has further improved the profitability of its stores by expanding its extended services. The Group achieved relatively stable operating results, with continued growth in both total sales of new automobiles and sales of luxury and ultra-luxury brands during the year, as well as changes and breakthroughs in business operations and management models.

Though our focus remained on luxury auto brands, we have also paid attention to opportunities in the new energy market and among independent brands. Currently, the Group has maintained a stable relationship with a number of new energy OEMs, and has been working with a number of independent brands such as GWM Haval, Great Wall-Tank-WEY. Based on the development dynamics of the automobile dealership industry, we will participate in the new energy business cooperation of new brands or traditional domestic brands with good development potential after due consideration, so as to explore new growth points.

Although the Group's growth has fallen short of expectation due to factors such as insufficient consumer demand which has affected the development of the automobile dealership industry, we remain confident in the Group's future development prospects. In light of the Central Economic Conference held at the end of 2023 where the emphasis was on continuing to expand domestic demand and stimulating consumption potential, it appears automobiles, as a pillar and a ballast of the consumption economy, would be an important driving force for stable growth and expansion of domestic demand. According to the forecast of China Association of Automobile Manufacturers, the overall sales of automobiles in 2024 will be approximately 31,000,000 units, and automobile exports will increase to 5,500,000 units. We firmly believe that in the future, automobile consumption and investment will form a virtuous circle of mutual promotion, and automobile consumption will continue to be encouraged and supported by policies.

Looking ahead, as the core automotive platform of ITG Holding (the Company's single largest shareholder), the Group will continue to harness synergistic advantages with the ITG Group, achieve resource integration and optimise allocation, as well as continue to improve its quality and efficiency to cope with industry reforms and increase the competitiveness of the Group. At the same time, the Group will take "4S system", "new retail" and "emerging business" as its three core business pillars, continue to implement the business strategy of "breaking the mold and creating change", and achieve differentiated development while maintaining and stabilizing its profitability. The Group will follow the principle of "what works for oneself is the key", lay a foundation of "stability", stimulate the momentum of "progress", focus on mainstream luxury brands, and enhance the quality and efficiency of its core operations. The Group will also actively explore development opportunities in emerging businesses, such as the new energy supply chain, to enrich the Group's revenue sources and create diversified growth points. In addition, the Group will seize opportunities brought forth by the rapid rise of Chinese independent brands abroad and favorable national policies encouraging pre-owned automobile exports, and accelerate and increase its efforts in expanding the pre-owned automobile export business to enhance profitability and create its "second growth curve".

We believe that, with China's automotive industry on a positive development trajectory, by following the spirit of "promoting stability through progress and improving quality through innovation", the Group would be able to build a foundation on achievement, find opportunities in disruption and continue to unleash its development potential by leveraging its scale and network advantages, and move steadily towards its corporate vision of becoming a "leading comprehensive service provider in the ecology of the automobile industry".

Last but not least, I sincerely hope to work together with our shareholders, investors and partners to embrace the development opportunities of the Year of the Loong with auspicious meanings and draw up a splendid blueprint for the automotive ecosystem.

Wang Mingcheng
Chairman of the Board (then)
27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, an excessive supply and relatively insufficient demand became the main constraining factor for the PRC automobile industry. The traditional automobile dealership industry experienced unprecedented adversity and challenges due to the explosive rise of new energy vehicles and sudden changes in consumer habits. The Group actively responded to the unfavorable market environment and circumstances, continued to maintain its sales of mid-to-high-end brands, and expanded its automobile-related derivative businesses in line with market trend. Taking "4S business", "new retail" and "emerging businesses" as the three core business pillars, the Group will strive to create its "second growth curve" and gradually put its five-year strategic development plan into practice.

For the year ended 31 December 2023, the Group recorded a revenue of approximately RMB24,132 million, representing a year-on-year increase of approximately 6.7%, and a gross profit of approximately RMB1,009 million, representing a year-on-year decrease of approximately 36.4%.

In 2023, the Group ranked 22nd among the top 100 China's Automobile Dealership Groups, and won a series of major awards, including the "2023 Outstanding Member of China Automobile Distribution Industry — Industry Innovation Award* (2023年中國汽車流通行業優秀會員一行業創新獎)" and "Outstanding Automobile Dealership Group* (優秀汽車經銷商集團)" in China's Automobile After-sales Service Quality Competition. The Group's stores were granted 515 awards in total by automobile manufacturers, local governments, industry media and industry associations, among which, 492 were awarded by manufacturers and 23 were from the government, media and industry associations.

The following is a review of the business development of the Group's various business sectors during 2023, and the progress made in improving management:

(I) Automobile dealership segment

In 2023, the Group forged ahead with the management target of enhancing quality and improving efficiency. We maintained close communication and cooperation with manufacturers, striving for more high-quality commercial vehicle resources and manufacturers' business policies to improve the quality of our operations. Internally, we improved our resources management, enhanced the inventory management of commercial vehicles, continued to give full play to the advantages of our network layout, coordinated the deployment of the resources of our dealerships and expanded the supply chain business with major customers.

The Group continuously enriched its product portfolio and improved its service efficiency to differentiate its marketing. Each of its stores has developed a diversified and competitive portfolio, and some of them offer model customization to allow customers a range of options to choose from, so as to cater to the individual needs of customers. The Group has given full play to the strengths of its dealerships and strengthened its co-operation with financial institutions to provide customers with a wide range of financial products. It has coordinated with the Group's internal and external units to tap into other areas and provided value-added services to customers for car purchases through the organization of vehicle owners' activities, thematic forums and seminars, and joint marketing activities. The Group has enhanced its information technology service capability to provide electronic signing services for sales documents to cut down on signing time, which has greatly improved the customer experience and sales efficiency.

1. Sales of new automobiles business

In 2023, the Group proactively responded to the complex market environment and challenges by focusing on enhancing quality and improving efficiency of the main business line. The Group achieved a growth amid the upward trend in market share of its core distribution brands. For the year ended 31 December 2023, the Group achieved sales of new automobiles of 60,845 units, representing a year-on-year increase of approximately 8.1%. Among those units, 51,872 units were luxury and ultra-luxury branded automobiles, which represents a year-on-year increase of approximately 14.4%. The Group has further secured the authorisation of OEMs and/or achieved a significant increase in the rankings within their systems, and has been honoured with various awards:

1) The BMW brand entered a rapid recovery phase, with relatively robust growth in new vehicle sales and after-sales business. Specifically, new energy vehicle sales increased more than 130% year-on-year. The Group received 143 awards during the year, including the "2022 BMW Dealer Excellence in Dealer Performance Award* (2022年BMW經銷商卓越經銷商表現獎)" presented by BMW China & BMW Brilliance, and the "Pioneer Finance 2023 National Outstanding Performance Award* (先鋒金融2023年全國傑出表現獎)" presented by BMW Leasing China.

2) During the year, ZhengTong Auto steadily increased its sales in Mercedes Benz as a strategic dealer of Mercedes Benz in China. The Group received a total of 61 awards, including 16 national awards from manufacturers, such as the "Mercedes-Benz National Boutique Sales Star (梅賽德斯-奔馳全國精品銷售之星)" and the "National New Media Pioneer Award (全國媒體開拓先鋒獎)" by Beijing Mercedes-Benz.

3) The Dalian Hengyuehang Porsche Center* (大連恒悦行保時捷中心) of Porsche brand officially opened in 2023. The Group currently has 5 operating stores nationwide, which further consolidated the position of ZhengTong Auto as Porsche's strategic dealer in China. In addition, it received a total of 55 awards during the year. To win the Gentlemen's Group Championship of the 2023 Asian Porsche Carrera Race, the ZhengTong fleet teamed up with driver Bao Jinlong for the sixth time, marking its winning of the championship for the third time.

4) Audi brand has actively sought innovative marketing and management improvement. Through the establishment of a large customer public relations team, it has achieved sales of nearly a thousand new automobiles with the cooperation of eHi Car and actively embraced new media channels which led to a cumulative increase of over 350,000 fans, laying a solid foundation for the future transformation of sales channels. During the year, the Group received a total of 82 awards, including the "2023 FAW Audi Franchised Dealer — Outstanding Dealer Group Award" presented by FAW Audi.

5) Jaguar Land Rover brand grew rapidly, and its retail scale and total after-sales output value maintained a stable high proportion. The Group won a total of 89 awards during the year, including the "2023 National Excellent Dealer" and "2023 Best Order Quality Award" presented by Jaguar Land Rover China.

6) The comprehensive brand continued to promote transformation and upgrade work, with 6 projects accelerating the implementation of transformation and upgrading, and established cooperative relationships with VOYAH, NIO, Tesla, BYD, etc. While accelerating transformation and store adjustments, we also focused on basic operations. During the year, the Group won a total of 59 awards, including the "2022 Full Year Sales 3-star Dealer" and "2022 Full Year After Sales 3-star Dealer" presented by SAIC GM.

Faced with the sluggish traditional automobile distribution model, the Group has comprehensively improved its new media marketing coverage, created a media matrix for its stores and emphasized the acquisition and conversion of sales leads. By the end of the period, the Group's store media had accumulated over 2 million fans for its live broadcast accounts. The Group also organized internal case sharing session from time to time to disseminate practical experience in new media marketing, which effectively improved the marketing level of each store. During the period, several stores of the Group won market communication awards from manufacturers and live broadcast platforms.

2. After-sales services business

The Group prioritizes customer centricity throughout the entire customer usage cycle and strives to improve customer operational standards and experience in after-sales service.

The Group uses its Cheweixing (車微星) mini-program and enterprise WeChat to establish stable and close relationships with its customers by regularly sending them maintenance information, customer rights reminders and activity information, and committing to being attentive service managers for them. The Group offers customers with various services, such as transportation vehicles, door-to-door pick-up and drop off, 24-hour rescue, to meet their different usage needs and provide more convenience for vehicle maintenance. In addition, the Group provides quick repair and rapid car body spray services, which effectively reduces customer waiting time and improves customer experience. The Group also started night maintenance services, extended business hours and provided more flexible maintenance time options for commuter customers, which brought in business growth. The Group also values customer experience and listens to customer feedback, and each store has its own professional customer service personnel to address customer concerns and solve customer problems promptly, thereby improving customer satisfaction.

In terms of extended services, the Group offers the "dual-guarantee worry-free" (雙保無憂) product, which provides customers with more comprehensive services for their driving cycle. The Group timely reminds customers to conduct pre-guarantee inspections and cooperates with them to enjoy the dual-guarantee service more conveniently, which provides safety protection for customers, and continuously improves customer satisfaction, as well as further increases service opportunities for customers. During the reporting period, the Group's customer base continued to grow.

For the year ended 31 December 2023, the Group provided after-sales service for 1,150,436 units in total and recorded revenue from after-sales service of approximately RMB3,240 million.

3. Pre-owned automobile business

2023 is the first year of the comprehensive implementation of the new policy on pre-owned automobiles. The policy effect gradually becomes apparent with the removal of restrictive factors and the unblocking of bottlenecks, leading the pre-owned automobiles market to enter a new stage of development. According to the data issued by the China Automobile Dealers Association, the cumulative transaction volume of pre-owned automobiles in 2023 amounted to 18,413.3 thousand units, representing a year-on-year increase of 2,385 thousand units or 14.88%, with a cumulative transaction amount of RMB1,179.532 billion.

The Group has always attached great importance to the healthy development of its pre-owned automobile business, and further improved the standardized system for the management of pre-owned automobiles of the Group during the period, strengthening cooperation with multiple online second-hand car auction platforms. During the reporting period, the Group concentrated on the enhancement of its pre-owned automobile retail business by strengthening external procurement, establishing 4 pre-owned automobile demo stores and establishing a mechanism for sharing and competition among the Group's pre-owned automobile retail sources, so as to effectively improve the quality of the operation of the pre-owned automobile retail business, thereby further improving the profitability of the pre-owned automobile business.

In July 2023, the Group obtained the qualification to export pre-owned automobiles and exported 64 units of its pre-owned automobile during the year. It also completed the construction of a cross-border e-commerce trading platform for its pre-owned automobile. To take advantage of the rapid development trend of the automobile export business in the PRC and the favourable national policies, the Group will promote the expansion of its pre-owned automobile export business and establish a comprehensive supply chain system for its pre-owned automobile export business.

4. Auto finance business

Benefiting from the Group's overall synergy and the interconnection of its businesses, the Group's Dingze Insurance Agency had 55,000 units for new insurance in 2023, representing a year-on-year increase of 4%. In particular, the new car insurance rate reached 92%, and renewal insurance was made for 200,000 units, representing a year-on-year increase of 11%.

In addition to adhering to the business strategy of focusing on the growth of business indicators, Dingze Insurance Agency also focuses on the composition of the profit sources of the business and the sustainable growth of profits. In 2023, in order to further adapt to the changes in the business market, maintain the competitiveness of the products, enhance the customer retention rate of the stores in multiple dimensions and reduce the cost of accidental vehicle resources, the Group strengthened the on-site training of the sales skills of dual insurance agency, and developed and introduced a new "loaner vehicle insurance product (代步車險產品)" on a trial basis to improve and enhance the accidental vehicle business of 4S stores while helping stores to increase the profitability of the product and further increase customer stickiness.

In addition to continuously developing the traditional automobile insurance business, Dingze Insurance Agency also continued to improve its service by effectively building a communication bridge between the stores and insurance companies to enhance business synergy and service satisfaction, which further empowered the principal business of the Group's 4S stores.

Development and layout of company network

As a leading dealership group of luxury brands in the PRC, the Group represents mass-market luxury and ultra-luxury automobile brands including Porsche, Mercedes-Benz, BMW, Audi, Jaguar Land Rover and Volvo. In addition, the Group also engages in the dealership of mid-to-high-end brands such as FAW-Volkswagen, Buick, Dongfeng-Nissan, FAW Toyota and Dongfeng-Honda, as well as independent brands such as Hongqi, GWM Haval and Great Wall-Tank-WEY.

As of 31 December 2023, the Group had 109 dealership stores in 37 cities across 16 provinces and municipalities in China, and had 3 additional authorized and constructed dealership stores, namely an Audi 4S store, an authorized after-sales service center of NIO and a Land Rover 4S store. The Group opened 4 new dealership outlets during 2023, namely, a Mercedes-Benz 4S store in Longhua District, Shenzhen, a Mercedes-Benz repair center in Yiwu City, a Great Wall Haval 4S store in Hohhot City, Inner Mongolia and a Great Wall-Tank-WEY joint brand 4S store in Yizhuang, Beijing. In view of the outstanding business performance of the Land Rover brand, the Group has newly obtained the authorization of the 4S Store program for Land Rover in Wuhan, which will enable it to continue expanding its network of traditional luxury brands while being mindful of the rapid rise of independent brands and cultivating new growth points. In addition, the Group continued to expand its business layout in the new energy field, especially in the repair field with relatively stable profits. During the reporting period, the Group established stable relationship with a number of new energy OEMs. In October 2023, Shanghai Shenxie successfully transformed and obtained the authorization of the after-sales service center of NIO, and rented out the showroom for the construction of the NIO dual-branded flagship store, the first of its kind in China, where direct sales of the manufacturer is combined with an authorized after-sales service center.

The following table sets forth the details of the Group's dealership stores as of 31 December 2023:

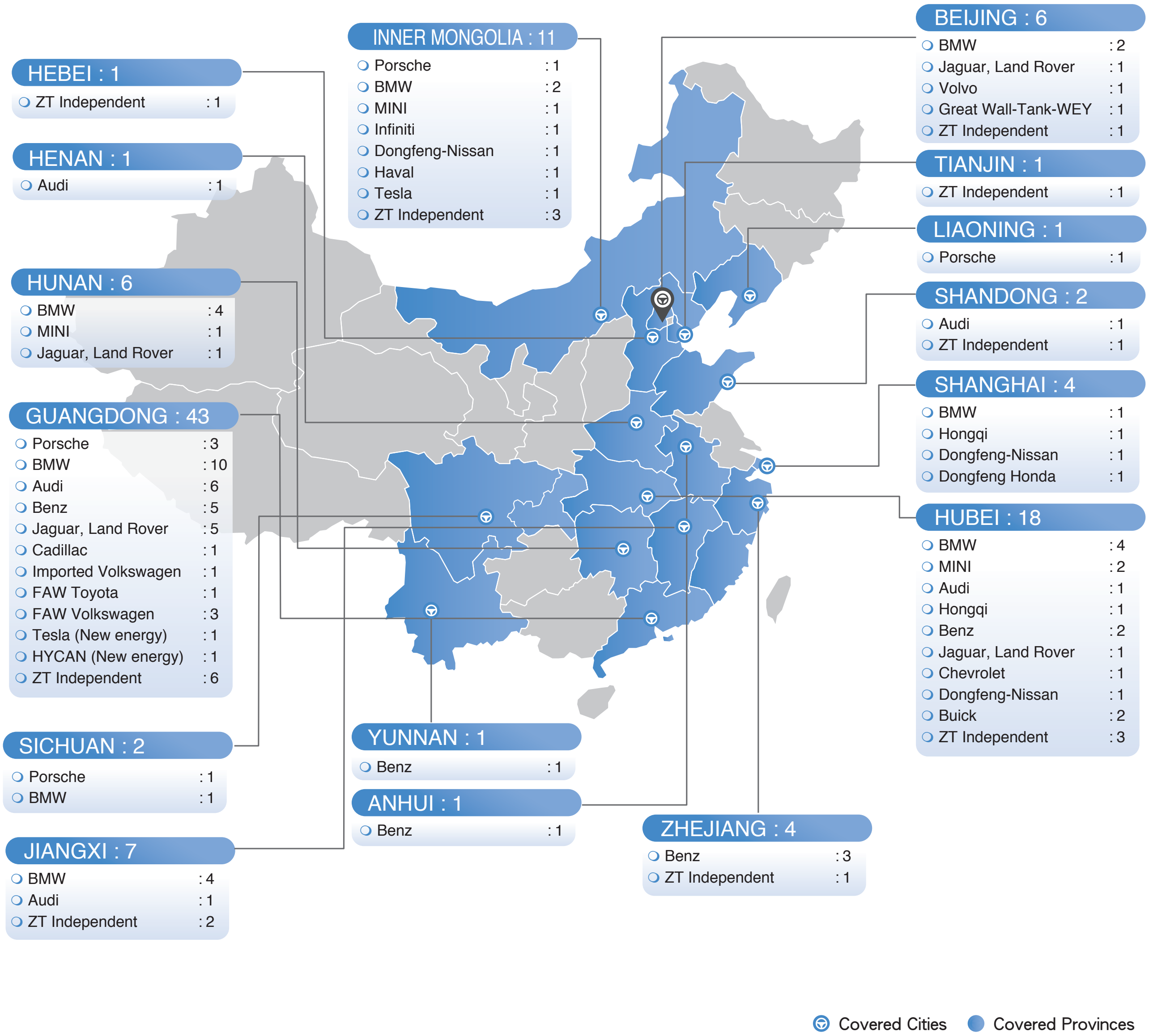
	Dealership stores in operation	Dealership stores in development	Total
5S/4S stores for luxury and ultra-luxury brands	63	1	64
4S stores for mid-to-high-end and new energy brands	13	—	13
Urban showrooms for luxury brands	5	—	5
Authorized repair centres for luxury brands	6	—	6
Showrooms for mid-to-high-end and new energy brands	1	—	1
Mid-to-high-end and new energy brand service centres	2	1	3
Self-operated stores	19	—	19
Total	109	2	111

In 2023, facing the challenges and uncertainties of the automobile dealership industry, the Group leveraged its internal resources and strengths to promote and launch its core and profitable brand projects as planned. At the same time, the Group also actively cooperated with OEMs in various aspects such as upgrading brand image and shifting to new energy by completing the upgrading and transformation of 21 projects in collaboration with the OEMs, including 7 Audi vitalisation projects, 11 BMW leadership projects, 2 Mercedes-Benz MAR2020 projects and 1 Porsche Ruijing projects to further enhance customer experience and the operational capabilities of its dealership stores.

In addition, we have continued to streamline and strategically reposition low-performing brands and stores, and promoted brand conversion and property revitalization and leasing, so as to improve the overall utilization of the Group's resources. During the year, the Group completed business transformation and optimization of 10 stores in total. The direction of transformation includes various methods such as brand replacement, leasing in cooperation with new energy OMEs or other dealerships while the region covers a number of cities including but not limited to Beijing, Shanghai, Wuhan, Hohhot, Baotou and Shangrao. The overall business transformation and optimization has yielded results.

In terms of long-term network expansion strategy, the Group will continue to consolidate the base of its luxury automobile brands, deepen its all-round cooperation with various OEMs including new energy projects, strengthen its position as a strategic partner with the OEMs of mainstream domestic luxury and ultra-luxury brands, and continue to optimize its brand structure and the profitability of its stores. At the same time, the Group will proactively explore the development trends and directions of the automobile dealership industry, pay attention to market opportunities arising from new energy and new dealership models, seize opportunities to participate in the dealership, maintenance and related emerging businesses of new brands and traditional domestic brands with relatively large development potential, focus on the after-sales service area which can improve the utilization rate of existing properties and generate relatively stable and predictable revenue, so as to develop new growth.

Balanced and reasonable deployment of the nationwide dealership network for luxury brands



(II) Supply chain business segment

In 2023, Shengze Jietong Supply Chain Co., Limited* (聖澤捷通供應鏈有限公司) ("**Shengze Jietong**"), a subsidiary of the Group, achieved a total operating revenue of RMB392 million. During the year, the construction of the Hannan logistics base entered the final stage and was officially put into use in the first quarter of 2024.

Regarding the vehicle logistics business, the gross profit margin of the business increased by 1.34 percentage points through the introduction of other brand suppliers and the optimisation of the mix of distribution routes. We further increased the share of Nissan's business after several rounds of negotiations and discussions.

Despite the impact of new energy vehicles on the market, the spare parts business maintained a growth of 7.72% in operating revenue. During the reporting period, the relocation of the spare parts warehouse from the main warehouse and the Xingguang warehouse (星光庫) to the Hannan base was completed, which greatly improved FAW-Volkswagen's spare parts warehousing capacity in central China, while the automated multi-penetration warehouse has also been put into operation.

Regarding the vehicle warehousing business, the construction of the vehicle warehousing site was completed in May 2023, providing high-standard warehousing sites for clients such as Xiaopeng Motors' Wuhan plant.

(III) Emerging business segment

In 2023, the Group gradually and steadily promoted the new energy vehicle business. Currently, there are 3 new independently authorized new energy after-sales stores, namely HYCAN 4S store in Guangzhou, Hohhot Jieyunhang and Tesla authorized body and paint centre in Jieyang.

While consolidating the operation of its main business, the Group has made full use of its advantages in terms of geographical location and industrial resources to proactively expand and deploy emerging businesses related to the automobile industry chain to create a "second growth curve" in line with its strategic planning.

In June 2023, the Group and the CCRE Group established a joint venture company, Hubei Guomao New Energy Technology Co., Ltd.* (湖北國貿新能源科技有限公司), to expand its photovoltaic and energy storage related businesses with Wuhan as the centre. At present, we have accumulated more than 100 MW of reserves and tracked key photovoltaic projects, of which the Wuhan Shengze Logistics Park project has officially commenced.

(IV) Management improvement and social responsibilities

In 2023, the Group continued to strengthen its corporate governance, organisational structure, internal supervision, risk prevention, human resources and digital development, and made the following optimization and improvements, as well as proactively assumed its social responsibilities.

- In terms of organizational structure, as a listed company, the Group has actively implemented an investment philosophy and corporate standard focused on corporate environment, social responsibility and corporate governance performance. The Group has established an Environmental, Social and Governance Committee (ESG Committee) under the Board to oversee ESG-related work and organized two ESG training sessions during the year to improve employees' awareness of listing compliance and foster a good compliance culture. In accordance with the principles of effective management, flat streamlining and stable adaptation, we further optimized the organizational structure and position mapping to promote organizational effectiveness.

- In terms of corporate governance, the Company has comprehensively revised and further optimized and improved rules and regulations in 2023; it has reorganized the responsibilities of functional departments in the headquarters and optimized management boundaries; the Company has clarified decision-making, implementation and supervision responsibilities and authorities, and developed a scientific and effective division of responsibilities and checks and balances mechanism. The Company has also optimized the review and approval authorities of various automobile dealerships businesses and headquarters departments in accordance with appropriate rights and responsibilities, hierarchical authorization, conciseness and efficiency.

- In terms of internal supervision, under the guidance of the Group's operating policy of "increasing revenue, reducing costs and increasing efficiency ", the Group's internal audit and supervision work revolved around "strengthening audit supervision and enhancing audit rectification", with 41 audit projects launched during the year, including 32 regular audits and 5 special audits. The Group enhanced the audit on procurement, outsourcing, costs and expenses, and project settlement, and also promoted the continuous enhancement of management capacity and the transformation of audit results by strengthening the rectification of audit issues. In order to build a sound internal control system, the Group initiated projects on internal control research, diagnosis and optimization. Meanwhile, the Group constructed a general supervision system of "party committee leading and coordinating all parties" and established a joint meeting mechanism to coordinate the degree of supervision and strengthen the quality of supervision.

- In terms of risk prevention, the Group dynamically analyzed and evaluated risks based on its development stage and business expansion, and adjusted its risk response strategies accordingly. It established an emergency management and public opinion management team and developed emergency disposal and public opinion response mechanisms. Regarding the emerging businesses, such as the export of pre-owned automobiles, the Group formulated a series of relevant systems and work guidelines during the year to set clear boundaries for the development of emerging businesses, which further improved the risk prevention and control system of the Company. In addition, to effectively integrate integrity risk prevention and control with operation and production, the Group has formulated the Management Measures for Embedding Integrity Risk Prevention and Control into Business Risk Prevention and Control (廉潔風險防控嵌入經營風險防控工作管理辦法) and the Manual for Integrity Prevention and Control (廉政風險防控手冊), and identified integrity risk points in ten key risk areas, such as selection and employment, fund operation and bidding management, to develop prevention and control measures in sequence, so as to restrict the exercise of power.

- In terms of digital construction, the Group has formulated a three-year strategic plan for digital transformation and upgrading. The Group continued to optimize its existing systems through the introduction of RPA (Robot Process Automation) technology to achieve a seamless connection between the manufacturer system and the Company's OMS system. The Group also independently developed various business systems such as intelligent inventory, consignment mode and digital counting, to enhance the refinement of operation management. Regarding vehicle warehousing and logistics, it also collaborated with JD.com to launch the Jietong Spare Parts Smart Warehouse System (捷通備件智慧倉系統), which can respond timely and effectively to changes in market conditions and the increasing demands of consumers.

- Adhering to its obligation as a listed company, the Group actively fulfilled its obligation of corporate social responsibility, strengthened employee care and established an "Employee Care Fund" to donate money to employees in need. In 2023, a total of RMB34,000 was distributed to 4 employees. Meanwhile, the Company actively participated in social charity donations and conducted outreach in disaster areas. Following the earthquake in Linxia, Gansu Province on 18 December, the Company responded quickly and organized all staff to make donations, raising more than RMB200,000 within one day to aid the people in the disaster area. It demonstrated our commitment to overcoming difficulties together and shouldering social responsibilities.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group recorded a revenue of approximately RMB24,132 million, representing an increase of approximately 6.7% as compared to the revenue of approximately RMB22,607 million in 2022. The increase was mainly due to an increase in the sales of new automobiles during the year. Revenue of the Group was derived from the sales of new automobiles, after-sales services, and other business. Revenue from the sales of new automobiles amounted to approximately RMB20,224 million in 2023, representing an increase of approximately 7.3% as compared to approximately RMB18,845 million in 2022, and accounted for approximately 83.8% and 83.4% of the total revenue in 2023 and 2022, respectively. Revenue from the sales of luxury and ultra-luxury branded automobiles increased by approximately 9.4% to approximately RMB19,139 million in 2023 from approximately RMB17,491 million in 2022, which was mainly due to the increase in sales of luxury automobiles, which accounted for approximately 94.6% and 92.8% of revenue from the sales of new automobiles in 2023 and 2022, respectively. Revenue from the after-sales services was approximately RMB3,240 million, representing an increase of approximately 5.2% from approximately RMB3,081 million in 2022. In 2023, revenue from the after-sales services accounted for approximately 13.4% of our total revenue, representing a decrease of approximately 0.2 percentage points in revenue from that of last year.

Cost of sales

For the year ended 31 December 2023, the Group's cost of sales increased by approximately 10.0% to approximately RMB23,123 million as compared to approximately RMB21,020 million in 2022, which was mainly due to the increase in volume of sales. In 2023, the cost of sales for new automobiles of the Group increased by approximately 10.5% to approximately RMB20,579 million from approximately RMB18,630 million in 2022. The increase was mainly due to the increase in sales volume of new automobiles. Cost of sales for after-sales services increased by approximately 7.9% to approximately RMB1,948 million as compared to approximately RMB1,806 million in 2022, which was mainly due to the expansion of our after-sales services.

Gross profit and gross profit margin

For the year ended 31 December 2023, the gross profit of the Group was approximately RMB1,009 million, representing a decrease of approximately 36% from approximately RMB1,587 million in 2022. The decrease was mainly attributable to the decrease in the average unit sales price of new vehicles. The Group's gross profit margin was approximately 4.2% in 2023, while its gross profit margin in 2022 was approximately 7.0%.

The Group's gross profit was principally generated from the sales of new automobiles and after-sales services business. In 2023, the Group recorded a gross loss from the sales of new automobiles business of approximately RMB354 million, while the Group's gross profit from the sales of new automobiles business was approximately RMB215 million in 2022. The reversal was mainly attributable to the decrease in the average unit sales price of new vehicles. In 2023, the Group's gross profit from after-sales services increased by approximately 1.3% to approximately RMB1,292 million from approximately RMB1,275 million in 2022.

Selling and distribution expenses

For the year ended 31 December 2023, the Group's selling and distribution expenses decreased by approximately 10.6% to approximately RMB1,083 million from approximately RMB1,211 million in 2022. The decrease in selling and distribution expenses was mainly attributable to the Group's cost-saving measures and the decrease in depreciation and amortisation of certain stores.

Administrative expenses

For the year ended 31 December 2023, the Group's administrative expenses amounted to approximately RMB1,085 million, representing a decrease of approximately 15.3% from approximately RMB1,281 million in 2022. The relevant decrease was mainly attributable to the Group's operational cost control measures.

Profit from operations

For the year ended 31 December 2023, the Group's profit from operations was approximately RMB168 million, as compared to a profit from operations of approximately RMB834 million in 2022. The decrease was mainly due to a decrease in average unit price of new vehicles and gross profit from sales. The Group's operating profit margin was approximately 0.7% in 2023 (2022: 3.7%).

Income tax

For the year ended 31 December 2023, the Group's income tax amounted to approximately RMB66 million (2022: RMB167 million) and the effective tax rate was approximately 7.5% (2022: −128.2%).

Loss for the year

For the year ended 31 December 2023, the Group's loss for the year increased by approximately 176.1% to approximately RMB820 million from approximately RMB297 million in 2022. The increase was mainly due to a decrease in average unit price of new vehicles and gross profit from sales. The Group's loss margin was approximately 3.4%, representing an increase of 2.1 percentage points as compared to 1.3% in 2022.

Contingencies

As at 31 December 2023, the Group did not have any significant contingent liabilities other than those disclosed in note 34 to the consolidated financial statements.

Current assets and current liabilities

As at 31 December 2023, the Group's current assets amounted to approximately RMB14,426 million, representing an increase of approximately RMB596 million as compared to approximately RMB13,830 million as at 31 December 2022. The increase was mainly due to the increase in other receivables. As at 31 December 2023, the Group's current liabilities amounted to approximately RMB22,644 million, representing an increase of approximately RMB3,733 million as compared to the current liabilities of approximately RMB18,911 million as at 31 December 2022, which was mainly due to an increase in short-term loans and borrowings.

Cash flow

As at 31 December 2023, the Group had cash and cash equivalents amounting to approximately RMB745 million, representing an increase of approximately RMB11 million from approximately RMB734 million as at 31 December 2022. The Group's transactions and monetary assets were principally conducted in Renminbi. The Group's primary uses of capital were to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and ordinary recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the year ended 31 December 2023, the Group had net cash inflow of approximately RMB37 million generated from its operating activities (2022: RMB159 million).

Capital expenditure and investment

For the year ended 31 December 2023, the Group's capital expenditure and investment were approximately RMB1,009 million (2022: RMB859 million). The increase was mainly due to the upgrade and renovation of dealership stores and the construction of a logistics base.

Inventory

The Group's inventories included vehicles, automobile spare parts and properties under development for sale. In general, each of the Group's dealership stores manages the quotas and orders for new automobiles, automobile spare parts and other inventories separately. In addition, the Group utilizes its information technology systems to manage its inventory, and also monitors the inventories within its whole dealership network, and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group were approximately RMB3,772 million as at 31 December 2023, representing a decrease of approximately RMB292 million from RMB4,064 million as at 31 December 2022. Such change was mainly due to the decrease in the inventories of new automobiles. The Group's average inventory turnover days for 2023 was 48.0 days (2022: 48.4 days).

Risks of foreign exchange

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in foreign currencies. However, the Group's operating cash flow and liquidity have not been significantly affected by fluctuations in exchange rate. The Group used forward foreign exchange contracts and foreign exchange option contracts to hedge its risk of foreign currency related to its loans and borrowings denominated in US dollar.

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks and other financial institutions. As at 31 December 2023, the Group's cash and cash equivalent and bank deposits were approximately RMB5,620 million (including: pledged bank deposits of approximately RMB4,875 million and cash and cash equivalents of RMB745 million), representing an increase of approximately RMB929 million from that of approximately RMB4,691 million as at 31 December 2022. The increase was mainly due to an increase in financing. As at 31 December 2023, the Group's loans and borrowings and lease liabilities amounted to approximately RMB21,041 million (31 December 2022: loans and borrowings and lease liabilities amounted to approximately RMB20,018 million). This increase was mainly due to an increase in certain bank loans and borrowings. As at 31 December 2023, the net gearing ratio of the Group was approximately 1,198.1% (31 December 2022: approximately 6,828.9%). Net gearing ratio as at 31 December 2023 was calculated as loans and borrowings and lease liabilities less cash and cash equivalents and pledged bank deposits divided by total equity. The Group will actively enhance its business efficiency and consider various methods to improve its existing financial position and reduce the degree of leverage of the Group.

Pledged assets

The Group has pledged certain assets as securities for the bank loans and the issuance of bills payables. As at 31 December 2023, the pledged assets of the Group amounted to approximately RMB9,468 million (31 December 2022: approximately RMB8,003 million). The increase was mainly due to the increase in the pledged bank deposits.

Investments held in foreign currency and hedging

For the year ended 31 December 2023, the Group did not hold any material investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the change in exchange rate.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 6,669 employees (as at 31 December 2022: 7,181 employees) in the PRC. For the year ended 31 December 2023, the staff costs of the Group for the continuing operations amounted to approximately RMB956 million (2022: approximately RMB985 million).

The Group attaches great importance to human resources and understands the importance of attracting and retaining high-quality employees to the long-term success of the Group. The Group offers reasonable remuneration packages and welfare benefits including pension, work-related compensation benefits, maternity insurance, medical plans and unemployment benefit plans on a long-term basis.

In 2023, the Group established and improved its corporate culture action program, shaped its corporate vision, mission, core values, and business and management philosophy, and adopted a specific code of conduct that is consistent with its core values. It continued to improve average efficiency indicators and achieved job optimization through performance evaluation. During the year, the Group optimized the cadre selection mechanism by implementing internal job rotation system, reserve talent pool, AB post and other specific workstreams, and selected 164 outstanding cadres and talents through internal competition and market recruitment. The Group established a salary system and employee career management system compatible with its development strategy to promote the mutual sustainable development of the employees and the organization.

In 2023, the Group developed a four-level training which includes training in creation, wisdom, leadership and innovation, as well as special training programs such as the Vitality Plan (活力計劃) and the Dandelion Plan (蒲公英計劃). It enhanced its multi-level training to improve the professional knowledge and skills of management and business personnel. During the year, the Group organized and conducted 167 internal training sessions in total, which were attended by 11,511 participants. The Company also trained and systematically cultivated employees at different levels according to their aptitude through online empowerment, front-line practice and active reinforcement, so as to support employees in their development and evolve into a learning based organization. The results of enterprise training have been applied to actual job performance, and work quality has effectively improved as a result. The Group also carried out popular activities such as reading and sharing sessions, advanced employee selection, creating and enjoying music and themed essays, acknowledged the good work of hardworking individuals, in order to help employees achieve their goals, and to promote and implement a good corporate culture.

FUTURE OUTLOOK AND STRATEGY

At the Central Economic Work Conference held at the end of 2023, there was a strong emphasis on technological innovation which is expected to lead to industry upgrade and a continuous increase in domestic demand, progress supply side reforms, stimulate consumption potential, expand effective demand and effective investment space, leverage the advantages of a huge market with strong production capacity, and promote a cycle of mutual growth in consumption and investment. At the recent meeting of the Central Committee of Finance and Economics, it was emphasized that the trade in of durable consumer goods such as automobiles, large-scale recycling and reuse, and the development of a "trade in + recycling" logistics system are to be encouraged. China is now the world's largest automobile market, and the rise of automation and smart technology has accelerated a change in the supply and demand of the automotive industry. We believe that with the recovery of the national economy and the gradual release of favorable national policies, the automobile industry is bound to usher in a new round of development opportunities.

As the core automotive platform of ITG Holding (our single largest shareholder), the Group will continue to take "4S system", "new retail" and "emerging business" as its core business pillars. In the future, it will continue to focus on mainstream luxury brands, accelerate the optimization of brand structure, improve the quality of its main business operations, strengthen the control of automobile sales prices, launch more derivative service products, and promote the transformation and upgrading of some of its loss-making stores. At the same time, it will leverage the synergy within the ITG Group, implement cost reduction and efficiency improvement, take advantage of its scale, and increase resource utilization.

In terms of the development of emerging businesses, the Group will invest in promising new energy dealerships/brand distributors and authorized after-sales body and paint businesses through active applications, mergers and acquisitions, so as to enrich its new energy portfolio. Meanwhile, the Group will utilize its location advantages and industry resources, focus on its own strategic planning, actively develop and expand emerging businesses related to the automobile industry chain, continue to explore opportunities in emerging fields such as new energy, pre-owned automobile exports, recycling, and strive to implement projects as soon as practicable.

In addition, the Group will seize opportunities brought forth by the rapid rise of Chinese brands abroad and favorable national policies encouraging pre-owned automobile exports, and accelerate and increase its efforts in expanding the pre-owned automobile export business to implement, promote and drive the application of cross-border e-commerce platforms for pre-owned automobile overseas. By accelerating the expansion of our business team, seeking joint venture partners in the industry with whom we can share resources, and accelerating our overseas expansion, the Group would be able to expand the coverage of its export supply chain and expand the scope of its export business.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Group also acknowledges the vital importance of good corporate governance to the success and sustainability of the Group.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). So far as the Board is aware, during the year ended 31 December 2023, the Company has applied the principles and complied with the code provisions set out in the CG Code.

The Company will periodically review and enhance its corporate governance practices to ensure that it will continue to comply with the requirements of the CG Code.

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix C3 to the Listing Rules. Having made specific enquiries of all relevant Directors, all relevant Directors confirmed that they have complied with the Securities Code and the Model Code during the year ended 31 December 2023.

The Company has also adopted a warning to its employees regarding insider dealings (the "**Insider Dealings Warning**") for their securities transactions. So far as the Company is aware, there was no incident of non-compliance of the Insider Dealings Warning by the employees.

BOARD OF DIRECTORS

Board Composition

The Board consisted of seven Directors, including four executive Directors and three independent non-executive Directors as at 15 April 2024 (the "**Latest Practicable Date**").

During the year and up to the Latest Practicable Date, the composition of the Board and the changes in its membership are set out below:

Executive Directors:

Mr. Huang Junfeng *(Chairman) (appointed as an executive Director on 31 July 2023, and as the Chairman of the Board on 10 April 2024)*
Mr. Zeng Tingyi *(resigned on 31 July 2023 and re-appointed on 10 April 2024)*
Mr. Wang Mingcheng *(resigned as the Chairman of the Board on 10 April 2024)*
Mr. Chen Hong *(appointed on 10 April 2024)*
Mr. Li Zhihuang *(resigned on 10 April 2024)*

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin
Dr. Cao Tong *(resigned on 7 February 2024)*
Ms. Wong Tan Tan *(resigned on 7 February 2024)*
Ms. Yu Jianrong *(appointed on 7 February 2024)*
Mr. Song Tao *(appointed on 7 February 2024)*

The biographical information of the current Directors is set out in the section headed "Directors' and Senior Management's Profiles" on pages 32 to 34 of this annual report.

The Company has listed independent non-executive Directors in all corporate communications pursuant to the Listing Rules. The list of Directors (by category) which specifies the roles and functions of the Directors was also disclosed on the websites of the Company and the Stock Exchange pursuant to the Listing Rules.

To the knowledge of the Company, save for the executive Directors' current and/or former employment with the single largest shareholder of the Company and/or its subsidiaries, details of which are set out in the section headed "Directors' and Senior Management's Profiles" of this annual report, there is no financial, business, family or other material/relevant relationship among the members of the Board.

During the year ended 31 December 2023, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Not less than one-third of the members of the Board were independent non-executive Directors.

The Company has received the written annual confirmation of independence from each of the independent non-executive Directors, and considers that all of them were independent having regard to the independence criteria set out in Rule 3.13 of the Listing Rules.

All of the current Directors have brought a wide spectrum of valuable business experience, knowledge and professional advice to the Board for its efficient and effective functioning.

Responsibilities

The Board is collectively responsible for leading and managing the Company and overseeing the businesses, strategic decisions and performance of the Company. The Board has delegated the Chief Executive Officer to assign the authority and responsibility for the daily management and operation of the Group to the senior management. In addition, the Board has established Board committees (the "**Committees**") and has delegated to these Committees various responsibilities as set out in their respective terms of reference.

Chairman and Chief Executive Officer

The positions of Chairman (Mr. Wang Mingcheng during the year ended 31 December 2023 and up to 9 April 2024, and Mr. Huang Junfeng since 10 April 2024) and Chief Executive Officer (Mr. Chen Hong) are held by separate individuals. The Chairman is primarily responsible for leading and ensuring the orderly and standardized operation of the Board, while the Chief Executive Officer is primarily responsible for the Company's business development and daily management and operation.

Delegation by the Board

The Board reserves its rights to make decisions on all major matters of the Company, including the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, major transactions (in particular those that may involve a conflict of interest), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to relevant information as well as the advice and services of the secretary of the Company (the "**Company Secretary**"), with a view to ensuring that the procedures of the Board and all applicable rules and regulations are followed. Each Director may request the Board to seek independent professional advice in appropriate circumstances at the expense of the Company.

The Company has maintained directors and executives liability insurances for its Directors and executives in respect of any legal actions taken against them arising out of corporate activities.

Appointment and Re-election of Directors

The procedures and processes of appointment, re-election and removal of Directors are specified in the articles of association of the Company (the "**Articles**"). The Nomination Committee is responsible for reviewing the structure, size, board diversity and composition of the Board, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. Details of the responsibilities of the Nomination Committee are set out in the section headed "Board Committees" below.

Each of the Directors has entered into a service contract (for executive Directors) or a letter of appointment (for independent non-executive Directors). Each of the independent non-executive Directors was appointed for a term of three years subject to provisions of retirement and rotation under the Articles. No Director proposed for re-election at the forthcoming 2024 annual general meeting of the Company (the "**2024 AGM**") has a service contract with any member of the Group which does not expire within one year and which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Pursuant to the Articles, at each annual general meeting (the "**AGM**"), one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) is required to retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years. The Director to retire in every year shall be the one who has been longest in office since his/her last election but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by ballot and shall be eligible to offer themselves for re-election. In addition, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company and shall, being eligible, be subject to re-election at such meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Accordingly, Mr. Wang Mingcheng, Mr. Zeng Tingyi, Mr. Huang Junfeng, Mr. Chen Hong, Ms. Yu Jianrong and Mr. Song Tao will retire from office at the 2024 AGM, and being eligible, will offer themselves for re-election.

Board Diversity

The Board has adopted and applied a board diversity policy (the "**Board Diversity Policy**"). In determining the composition of the Board, the Company considers whether a candidate will bring potential complementary benefits to the Board and contribute to the improvement of the overall experience and expertise of the Board. The Company may consider the diversity of the composition of the Board in various aspects, including professional experience and qualifications, gender, age, ethnicity, and cultural and educational background, as well as any other factors that the Board from time to time deems relevant and appropriate. Selection of candidates will be based on a range of diversity perspectives, including but not limited to professional experience and qualifications, gender, age, ethnicity and cultural and educational background. The Nomination Committee has conducted an annual review of the Board Diversity Policy to ensure its effectiveness. The review results are satisfactory. The Nomination Committee and the Board consider that the current composition of the Board is sufficiently diverse and has met the objectives set out in the Board Diversity Policy and provided the Company with a good balance of skills, experience and diversity of perspectives appropriate to the requirements of its business, and accordingly have not set other measurable objectives.

Gender Diversity

As at the Latest Practicable Date, the Board has one female Director and six male Directors, and the Company's Chief Executive Officer, representing its senior management, is male. The Board considers that the above current gender diversity is satisfactory. The Board will continue to embrace gender diversity when making future board appointments but no specific targets or timelines to further enhance gender diversity have been set as the Board is of the view that all aspects of diversity should be considered as a whole in the selection of candidates for directorship.

The same approach to gender diversity at the Board level also applies to the Group's workforce, including its senior management. As of 31 December 2023, the Group's male to female employees proportion was approximately 6:4. The Group recognises the value of gender diversity to promote a diverse and inclusive working environment and welcomes increased female representation at all levels. However, the Group currently does not consider it appropriate to set any specific gender target for its workforce. As an equal opportunity employer, the Group also takes into account other relevant factors in its hiring decisions, and given it already maintains a close to 40% female representation in a traditionally male-dominated industry, considers that the gender ratio of the workforce of the Group is appropriate for its current business model and operational needs.

Mechanism for Assessing the Independence of the Board

The Company has complied with code provision B.1.4 of the CG Code by adopting the Board independence assessment mechanism ("**Board Independence Assessment Mechanism**") to ensure that the Board has a strong element of independence to enable the Board to exercise independent judgment effectively and better protect the interests of the Shareholders and the Company.

Under the Board Independence Assessment Mechanism, an annual review on Board independence will be conducted. During the year ended 31 December 2023, the Board of the Company has assessed the implementation and effectiveness of the independence assessment mechanism and confirmed that the requirements of independence assessment guidelines of the Board have been met in respect of the availability of independent professional advice and/or separate access to management by directors, and confirmation of the independence of independent non-executive directors.

Induction and Continuing Development of Directors

Every newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements. Ms. Yu Jianrong and Mr. Song Tao have received training materials on the Listing Rules and relevant laws and regulations and the legal advice referred to under Rule 3.09D of the Listing Rules on 5 February 2024, and Mr. Zeng Tingyi and Mr. Chen Hong have received training materials on the Listing Rules and relevant laws and regulations and the legal advice referred to under Rule 3.09D of the Listing Rules on 10 April 2024. Each of them has confirmed that he/she understood his/her obligations as a Director of the Company.

The existing Directors are continuously updated with developments in the legal and regulatory regime and the business and market environments so as to facilitate the discharge of their responsibilities. Ongoing updates of applicable laws and regulations were provided by the Company to the Directors in a reasonable time frame.

Pursuant to code provision C.1.4 of the CG Code, the issuer should be responsible for arranging and funding suitable training. The directors during the year have participated in appropriate continuous professional development by attending training courses or by reading materials relevant to the Company's business or management or Directors' duties and responsibilities. The table below summarises the participation of each of the Directors in continuous professional development during the year ended 31 December 2023:

Name of Director	Participated in continuous professional development[1]
Executive Directors	
Mr. Huang Junfeng *(chairman) (appointed as an executive Director on 31 July 2023, and as the Chairman of the Board on 10 April 2024)*	✓
Mr. Zeng Tingyi *(resigned on 31 July 2023 and re-appointed on 10 April 2024)*	✓
Mr. Wang Mingcheng *(resigned as the Chairman of the Board on 10 April 2024)*	✓
Mr. Li Zhihuang *(resigned on 10 April 2024)*	✓
Independent Non-executive Directors	
Dr. Wong Tin Yau, Kelvin	✓
Dr. Cao Tong *(resigned on 7 February 2024)*	✓
Ms. Wong Tan Tan *(resigned on 7 February 2024)*	✓

Note:

(1) Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials

ATTENDANCE RECORDS

The attendance of the Directors who held office in 2023 at the general meetings, Board meetings and Committee meetings in 2023 was as follows:

Members of the Board	Meetings Attended/Meetings Held during Tenure of Office					
	General Meetings	Board	Audit Committee	Remuneration Committee	Nomination Committee	ESG Committee
Executive Directors:						
Mr. Wang Mingcheng	3/3	6/6	–	–	2/2	2/2
Mr. Li Zhihuang *(resigned on 10 April 2024)*	3/3	6/6	–	3/3	–	–
Mr. Huang Junfeng *(appointed on 31 July 2023)*	1/1	2/2	–	–	–	1/1
Mr. Zeng Tingyi *(resigned on 31 July 2023 and re-appointed on 10 April 2024)*	2/2	4/4	–	–	–	1/1
Independent Non-Executive Directors:						
Dr. Wong Tin Yau, Kelvin	3/3	6/6	6/6	3/3	–	–
Dr. Cao Tong *(resigned on 7 February 2024)*	3/3	6/6	6/6	3/3	2/2	–
Ms. Wong Tan Tan *(resigned on 7 February 2024)*	3/3	6/6	6/6	–	2/2	–

BOARD AND COMMITTEE MEETING

Board Practices and Conduct of Meetings

During the year ended 31 December 2023, the Company held a total of 6 on-site meetings of the Board. At the Board meetings, among others, the Board reviewed and approved the annual results for the year ended 31 December 2022 and interim results for the six months ended 30 June 2023 and also considered other significant matters of the Company. In addition, during the year ended 31 December 2023, apart from regular Board meetings, the Chairman of the Board also held two meetings with the independent non-executive Directors without the presence of other Directors.

The Company serves notices of regular Board meetings at least 14 days before the date of the meetings. For other Board and Committee meetings, reasonable notices are given. The Company has provided agenda of meeting of the Board and the Committees made available to Directors in advance. Documents in relation to the meeting together with all appropriate, complete and reliable information are sent to all Directors at least three business days before the date of each Board meeting or Committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management where necessary.

The Articles contain provisions requiring any Director to abstain from voting and not to be counted in the quorum at meetings for approving transactions or matters in which such Director or any of his/her associates have a material interest.

BOARD COMMITTEES

The Board has established four Committees, including the Remuneration Committee, the Nomination Committee, the Audit Committee and the Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. The Remuneration Committee, the Nomination Committee, the Audit Committee and the Environmental, Social and Governance Committee are established with defined written terms of reference. The terms of reference of the Remuneration Committee, the Nomination Committee and the Audit Committee are posted on the websites of the Company and the Stock Exchange, respectively and are available for inspection by Shareholders upon request. These Committees are provided with sufficient resources to discharge their duties and are required to report to the Board on their decisions or recommendations. During the year ended 31 December 2023, six meetings of the Audit Committee, three meetings of the Remuneration Committee, two meetings of the Nomination Committee, and two meetings of the Environmental, Social and Governance Committee were held.

Remuneration Committee

As at the Latest Practicable Date, the Remuneration Committee comprises three members, including executive Director Mr. Zeng Tingyi, and independent non-executive Directors Ms. Yu Jianrong (chairman of the Remuneration Committee) and Dr. Wong Tin Yau, Kelvin.

The Remuneration Committee is primarily responsible for making recommendations to the Board on the remuneration policy and structure of the Company for all Directors and senior management and establishing a formal and transparent procedure of the formulation of the remuneration policy. The responsibilities of the Remuneration Committee also include reviewing and approving the remuneration proposals of the management with reference to the corporate goals and objectives of the Board, and ensuring that no Director or any of his/her associates participates in the determination of his/her own remuneration.

During the year ended 31 December 2023, the Remuneration Committee held three meetings. The key area of consideration performed by the Remuneration Committee during the year includes (1) reviewing the remuneration policies and strategies of the Group; (2) making recommendations to the Board on the remuneration of Directors and senior management; and (3) confirming and approving the vesting of Shares granted under the Share Award Scheme.

Details of the amount of remuneration of Directors and senior management are set out in note 7 and note 8 to the consolidated financial statements.

Nomination Committee

As at the Latest Practicable Date, the Nomination Committee comprises three members, including the Chairman of the Board and executive Director Mr. Huang Junfeng (chairman of the Nomination Committee), and independent non-executive Directors Ms. Yu Jianrong and Mr. Song Tao.

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations regarding any proposed changes, identifying suitable candidates for appointment as Directors, making recommendations to the Board on the proposed appointment or re-appointment and succession plan of Directors and assessing the independence of independent non-executive Directors. The Nomination Committee will also review the Board Diversity Policy as and when appropriate to ensure its effectiveness and discuss any revisions that may be required in light of the corporate strategies of the Company and recommend any such revisions to the Board for consideration and approval.

During the year ended 31 December 2023, the Nomination Committee held two meetings. The key area of consideration performed by the Nomination Committee during the year includes: (1) reviewing the Board Diversity Policy and the structure, size, diversity and composition of the Board to ensure the professional knowledge, skills and experience of the Board meet the business needs of the Company; (2) reviewing the annual confirmation of independence of the independent non-executive Directors and assessing their independence; and (3) making recommendations to the Board on the appointment of new Directors, and the re-appointment of Directors retiring and offering themselves for re-election at the 2023 AGM.

Audit Committee

As at the Latest Practicable Date, the Audit Committee comprises three members, all being independent non-executive Directors (including independent non-executive Directors with appropriate professional qualifications and/or accounting expertise), namely, Dr. Wong Tin Yau, Kelvin (chairman of the Audit Committee), Ms. Yu Jianrong and Mr. Song Tao.

The Audit Committee is primarily responsible for reviewing financial information of the Group, monitoring the independence and objectiveness of the external auditors and the effectiveness of the auditing process and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the approval of their remuneration and terms of engagement. The Audit Committee is also responsible for reviewing the financial reporting process and financial controls, internal controls and risk management systems, including the adequacy of resources, staff qualifications and experience, training programmes and budgets of the internal audit functions as well as arrangements for concerns about possible misconducts in financial reporting, internal controls or other matters raised by employees of the Company.

The Audit Committee reviews the accounts, annual and interim results and reports of the Group before submission to the Board for approval.

During the year ended 31 December 2023, the Audit Committee held six meetings. The key area of consideration performed by the Audit Committee during the year includes: (i) reviewing the preliminary unaudited results and annual results for the year ended 31 December 2022 and interim results for the six months ended 30 June 2023; (ii) reviewing the relevant financial reporting procedures and compliance procedures, the report of internal audit on internal controls and risk management system; (iii) reviewing the effectiveness of the internal control and risk management systems as well as the internal audit function; and (iv) reviewing the re-appointment of external auditors and providing relevant recommendations to the Board.

Environmental, Social and Governance Committee ("ESG Committee")

As at the Latest Practicable Date, the Environmental, Social and Governance Committee comprises three members, including executive Director Mr. Wang Mingcheng (chairman of the ESG Committee), the Chairman of the Board and executive Director Mr. Huang Junfeng, and executive Director and Chief Executive Officer Mr. Chen Hong.

The principal duties of the Environmental, Social and Governance Committee include recommending and reviewing the Group's environmental, social and governance management policies, vision, strategies and objectives for approval by the Board; identifying environmental, social and governance related matters that are significant to the Group's operations and/or the interests of other stakeholders, and assessing and identifying environmental, social and governance related risks and opportunities for the Group, such as determining the criteria for the selection of significant environmental, social and governance factors, identifying and keeping under review a list of significant environmental, social and governance factors, and determining the risks and opportunities that significant environmental, social and governance factors would present to the Group; approving and reviewing environmental, social and governance related policies, reviewing and assessing the adequacy and effectiveness of environmental, social and governance risk management and internal control systems; and regularly reviewing the Group's performance and progress in achieving environmental, social and governance related objectives and targets.

During the year ended 31 December 2023, the ESG Committee held two meetings. The key area of consideration performed by the ESG Committee during the year includes: (1) receiving an introduction to the new ESG regulatory policy and an analysis of the current status of the Company's ratings; and (2) discussing the Company's ESG work enhancement proposals and the timetable for ESG reporting work in 2023.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

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

The Board is responsible for presenting balanced, clear and understandable annual and interim reports, announcements and other disclosures prepared in accordance with the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the financial statements of the Company, which are put to the Board for approval.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties:

(a) to develop and review the policies and practices on corporate governance of the Group;

(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group;

(c) to review and monitor the policies and practices on compliance with any requirements, directions and regulations that may be prescribed by the Board or contained in any constitutional documents of the Group or imposed by the Listing Rules, the applicable laws and other applicable organisational governance standards;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and the disclosure in the corporate governance report to be contained in the Company's annual reports.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company in respect of its reporting responsibilities for the financial statements is set out in the section headed "Independent Auditor's Report" on pages 53 to 60.

The remuneration received by the Company's auditors, KPMG, during the year ended 31 December 2023 is set out below:

Category of Services	Fee Paid/ Payable RMB
Audit Services	9,800,000
Non-audit Services	190,000
Total	9,990,000

Note: The non-audit services conducted by the external auditor mainly include ESG advisory service.

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 monitors the risk management and internal control systems principally through the Internal Audit Department of the Group (which performs an independent audit on the effectiveness and completeness of the risk management and internal control systems, identifies any material risks that would adversely affect the achievement of the Group's objectives, makes recommendations on the improvement and rectification plans and measures and conducts follow-up audits with regard to the identified issues to ensure that the planned remedial measures have been duly implemented), and is committed to conducting, at least annually, a review on the effectiveness of the risk management and internal control systems of the Group, including financial, operational and compliance controls such as the governance structures, adequacy of staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

The Board, through the Audit Committee, has conducted an annual review on the effectiveness of the risk management and internal control systems of the Group and a review on the items set out in code provision D.2.3 of the CG Code for the year ended 31 December 2023. The Board considers the current systems to be generally effective and adequate.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and ongoing communication with Shareholders is essential for enhancing investor relations and investors' understanding of the business performance and strategies of the Group. The Company also recognises the importance of transparency and timely disclosure of corporate information, which enables effective evaluation of the performance of the Group by Shareholders and investors.

The Company facilitates communication between the Board and the Shareholders through general meetings, and it communicates with the Shareholders, investors and the general public through annual reports, interim reports, other announcements and circulars.

The Company strives to maintain a high level of investor access through a range of investor relations activities, including teleconferences, one-to-one meetings, roadshows, press conferences and site visits. The Company also regularly meets with institutional investors from overseas and Mainland China to keep the investors abreast of the major developments and strategies of the Group.

To facilitate communication, the Company maintains a website at http://www.zhengtongauto.com, where updates on the Company's structure, the Board, business developments and operations, financial information, corporate governance practices and other information are posted.

The Board conducted an annual review of the effectiveness of the above communication methods with Shareholders and investors, and the results were satisfactory.

COMPANY SECRETARY

The Company engages an external service provider to provide secretarial services and has appointed Ms. Fung Wai Sum as its Company Secretary. During the year, Ms. Fung Wai Sum's primary corporate contact person was Ms. Ding Ding (丁丁), who is a vice president of the Company.

During the reporting period, Ms. Fung Wai Sum has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules to enrich her knowledge and skills.

RIGHTS OF SHAREHOLDERS

A summary of certain rights of the Shareholders is set out below:

Procedures for Shareholders to convene an extraordinary general meeting ("EGM")

1. One or more Shareholders (the "**Requisitionist(s)**") holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company carrying voting right at general meetings shall have the right to request the Board to convene an EGM in respect of any business transaction specified in such requisition.

   Such requisition shall be made in writing and delivered to the Board at the principal place of business of the Company in Hong Kong at Flat C, 32/F, Lippo Centre Tower 1, 89 Queensway, Hong Kong or via email at ir@zhengtongauto.com.

2. The EGM shall be held within two months after the deposit of such requisition.

3. If the Board fails to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Procedures for Shareholders to submit proposals at general meetings

A Shareholder of the Company should lodge a written notice of his/her proposal (the "**Proposal**") together with his/her detailed contact information at the principal place of business of the Company in Hong Kong at Flat C, 32/F, Lippo Centre Tower 1, 89 Queensway, Hong Kong.

1. The request will be verified with the Hong Kong branch share registrar of the Company and upon its confirmation that the request is proper and in order, the Board will be required to include the Proposal in the agenda of the general meeting.

2. The notice period given to all Shareholders of the Company for consideration of the Proposal to be raised by the Shareholder concerned at the general meeting varies with the nature of such Proposal:

   (a) At least 14 clear days' and 10 clear business days' notice in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM;

   (b) At least 21 clear days' and 10 clear business days' notice in writing if the Proposal constitutes a special resolution of the Company at an EGM; and

   (c) At least 21 clear days' and 20 clear business days' notice in writing if the Proposal shall be passed at an AGM.

Procedures for Shareholders to make enquiries to the Company

For matters in relation to the Board, the Shareholders of the Company may contact the Company at Flat C, 32/F, Lippo Centre Tower 1, 89 Queensway, Hong Kong or via email at ir@zhengtongauto.com. The Company will not normally deal with verbal or anonymous enquiries.

For matters in relation to the share registration, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered Shareholders of the Company may contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There was no change to the articles of association of the Company during the year under review. The latest consolidated version of the articles of association of the Company is available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

The Company endeavours to maintain sufficient working capital to develop and operate the business of the Group and to provide sustainable returns to the Shareholders. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. While the dividend payout ratio is not pre-determined, in proposing or declaring any dividend payout, the Board will take into account: (i) the results of operations, (ii) cash flows, (iii) financial condition, (iv) Shareholders' interests, (v) general business conditions and strategies, (vi) capital requirements, (vii) the payment of cash dividends by the subsidiaries to the Company, and (viii) other factors the Board may deem relevant. Any payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the Articles and all other applicable laws, rules and regulations. The Board will review the dividend policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as the Board thinks fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

DIRECTORS

Executive Directors

Mr. Huang Junfeng (黃俊鋒先生), aged 46, has served as an executive Director and a member of the Environmental, Social and Governance Committee since 31 July 2023 and the chairman of the Board and the chairman of the Nomination Committee since 10 April 2024, respectively. Mr. Huang served as the chairman of the board of Xiamen XINDECO ITG Motors Group Co., Ltd. (廈門信達國貿汽車集團股份有限公司) ("**Xindeco ITG Motors**", formerly known as Xiamen ITG Motors Co., Ltd.* (廈門國貿汽車股份有限公司)) from November 2018 to April 2024 and as the deputy general manager of Xiamen XINDECO Ltd. (廈門信達股份有限公司) ("**Xiamen Xindeco**", a company listed on the Shenzhen Stock Exchange (stock code: 000701.SZ)). Both Xindeco ITG Motors and Xiamen Xindeco are subsidiaries of ITG Holding. Mr. Huang served as the deputy general manager and general manager of Xindeco ITG Motors from June 2006 to December 2018. Mr. Huang obtained a master's degree in business management from Xiamen University 2006. Mr. Huang is an economist and has over 20 years of management experience in operations management, investment and mergers and acquisitions, and business consolidation in the automobile dealership industry.

Mr. Zeng Tingyi (曾挺毅先生), aged 50, has served as an executive Director and a member of the Remuneration Committee of the Company since 10 April 2024. He was previously an executive Director of the Company from 1 September 2021 to 31 July 2023. Mr. Zeng is currently a deputy general manager of ITG Holding, the chairman of the board of Xiamen CCRE Group Co., Ltd.* (廈門海翼集團有限公司) ("**Xiamen CCRE**"), the chairman of the board of Xiamen XGMA Machinery Company Limited* (廈門廈工機械股份有限公司) ("**Xiamen XGMA**" a company listed on the Shanghai Stock Exchange (stock code: 600815.SH)), and the chairman of Xiamen ITG Industry Co., Ltd* (廈門國貿產業有限公司) ("**Xiamen ITG Industry**"). Xiamen CCRE and Xiamen ITG Industry are subsidiaries of ITG Holding. From October 2018 to January 2020, Mr. Zeng was a director of ITG Holding. From November 2013 to August 2018, Mr. Zeng was a vice president of Xiamen ITG Group Corp. Ltd. (廈門國貿集團股份有限公司) ("**Xiamen ITG**", a company listed on the Shanghai Stock Exchange (stock code: 600755.SH)). Mr. Zeng served as a director and the chairman of the board of Xiamen Xindeco from August 2018 to 10 April 2024 and from August 2018 to January 2022, respectively. In 2004, Mr. Zeng obtained a master's degree in business administration from Xiamen University. Mr. Zeng is also a senior economist and has over 20 years of management experience in sales of automobiles, trade and logistics and investment.

Mr. Wang Mingcheng (王明成先生), aged 55, has served as an executive Director of the Company since 1 September 2021. Mr. Wang served as the chairman of the Board of the Company from 9 September 2021 to 10 April 2024 and the chairman of the Nomination Committee from 1 September 2021 to 10 April 2024. From September 2021 to March 2022, Mr. Wang also served as the chief executive officer of the Company. He is currently a chairman of the board of Xiamen Xindeco. From March 2016 to December 2018, Mr. Wang served as a general manager and a director of Xiamen ITG Assets Operation Group Co. Ltd.* (廈門國貿資產運營集團有限公司). From December 2018 to September 2021, Mr. Wang served as a general manager of Xiamen Xindeco, and from December 2018 to April 2024, Mr. Wang also served as a vice chairman of the board of Xiamen Xindeco. In 2013, Mr. Wang obtained an executive master's degree in business administration from Xiamen University. Mr. Wang is also an accountant. Mr. Wang has over 30 years of experience in corporate restructuring, company operation and management.

Mr. Chen Hong (陳弘先生), aged 41, has served as an executive Director of the Company since 10 April 2024 and he has also served as the chief executive officer of the Company since 10 March 2022 to preside over the daily operation and management. Mr. Chen Hong served successively as a representative of securities affairs and the general manager of the security affairs division of Xiamen ITG from July 2008 to November 2017. Mr. Chen Hong served successively as the secretary of the board and a deputy general manager of Xiamen Xindeco from December 2017 to March 2022, and concurrently served as an executive director of Xiamen Xindeco Investment Management Co., Ltd.* (廈門信達投資管理有限公司). Mr. Chen Hong obtained a master's degree in law from Xiamen University in 2008. Mr. Chen Hong is also an economist and has over 15 years of management experience in corporate governance, standardized operations, investment and mergers and acquisitions.

Independent Non-executive Directors

Dr. Wong Tin Yau, Kelvin (黃天祐博士), SBS, JP, aged 63, has served as an independent non-executive Director since 17 November 2010. He also serves as the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Wong is the chairman of the Accounting and Financial Reporting Council. He served as a non-executive director of the Securities and Futures Commission from 2012 to 2018, the chairman of the Investor and Financial Education Council from 2017 to 2018, the chairman of The Hong Kong Institute of Directors from 2009 to 2014, a member of the Listing Committees of the Main Board and GEM of the Stock Exchange from 2007 to 2013, a member of the Standing Committee on Company Law Reform from 2010 to 2016 and a member of the Operation Review Committee of Independent Commission Against Corruption from 2017 to 2022. Dr. Wong was appointed as a Justice of the Peace in 2013 and awarded a Silver Bauhinia Star in 2021 by the Government of the Hong Kong Special Administrative Region. Dr. Wong obtained his master's degree in business administration from Andrews University in Michigan, the United States in 1992 and his doctor's degree in business administration from The Hong Kong Polytechnic University in 2007.

Dr. Wong currently serves as a director in the following publicly listed companies: COSCO SHIPPING Ports Limited, a company listed in Hong Kong (stock code: 1199.HK), as an executive director and a deputy managing director since July 1996; and Yangtze Optical Fibre and Cable Joint Stock Limited Company, a company listed in Hong Kong and Shenzhen (stock code: 6869.HK and 601869.SH), as an independent non-executive director since January 2020. Dr. Wong served as a director in the following publicly listed companies: I.T Limited, a company delisted in Hong Kong on 30 April 2021 (stock code: 999.HK), as an independent non-executive director from August 2007 to April 2021; Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company listed in Hong Kong and Shanghai (stock code: 2196.HK and 600196.SH), as an independent non-executive director from June 2015 to June 2021; Goldwind Science & Technology Co., Ltd., a company listed in Hong Kong and Shenzhen (stock code: 2208.HK; stock code: 2202.SZ), as an independent non-executive director from October 2016 to June 2022; and JS Global Lifestyle Company Limited, a company listed in Hong Kong (stock code: 1691.HK), as an independent non-executive director from October 2019 to August 2022.

Ms. Yu Jianrong (于建榕女士), aged 56, has served as an independent non-executive Director of the Company since 7 February 2024. She is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee of the Company. She was a financial accountant with Xiamen Information — Xinda General Company* (廈門信息信達總公司) from 1993 to 1995. Ms. Yu successively served as an accountant, finance manager, depository manager and marketing director of various operational departments of Xingye Securities Co., Ltd.* (興業證券股份有限公司) ("**Xingye Securities**") from 1995 to 2007. Ms. Yu served as a general manager of the securities operations department of the Xiamen Hubin South Road branch of Xingye Securities from 2007 to 2012. Ms. Yu successively served as the general managers of the Xiamen branch and Shenzhen branch of Xingye Securities from 2007 to 2023.

Ms. Yu graduated from the China Central Radio and TV University (中央廣播電視大學) (now The Open University Of China), majoring in finance. She has over 20 years of experience in the securities industry and holds an EMBA degree from Xiamen University (廈門大學).

In considering Ms. Yu's independence in the context of the criteria set out in Rule 3.13 of the Listing Rules, the Nomination Committee has determined that her short term consultancy with an associate of the Company's substantial shareholder does not affect her independence.

Mr. Song Tao (宋濤先生), aged 46, has served as an independent non-executive Director since 7 February 2024 and is also a member of the Audit Committee and the Nomination Committee of the Company. He currently serves as the assistant to the chairman of the China Automobile Dealers Association. Mr. Song joined the China Automobile Dealers Association in 2006 and served as the director of the membership department in 2008. In 2009, Mr. Song established the Top 100 Office of China's Automobile Dealership Groups (中國汽車經銷商集團百強工作辦公室) and served as the director. In 2010, Mr. Song established Dealers Association for various brands such as Mercedes-Benz, BMW, Audi, Porsche and Jaguar Land Rover and served as the vice chairman and secretary-general. In 2014, Mr. Song established the Branch Auto Finance (汽車金融分會) of the China Automobile Dealers Association (中國汽車流通協會) and served as the secretary-general. In 2019, Mr. Song established the Branch Motorcycle (摩托車分會) of the China Automobile Dealers Association and served as the vice president and secretary-general. Since May 2017, Mr. Song has been an independent non-executive director of Sunfonda Group Holdings Limited (stock code: 1771.HK), an automobile dealer group listed on the Main Board of the Stock Exchange. Mr. Song also worked at the Law School of University of International Business and Economics (對外經濟貿易大學) as an external graduate practice tutor.

Mr. Song graduated from Beihua University (北華大學), majoring in accounting computerization. He has 23 years of experience in the automotive distribution industry, and is also a member of the Chinese Advisory Committee of American Society of Association Executives (ASAE).

Senior Management Personnel

Mr. Chen Hong (陳弘先生), aged 41, has served as the Chief Executive Officer of the Company since 10 March 2022 to preside over the daily operation and management, and he has also served as an executive Director of the Company since 10 April 2024. Please refer to the section headed "Executive Directors" above for Mr. Chen's biographical information.

The Directors have pleasure in presenting their 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 an exempted company incorporated in the Cayman Islands with limited liability. Its registered office is located in the Cayman Islands and its operating headquarters are located in Wuhan, the PRC.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

BUSINESS MODEL AND STRATEGIES

The Group's main focus is on luxury and ultra-luxury branded automobile sales operated in China, and has made significant strides in its traditional after-sales services and post-market businesses in sectors of insurance brokerage, pre-owned automobiles and beyond. The operation strategies implemented by the Group in the year are set out in the "Business Review" of the section headed "Management Discussion and Analysis" on pages 6 to 15 of this annual report.

SUBSIDIARIES

Please refer to note 16 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements.

BUSINESS REVIEW

Business performance, financial review, business review as well as prospects and strategies of the Group are set out in the section headed "Management Discussion and Analysis" in this annual report. Certain key financial indicators are provided in the section "Five Years' Financial Summary" in this annual report.

DIVIDEND

The Board has resolved not to recommend the payment of a dividend for the year ended 31 December 2023.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The single largest customer and the top five customers in aggregate of the Group accounted for 3.37% and 6.85% of the Group's total sales for the year ended 31 December 2023 respectively. The single largest supplier and the top five suppliers in aggregate of the Group accounted for 32.24% and 72.41% of the Group's total purchases for the year respectively.

As far as the Directors are aware, none of the Directors, their close associates, or any Shareholder which to the knowledge of the Directors owns more than 5% of the number of issued Shares of the Company had any interest in any of the five largest suppliers disclosed above.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group are set out in note 5 to the consolidated financial statements in this annual report. In addition to contributing into retirement benefit schemes organised by the PRC municipal government, the Group also makes contributions into mandatory provident fund scheme ("**MPF Scheme**") set up under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all the Group's qualifying employees in Hong Kong. Contributions into MPF Scheme are made based on 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the Consolidated Statement of Changes in Equity on page 65 and note 30 to the consolidated financial statements.

At 31 December 2023, deficit of the Company amounted to RMB1,883 million (31 December 2022: deficit RMB1,421 million). The Board proposed not to declare a final dividend for the year of 2023 (2022: Nil).

In 2023, the Company proposed not to pay an interim dividend for the six months ended 30 June 2023 (2022: Nil).

DONATIONS

Donations made by the Group during the year are set out in the Environmental, Social and Governance (ESG) Report for the year.

CHANGES TO THE BOARD (DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES)

Dr. Cao Tong and Ms. Wong Tan Tan resigned as independent non-executive Directors of the Company with effect from 7 February 2024. On the same date, Ms. Yu Jianrong and Mr. Song Tao were appointed as independent non-executive Directors of the Company.

Mr. Li Zhihuang resigned as an executive Director of the Company with effect from 10 April 2024. On the same date, Mr. Zeng Tingyi and Mr. Chen Hong were appointed as executive Directors of the Company.

Mr. Wang Mingcheng retired as the chairman of the Board of the Company with effect from 10 April 2024. On the same date, Mr. Huang Junfeng was appointed as the chairman of the Board of the Company.

BOARD COMPOSITION

During the year ended 31 December 2023 and up to the Latest Practicable Date, the composition of the Board and the changes in its membership are set out below:

Executive Directors

Mr. Huang Junfeng *(Chairman) (appointed as an executive Director on 31 July 2023, and as the Chairman of the Board on 10 April 2024)*
Mr. Zeng Tingyi *(resigned on 31 July 2023 and re-appointed on 10 April 2024)*
Mr. Wang Mingcheng *(resigned as the Chairman of the Board on 10 April 2024)*
Mr. Chen Hong *(appointed on 10 April 2024)*
Mr. Li Zhihuang *(resigned on 10 April 2024)*

Independent Non-executive Directors

Dr. Wong Tin Yau, Kelvin
Dr. Cao Tong *(resigned on 7 February 2024)*
Ms. Wong Tan Tan *(resigned on 7 February 2024)*
Ms. Yu Jianrong *(appointed on 7 February 2024)*
Mr. Song Tao *(appointed on 7 February 2024)*

The biographical information of the current Directors is set out on pages 32 to 34 of the section headed "Directors' and Senior Management's Profiles" of this annual report.

Mr. Wang Mingcheng, Mr. Zeng Tingyi, Mr. Huang Junfeng, Mr. Chen Hong, Ms. Yu Jianrong and Mr. Song Tao will retire from office at the 2024 AGM, and being eligible, will offer themselves for re-election. The Board proposes to re-appoint the Directors standing for re-election at the 2024 AGM.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2024 AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the current Directors, save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries, and in which a person who was a director of the Company at any time during the year or an entity connected with him/her had a material interest, whether directly and indirectly, subsisted during or at the end of the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the current Directors or their respective associates has any interests in a business, which competes or is likely to compete with the business of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors independent.

CONTINUING CONNECTED TRANSACTIONS

During 2023, the Group has entered into the following non-exempt continuing connected transactions subject only to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules (the "**Continuing Connected Transactions**").

1. Service Subcontracting Agreement

On 13 September 2023, Wuhan Zhengtong United Industrial Investment Group Co., Ltd.* (武漢正通聯合實業投資集團有限公司) ("**Wuhan Zhengtong**", an indirect wholly-owned subsidiary of the Company) and Xiamen Gaoxin Yundao Technology Co., Ltd.* (廈門高新雲道科技有限公司) ("**Xiamen Gaoxin Yundao**") entered into a service subcontracting agreement (the "**Service Subcontracting Agreement**"), pursuant to which Xiamen Gaoxin Yundao agreed to undertake certain technical, sales and promotional tasks of the Group, including market research and analysis, business promotion, technical support and channel and online customer development, and to subcontract such tasks to third parties approved by the Group to perform such tasks. The term of the agreement is from 13 September 2023 to 31 December 2025. The annual caps for each of the years ended/ending 31 December 2023, 2024 and 2025 under the Service Subcontracting Agreement shall not exceed RMB55 million. The actual transaction amount incurred under the Service Subcontracting Agreement for the year ended 31 December 2023 was RMB35.7 million.

As at the date of this report, ITG Holding is a substantial shareholder of the Company. Xiamen Gaoxin Yundao is a 51% indirectly-owned subsidiary of ITG Holding. Accordingly, Xiamen Gaoxin Yundao is a connected person of the Company and the transactions contemplated under the Service Subcontracting Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 13 September 2023.

2. Financial Services Agreement

On 14 September 2023, the Company and Xiamen ITG Holding Group Finance Co., Ltd.* (廈門國貿控股集團財務有限公司) ("**ITG Finance**") entered into a financial services agreement (the "**Financial Services Agreement**"), pursuant to which ITG Finance agreed to provide certain financial services to the Group, including deposit services, payment and settlement services and other financial services which do not require the deposit or entrustment of assets by the Group. The term of the agreement is from 14 September 2023 to 31 December 2025. The annual caps for deposit services (maximum daily balance of deposit amount) for each of the years ended 31 December 2023, 2024 and 2025 under the Financial Services Agreement shall not exceed RMB50 million and the annual caps for fees payable to ITG Finance for other financial services for each of the years ended/ending 31 December 2023, 2024 and 2025 shall not exceed RMB10 million. The actual transaction amount for other financial services incurred under the Financial Services Agreement for the year ended 31 December 2023 was RMB0.2 million.

As at the date of this report, ITG Holding is a substantial shareholder of the Company. ITG Finance is an indirect wholly-owned subsidiary of ITG Holding. Accordingly, ITG Finance is a connected person of the Company and the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 14 September 2023.

REVIEW OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged KPMG, its independent external auditor, to perform certain procedures in respect of the Continuing Connected Transactions undertaken by the Group for the year ended 31 December 2023 outlined above which have been reported to the board of Directors in a letter dated 27 March 2024. KPMG has confirmed the matters stated in Rule 14A.56 of the Listing Rules.

The independent non-executive Directors of the Company have reviewed the Continuing Connected Transactions outlined above and the report of KPMG and are of the opinion that the transactions were entered into by the Group:

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

(b) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

During 2023, the Group entered into the following connected transactions (the "**Connected Transactions**").

1. Works Entrustment Agreement

On 20 January 2023, the Company and Shandong Xindeco IOT Application Technology Co., Ltd.* (山東信達物聯應用技術有限公司) ("**Shandong Xindeco**", together with its subsidiaries, the "**Shandong Xindeco Group**") entered into a works entrustment agreement (the "**2023 Works Entrustment Agreement**"), pursuant to which Shandong Xindeco Group will provide and install smart technology and light current systems for certain 4S dealership stores of the Group at a total consideration not exceeding RMB7 million. On 12 September 2023, the Company entered into a supplemental agreement (the "**Supplemental Agreement**") with Shandong Xindeco to amend certain terms of the 2023 Works Entrustment Agreement, including revision of the maximum consideration payable by the Company to RMB15 million. As at the date of this report, ITG Holding is a substantial shareholder of the Company. Shandong Xindeco is an indirect non-wholly owned subsidiary of ITG Holding. Shandong Xindeco is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the 2023 Works Entrustment Agreement (as amended and supplemented by the Supplemental Agreement) and the transaction contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcements of the Company dated 20 January 2023 and 12 September 2023.

2. Formation of A Joint Venture

On 16 June 2023, Xiamen Zhengtong Auto Group Co., Ltd.* (廈門正通汽車集團有限公司) ("**Xiamen Zhengtong**", an indirect wholly-owned subsidiary of the Company) and Xiamen ITG New Energy Technology Co., Ltd.* (廈門國貿新能源科技有限公司) ("**ITG New Energy**") entered into a cooperation agreement (the "**Cooperation Agreement**"), pursuant to which the parties agreed to establish a joint venture (the "**Joint Venture**") to principally engage in new energy service businesses, including green power generation businesses (e.g. photovoltaic energy, energy storage, hydrogen energy, etc.), NEV related businesses (e.g. construction and operation of battery charging/changing stations and cascade utilization of batteries, etc.) and new energy-related equipment trading businesses, etc. Pursuant to the Cooperation Agreement, the registered capital of the Joint Venture will be RMB20 million. The Joint Venture will be owned as to 35% and 65% by Xiamen Zhengtong and ITG New Energy, respectively, upon its establishment, and the registered capital will be contributed as to RMB7 million in cash by Xiamen Zhengtong and as to RMB13 million in cash by ITG New Energy. As at the date of this report, ITG Holding is a substantial shareholder of the Company. ITG New Energy is an indirect wholly-owned subsidiary of ITG Holding. Accordingly, ITG New Energy is a connected person of the Company, and the formation of the Joint Venture under the Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 16 June 2023.

3. Major and Connected Transaction in Relation to the Disposal of 5.77% of the Equity Interest in Dongfeng Logistics

On 18 December 2023, Shengze Jietong Supply Chain Co., Limited* (聖澤捷通供應鏈有限公司) (the "**Seller**", an indirect wholly owned subsidiary of the Company) entered into a share transfer agreement with Xiamen Xindeco Company Limited* (廈門信達股份有限公司) (the "**Purchaser**"), pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the 5.77% equity interest in Dongfeng Logistics Group Co., Limited* (東風物流集團股份有限公司) ("**Dongfeng Logistics**") held by the Seller, for a total consideration of RMB331,496,300 payable in cash. As at the date of this report, ITG Holding is a substantial shareholder of the Company. The Purchaser is owned as to approximately 39.27% by ITG Holding. The Purchaser is therefore a connected person of the Company, and the disposal constitutes a connected transaction of the Company. The disposal was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 7 February 2024 and was completed on 27 March 2024. Following completion of the disposal, the Group's interest in Dongfeng Logistics decreased from 14.43% to 8.66%.

For details, please refer to the announcement of the Company dated 18 December 2023 and the circular of the Company dated 22 January 2024.

As the executive Directors at the relevant time, Mr. Wang Mingcheng, Mr. Li Zhihuang and Mr. Huang Junfeng hold positions within the ITG Group, they have abstained from voting on the relevant Board resolutions approving the Continuing Connected Transactions and the Connected Transactions so as to avoid the perception of a conflict of interest.

Save as disclosed above and in this report, there were no other related party transactions set out in note 35 to the consolidated financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the Continuing Connected Transactions and the Connected Transactions outlined above.

SHARE AWARD SCHEME

The Company adopted a restricted share award scheme (the "**Share Award Scheme**") on 12 June 2020 (the "**Adoption Date**"), which enables the Company to, among other things, provide selected participants with an opportunity to acquire a proprietary interest in the Company; to encourage and retain participants to work with the Group; to provide additional incentive for selected participants to achieve performance goals; and to attract personnel to join the Group, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the selected participants directly to the Shareholders through ownership of the Shares. The Share Award Scheme shall initially be valid and effective for a period of ten years from the Adoption Date, subject to early termination as stipulated under the rules related to the Share Award Scheme (the "**Scheme Rules**"). As at the date of this annual report, the remaining life of the Share Award Scheme was approximately 6 years.

Any employees or directors of the Company or any of its subsidiaries whom the Board considers, in its sole discretion, to have contributed or will contribute to the Group and who are nominated and selected by the Board and approved by the Remuneration Committee (as to identities of the selected participants and determination of the number of the Shares subject to the grant (the "**Grant Shares**")) in accordance with the terms of the Scheme Rules may be qualified as a selected participant under the Share Award Scheme.

Subject to the Scheme Rules, the Grant Shares shall be new Shares to be issued and allotted by the Company for nil consideration. The Grant Shares are subject to acceptance of the selected participants. For the purpose of implementing and administering the Share Award Scheme, the Company has appointed BOCI-Prudential Trustee Limited as the trustee (the "**Trustee**"). Shares granted under the Share Award Scheme will be issued and allotted to the Trustee who shall hold such Shares upon trust for the benefit of the selected participants and shall vest and transfer to the relevant selected participants after fulfilment of all vesting conditions as set out in the Scheme Rules and subject to the vesting schedule ranging from the first to the fourth anniversary of the date on which the Grant Shares are granted (the "**Grant Date**"), as determined and applicable to relevant selected participants according to their respective tenure of office with and/or level of position in the Group.

No Shares shall be allotted or issued pursuant to the Share Award Scheme if as a result of such allotment or issue, the aggregate number of Shares administered under the Share Award Scheme and underlying all grants made (excluding the Shares where the rights to acquire them have been released or lapsed in accordance with the Share Award Scheme) shall exceed in total 5% of the Company's issued Shares as at the Adoption Date (i.e. 122,611,021 Shares). The maximum number of Grant Shares which may be granted to an individual selected participant shall not exceed 1% of issued Shares of the Company as at the Adoption Date (i.e. 24,542,204 Shares). As at the date of this annual report, the total number of Shares available for issue in respect of awards which may be granted under the Share Award Scheme is 90,391,021, representing approximately 3.28% of the Shares in issue as at that date.

Where any grant is proposed to be made to any selected participant who is a connected person (including a Director), such grant must first be approved by all the independent non-executive Directors and in each case excluding any independent non-executive Director who is the proposed selected participant and shall be separately approved by the Shareholders at a general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such grant.

During the year ended 31 December 2023, no grant was made under the Share Award Scheme. From the Adoption Date to 31 December 2023, a total of 47,100,000 Grant Shares have been granted by the Board on 12 June 2020 under the Share Award Scheme, representing approximately 1.92% of the number of Shares in issue as at the Adoption Date.

Out of such 47,100,000 Grant Shares, (i) 35,700,000 Grant Shares were granted to 37 non-connected selected participants, all being independent employees of the Group who are not connected persons of the Company; and (ii) 11,400,000 Grant Shares were granted to Mr. Wang Kunpeng, Mr. Li Zhubo and Mr. Wan To, who were executive directors of the Company at the time of grant but have all since ceased to be directors of the Company.

The said 47,100,000 Grant Shares were initially and directly allotted and issued to the Trustee at market price based on the average closing price of the Shares for the five consecutive trading days immediately preceding the Adoption Date as quoted on the Stock Exchange of approximately HK$1.178 per Share. The market value and nominal value of such 47,100,000 Grant Shares were HK$55,483,800 and HK$4,710,000, respectively.

Details of the Grant Shares granted under the Share Award Scheme and their movements during the year ended 31 December 2023 are as follows:

Category of participants	Date of grant	Vesting date/ period[1]	Unvested as at 1 January 2023	Granted during the year	Canceled during the year	Lapsed/ forfeited during the period	Vested during the period	Unvested as at 31 December 2023
Employee Participants								
In aggregate	12 June 2020	12 June 2021 to 12 June 2024[1(i)]	3,080,000	–	–	–	1,540,000[2]	1,540,000
	12 June 2020	12 June 2021 to 12 June 2023[1(iii)]	3,880,000	–	–	240,000	3,640,000[2]	–

Notes:

1 Subject to the satisfaction of the vesting conditions (including that the employees remain in service and meet performance requirements), the Grant Shares held by the Trustee on behalf of the selected participants shall vest and be transferred to the selected participants at no cost in accordance with the vesting schedule below:

(i) Applicable to selected participants whose term of service with any member of the Group is less than 5 years as at the grant date

Vesting Date	Amount of Grant Shares to vest
Second anniversary of grant date	One-third (round down to the nearest board lot of Shares)
Third anniversary of grant date	One-third (round down to the nearest board lot of Shares)
Fourth anniversary of grant date	The remaining Grant Shares

(ii) **Applicable to selected participants whose term of service with any member of the Group is 5 years or more as at the grant date**

Vesting Date	Amount of Grant Shares to vest
First anniversary of grant date	One-third (round down to the nearest board lot of Shares)
Second anniversary of grant date	One-third (round down to the nearest board lot of Shares)
Third anniversary of grant date	The remaining Grant Shares

(iii) **Applicable to selected participants whose term of service with any member of the Group is 10 years or more as at the grant date and/or whose office or role are vice-president level or above**

Vesting Date	Amount of Grant Shares to vest
First anniversary of grant date	100%

2 The closing price of the Shares immediately before the date on which the Grant Shares were vested (being 7 September 2023) was HK$0.445.

The number of share awards available for grant under the scheme mandate was 90,151,021 as at 1 January 2023 and 90,391,021 as at 31 December 2023.

For details of the summary of the major terms of the Share Award Scheme, and the grant of the Grant Shares please refer to the announcements of the Company dated 12 June 2020 and 18 June 2020 and the circular of the Company dated 31 August 2020. Further details of the Share Award Scheme are set out in note 28 to the consolidated financial statements.

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

To the best knowledge of the Company, as at 31 December 2023, none of the Directors and chief executive of the Company and any of their respective associates had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the interests or short positions of such persons (other than the Directors or chief executives of the Company) in the Shares and underlying Shares as recorded in the register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding
Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司)[2]	Beneficial owner	820,618,184 (Long position)	28.62%
	Interest in a controlled corporation	22,359,500 (Long position)	0.78%
Cheung Mui (張梅)[3]	Beneficial owner	286,894,500 (Long position)	10.01%
Xingtai Capital Management Limited[3]	Investment manager	179,478,000 (Long position)	6.26%

Notes:

1. As at 31 December 2023, the total number of Shares in issue was 2,867,102,420.

2. Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) and Xiamen Xindeco Ltd. (廈門信達股份有限公司) are deemed to be interested in the 22,359,500 Shares of the Company held by Hong Kong Sindanol Ltd., as Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) was beneficially interested in appropriately 38.47% of the issued share capital of Xiamen Xindeco Ltd. (廈門信達股份有限公司), and Xiamen Xindeco Ltd. (廈門信達股份有限公司) was beneficially interested in the entire issued share capital of Hong Kong Sindanol Ltd. Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) was also directly interested in 820,618,184 Shares of the Company. Therefore, Xiamen ITG Holding Group Co., Ltd. (廈門國貿控股集團有限公司) was directly and indirectly interested in 842,977,684 Shares of the Company.

3. The source of information on the interests of Cheung Mui and Xingtai Capital Management Limited is from the Disclosure of Interest Form published on the website of the Stock Exchange.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Award Scheme, at no time during the year ended 31 December 2023 was the Company, or any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Other than the Share Award Scheme, no equity-linked agreements were entered into by the Company during 2023 or subsisted at the end of 2023. Particulars of the Share Award Scheme are set out in note 28 to the consolidated financial statements and the paragraphs above.

PLACING OF NEW SHARES AND USE OF PROCEEDS

On 7 June 2023 (after trading hours), the Company entered into a placing agreement with Huatai Financial Holdings (Hong Kong) Limited (the "**Placing Agent**"), pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 122,560,000 placing shares to not less than six independent placees at a price of HK$0.48 per placing share (the "**Placing**"). The Placing shares rank pari passu in all aspects with the existing shares upon issuance.

The Placing price of HK$0.48 per Placing share represented a discount of approximately 15.79% to the closing price of HK$0.570 per share as quoted on the Stock Exchange on 7 June 2023, being the date of the Placing agreement. The net Placing price (after deducting the costs and expenses of the Placing) is approximately HK$0.46 per Placing share. Based on a nominal value of HK$0.10 per share, the aggregate nominal value of the Placing shares is HK$12,256,000.

The Directors consider that the Placing is an opportunity to tap the market for funds to retire some of the more expensive bank loans coming due. Completion of the Placing took place on 15 June 2023. A total of 122,560,000 Placing shares have been successfully placed by the Placing Agent to not less than six placees at the Placing price of HK$0.48 per Placing share. Following completion of the Placing, 122,560,000 new ordinary shares of the Company were issued and allotted to the placees. The net proceeds from the Placing were approximately HK$56.34 million (after deducting related costs and expenses).

The table below sets out the planned application of the proceeds and actual usage up to 31 December 2023:

	% of use of proceeds	Proceeds from the Placing (HK$ million)	Actual usage during the reporting period (HK$ million)	Unutilized net proceeds as of 31 December 2023 (HK$ million)
Repaying bank loans	100%	56.34	56.34	0

For further details of the Placing, please refer to the announcements of the Company dated 8 June 2023 and 15 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Board had, on 28 February 2023, approved a proposed plan to dispose of the Group's 100% equity interest in Shenzhenshi Huianqi Investment Advisory Co., Ltd.* (深圳市匯安啟投資諮詢有限公司), an indirect wholly owned subsidiary of the Company which holds the property interests (including land use rights and construction in progress, which is currently suspended) in a parcel of land located at the eastern side of Heping Road, Longhua Street, Longhua District in Shenzhen (the "**Shenzhen Property**"). The Shenzhen Property has a site area of approximately 31,260.44 square metres which will be developed into a new industries park with a plot ratio accountable gross floor area of approximately 161,700 square metres.

As at the date of this report, the Shenzhen Property was bare land for which earth-and-stone and foundation pit support works had commenced. The disposal was intended to be conducted by way of public tender at the Shenzhen United Property and Equity Exchange* (深圳聯合產權交易所股份有限公司) and the initial price was preliminarily set at approximately RMB800 million.

Using the preliminary initial price as the basis for calculation, the relevant percentage ratios (calculated according to the Listing Rules) in respect of the potential disposal are expected to be more than 25% but less than 75%. Accordingly, the potential disposal, if materialized, will constitute a major transaction of the Company subject to the reporting, announcement, circular, and shareholders' approval requirements under Chapter 14 of the Listing Rules. The potential disposal was approved by the shareholders of the Company at an extraordinary general meeting of the Company held on 20 April 2023.

As at the end of the period set for the first public tender, no bid was received. After reviewing market conditions, the Company is considering measures for optimisation: (1) whether to undertake a subsequent public tender for the potential disposal, or (2) to explore cooperation opportunities with potential investor(s) or partner(s) in respect of the Shenzhen Property.

For further details, please refer to the announcements of the Company dated 28 February 2023 and 4 August 2023 and the circular of the Company dated 27 March 2023.

Save as disclosed above and in the section headed "Connected Transactions" of this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2023.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2023 are set out in note 25 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy of the general staff of the Company is set up by the management of the Group on the basis of their merit, qualifications and competence.

The emoluments of the Directors and senior management of the Company are proposed by the Remuneration Committee to the Board, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board.

Save for Mr. Li Zhihuang, Mr. Huang Junfeng and Mr. Zeng Tingyi who will not receive any remuneration from the Company during their respective terms of office, and Mr. Chen Hong who will not receive any remuneration as an executive Director but is entitled to an annual salary as the chief executive officer of the Company, none of the Directors has waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

The remuneration of the Directors and senior management of the Company is set out in notes 7 and 8 to the consolidated financial statements.

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

We understand that employees, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our suppliers and providing high-quality products and services to our customers so as to ensure our sustainable development.

The Group places great emphasis on human resources and offers its employees a competitive remuneration package and various trainings, including internal trainings and refresher courses offered by professional organisations, so as to keep them abreast of the latest development in the market, industry and various businesses.

The Group has enhanced communications with customers via various channels so as to provide excellent and quality customer services, with a focus on the customers' needs and thus enhance customer satisfaction and loyalty. We value the feedback from customers and always try to understand their thoughts through daily communication, after-sale return visit and customer satisfaction surveys. In addition, we also assign designated personnel to maintain customers relationship, responding to the feedback and complaints from customers.

The Group has established strong cooperation relationship with a number of manufacturers of luxury and ultra-luxury branded automobiles and entered into standing cooperative agreements, including dealership agreements and other licensing agreements. With the development of prevailing trends in the automobile industry, the Group will continue to facilitate exchange and cooperation with manufacturers of automobiles for the purpose of creating a win-win situation. For the management of other suppliers, the Group has been more prudent in selecting suppliers and establishing long-term cooperation with them. The Group places emphasis on ongoing assessment and monitoring on the suppliers selection in order to ensure compliance with our commitment to quality and ethical conduct.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is aware of the importance of complying with applicable laws and regulations that have a significant impact on the business and operation of the Group, and is committed to continuously improving its internal control and corporate governance to ensure compliance with these laws and regulations.

In 2016 and 2020, Wuhan Zhengtong, an indirect wholly owned subsidiary of the Company, undertook to pay for any shortfalls in the event of default by Beijing Guangze Real Estate Development Co., Ltd.* 北京廣澤房地產開發有限公司 ("**Beijing Guangze**"), in support of Beijing Guangze's (i) redemption obligations under certain investment agreements relating to the investment made by Ningbo Yuchen Fengze Equity Investment Partnership (Limited Partnership)* 寧波禹宸豐澤股權投資合夥企業(有限合夥)("**Yuchen Fengze**") in Beijing Baoze Automobile Technology Development Co., Ltd.* 北京寶澤汽車科技發展有限公司 ("**Beijing Baoze**") and Beijing Zunbaocheng Real Estate Co., Ltd.* 北京尊寶成置業有限公司 ("**Beijing Zunbaocheng**") (the "**Redemption Obligations**"); and (ii) repayment obligations in respect of a loan provided under an entrusted loan agreement (the "**Repayment Obligations**").

To the best knowledge and belief of the Directors, Beijing Guangze is held indirectly by family members of Mr. Wang Muqing, a former executive Director of the Company.

The Redemption Obligations and Repayment Obligations were secured by, among others, real estate owned by Beijing Zunbaocheng and Beijing Baoze (the "**Pledged Assets**").

The Company was notified on 17 December 2021 and 28 December 2021 that separate court judgements (the "**Yuchen Fengze First Instance Judgement**") had been granted by Ningbo Intermediate People's Court and Yangzhou Intermediate People's Court, respectively, in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong.

Pursuant to the Yuchen Fengze First Instance Judgement, Beijing Guangze shall:

- pay to Yuchen Fengze a principal amount of RMB420 million together with interest, comprising, among others, the redemption price for the equity investment made by Yuchen Fengze in Beijing Zunbaocheng and Beijing Baoze. Wuhan Zhengtong was held jointly and severally liable for the same amount (the "**Equity Investment First Instance Judgement**"); and

- pay to Yuchen Fengze approximately RMB1.41 billion (comprising the loan principal of RMB1.35 billion, accrued interest, default interest and compound interest) and late payment interest, the actual amount of which will increase with time and relevant costs. Wuhan Zhengtong was held jointly and severally liable for the same amount (the "**Loan First Instance Judgement**").

Wuhan Zhengtong has filed appeals against the Equity Investment First Instance Judgement and Loan First Instance Judgement through Zhejiang Higher People's Court and Jiangsu Higher People's Court, respectively. The Company has, in respect of its appeal against the Equity Investment First Instance Judgement, received a second instance judgement (the "**Equity Investment Second Instance Judgement**"), pursuant to which the guarantee given by Wuhan Zhengtong in respect of the amounts owed by Beijing Guangze was held to be a general guarantee (i.e. Wuhan Zhengtong shall only be responsible for any shortfalls if Beijing Guangze fails to fulfill its repayment obligations), and after having assumed its general guarantee liability, Wuhan Zhengtong shall be entitled to claim repayment from Beijing Guangze to the extent of the guarantee obligation it has performed. The Equity Investment Second Instance Judgement is the final judgement.

In January 2023, Wuhan Zhengtong entered into a settlement agreement (the "**Settlement Agreement**") with Yuchen Fengze, whose controlling interest the Company understands has been acquired by an investor principally engaged in distressed asset management and financial services business. Pursuant to the Settlement Agreement (which became effective in February 2023), Yuchen Fengze has agreed to facilitate the utilization and disposal of the collateral assets in satisfaction of the debt owed to it and Wuhan Zhengtong has withdrawn its appeal against the Loan First Instance Judgement.

As advised by the Company's PRC legal adviser, although Wuhan Zhengtong's withdrawal of its appeal would render the Loan First Instance Judgement effective (and by extension Wuhan Zhengtong's joint liability thereunder), given the withdrawal would facilitate Yuchen Fengze's disposal of the collateral assets (in particular, the Pledged Assets) in satisfaction of the debt owed to it and the value of the Pledged Assets likely exceeds the amounts owed, having assessed the overall settlement arrangement and the present situation, the Company's PRC legal advisers are inclined to be of the opinion that the probability of Wuhan Zhengtong being pursued for payment is relatively low.

For details, please refer to the announcements of the Company dated 22 December 2021, 31 December 2021, 10 January 2022, 20 July 2022 (together, the "**Announcements**"), 24 June 2022 and 10 February 2023. The financial impact of the above on the Company's financial statements for the year ended 31 December 2023 is set out on pages 148 to 149 of this annual report.

As stated in the Announcements, the entry into of the Undertaking and Shortfall Agreements may have constituted undisclosed connected transactions of the Company at the relevant time. As stated in the announcement of the Company dated 10 January 2022, the Board convened a meeting on 7 January 2022 (the "**7 Jan Meeting**"), to discuss and approve, among other things, the establishment of an independent board committee comprising the then executive Directors who were not Directors at the relevant time to conduct an investigation into the above matters. The Company received a notice from Mr. Wang Muqing on 9 January 2022, stating that he had no connection with the above matters and had never been involved in any violation of laws and regulations, but as he felt that he might not have the trust of the Directors who attended the 7 Jan Meeting, and considering his age, he has decided to resign as an executive Director and a member of the remuneration committee of the Company from 10 January 2022. Mr. Wang Muqing also confirmed that he had no disagreement with the Board and there were no matters that need to be brought to the attention of the Stock Exchange and the Shareholders.

As stated in the announcement of the Company dated 22 March 2024 (the "**Announcement**"), Wuhan Zhengtong received judgments filed by Wuhan Economic and Technological Development Zone Sub-branch of Hubei Bank Corporation Limited ("**Hubei Bank**") from the Wuhan Intermediate People's Court in relation to two civil lawsuits (the "**Hubei Bank First Instance Judgment**"), in which Wuhan Zhengtong was named as one of the defendants.

The lawsuits alleged that certain defendants, including Wuhan Zhengtong, have entered into different types of charges or guarantee contracts with Hubei Bank at various times to provide security or joint liability guarantees in respect of all the liabilities and debts under two fixed asset loan contracts entered into by Beijing Guangze and Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.* (內蒙古聖澤鼎杰汽車貿易有限公司) ("**Inner Mongolia Shengze**"). As at the date of this report, some of the properties pledged by the other defendants (the "**Collateral**") were occupied by the Group's stores.

In the lawsuit relating to Beijing Guangze (the "**Beijing Guangze Lawsuit**"), Hubei Bank alleged that, as of 13 February 2023, the aggregate indebtedness of Beijing Guangze under the relevant fixed asset loan contract was approximately RMB442 million. In the lawsuit relating to Inner Mongolia Shengze (the "**Inner Mongolia Shengze Lawsuit**"), Hubei Bank alleged that, as of 28 February 2023, the aggregate indebtedness of Inner Mongolia Shengze under the relevant fixed asset loan contract was approximately RMB120 million. As a result of repeated overdue repayments by Beijing Guangze and Inner Mongolia Shengze, Hubei Bank declared on 10 January 2023 that all loans under the above two fixed asset loan contracts were immediately due.

According to the Hubei Bank First Instance Judgment, (i) Beijing Guangze owes Hubei Bank the principal amount of approximately RMB404 million and related interest (approximately RMB22,031,000 as of 13 February 2023); and (ii) Inner Mongolia Shengze shall pay to Hubei Bank the principal amount of RMB113.5 million and related interest (approximately RMB13,568,000 as of 30 November 2023) ((i) and (ii) together, the "**Relevant Liabilities**"); (iii) the remaining defendants shall bear their obligations under the pledge provided, or the joint liability guarantees provided, or under supplemental compensatory obligations in accordance with the law, including but not limited to disposing of the collateral with a priority to use the proceeds to repay Hubei Bank.

In respect of Wuhan Zhengtong:

- In the Beijing Guangze Lawsuit, Hubei Bank alleged that Wuhan Zhengtong entered into a maximum guarantee contract with Hubei Bank on 5 May 2016, wherein the maximum limit of the guarantee liability was RMB700 million.

- In the Inner Mongolia Shengze Lawsuit, Hubei Bank alleged that Wuhan Zhengtong entered into a maximum guarantee contract with Hubei Bank on 5 May 2016, wherein the maximum limit of the guarantee liability was RMB200 million.

- In view of the fact that (i) Wuhan Zhengtong was not able to locate any records related to the above two maximum guarantee contracts in its records of the use of the company's seal and records of resolutions passed after receiving the civil complaint and related documents of the Beijing Guangze Lawsuit and Inner Mongolia Shengze Lawsuit; and (ii) Hubei Bank had never issued any demand notice or provided the above two maximum guarantee contracts to Wuhan Zhengtong before filing the Beijing Guangze Lawsuit and the Inner Mongolia Shengze Lawsuit, there were doubts as to the authenticity of the evidence, and Wuhan Zhengtong submitted an application to the Wuhan Intermediate People's Court to verify the authenticity of the seals affixed to the maximum guarantee contracts. According to the expert opinion (the "**Expert Opinion**") issued by the judicial authentication agency commissioned by the Wuhan Intermediate People's Court, the seals affixed to the two maximum guarantee contracts were consistent with the seals used in most of the document samples with the seal of Wuhan Zhengtong provided by the litigation parties to the judicial authentication institution.

- Although Hubei Bank had not provided any documents relating to the resolutions of Wuhan Zhengtong in the course of the litigation, taking into account the opinion in the Expert Opinion, the Wuhan Intermediate People's Court held in the Hubei Bank First Instance Judgement that:

    o The above two maximum guarantee contracts were executed, but they are of no legal effect.

    o According to the rules under the People's Republic of China Civil Code and related judicial interpretations, if a guarantee contract is of no legal effect, the parties thereto shall bear responsibility based on their respective degree of fault. Accordingly, although the above two maximum guarantee contracts are of no legal effect, since Wuhan Zhengtong's seal was affixed without any resolutions, and Hubei Bank did not conduct examination on whether Wuhan Zhengtong had made any resolution, both parties were at fault for the lack of legal effect of the above two maximum guarantee contracts, hence Wuhan Zhengtong shall only bear half of the compensation liability for the failure of Beijing Guangze and Inner Mongolia Shengze to repay the Relevant Liabilities.

Based on the legal advice obtained by the Company from its PRC legal adviser, according to the law, the guarantor in a contract that is of no legal effect is liable to pay compensation only if the debtor is unable to settle the debt upon court enforcement. Therefore, in the case of the Hubei Bank First Instance Judgement of the Wuhan Intermediate People's Court, where the two maximum guarantee contracts were held to be executed but of no legal effect, given the judgment confirmed that Wuhan Zhengtong ranks later in the order of priority in meeting payment commitments, and considering the currently satisfactory communication situation with Hubei Bank, and that there are several other defendants who are also guarantors and the value of the Collateral is relatively high, the PRC legal adviser believes that it is not probable that Wuhan Zhengtong will incur actual economic losses in this case. The Hubei Bank First Instance Judgement has not yet come into effect and parties thereto are entitled to appeal.

Subsequent to the Yuchen Fengze First Instance Judgement, the Group conducted an internal investigation and did not find any record of the use of the official seal of Wuhan Zhengtong and the signature seal of Mr. Wang Muqing (the legal representative of Wuhan Zhengtong and the Chairman of the Board and an executive Director of the Company at the time) in respect of the aforesaid maximum guarantee contracts. As stated in the Announcement, the irregular entry into the above two maximum guarantee contracts may have constituted undisclosed connected transactions of the Company at the relevant time. For details, please refer to the Announcement. The financial impact of the above on the Group's consolidated financial statements for the year ended 31 December 2023 is set out on page 158 of this annual report.

MAJOR RISKS AND UNCERTAINTIES

The results and business operations of the Group are subject to the impact of a number of factors, including those arising from the macro-economic environment as well as those inherent in the auto retail sector. The major risks are summarised as follows:

(i) Macro-economic environment

As a pillar industry of the national economy, the auto sector is considerably correlated to the volatile periods of the macro-economy in terms of timing and extent. Currently, China's auto market continues to hold out strong potential for development. However, if significant fluctuations occur in the auto industry as a result of cyclical developments in the macro-economy, auto sales will be inevitably affected. As such, the Group is required to monitor any changes in the economic landscape in a timely manner and adjust its overall business planning, network development plans and marketing plans under different market conditions.

(ii) Industry policies

The Group's business operations must comply with policies and regulations announced by the PRC government for the administration of the auto industry. Changes in such industry policies may result in decreased market demand for products, lower prices for products and services and escalated market competition, which will in turn result in the decrease in revenue and profit. As such, the Group will monitor closely any developments in government policies on our industry, while enhancing our service standards on an ongoing basis to address any risks arising from changes in industry policies.

(iii) Manufacturers' policies

As an auto dealer group, we have maintained sound cooperation with branded automobile manufacturers. Changes in the policies of such manufacturers might result in changes in the sales strategies for their brands, sales incentives and business policy support for us, and such changes might result in a decrease in products sales and revenue. Hence, the Group will actively enhance communication with the manufacturers and continue to adopt a development strategy that covers a diverse range of brands.

(iv) Intense competition

We compete not only with other auto dealers, but also players in the general express auto repair service sector and the e-commerce sector, in a number of segments, such as sales, repair, maintenance and extended services. Our inability to respond to challenges presented by different competitors in a timely manner may result in the decline in customers' demand for our products and the decrease in our revenue and profit. Hence, the Group is required to adjust its strategy in a timely manner and enhance its overall service standards to address intense competition.

(v) Supply chain

The Group does not own or operate any production facilities, and is dependent on branded automakers and suppliers of auto accessories for the supply of all of our products. Any disruption in the supply of products by our suppliers might result in problems for our supply chain. Nevertheless, we have fostered long-term, stable partnerships with a number of branded automakers and suppliers of parts and components, and such partnerships have been highly valued by the suppliers. Hence, we have endeavoured to minimise the impact of any disruption in supply on a best-effort basis and ensure we are able to locate other suppliers of similar quality for reasonable prices at any time.

(vi) Information systems

The Group's business is dependent on information technology systems and networks in connection with sales, procurement, sales and distribution at all retail outlets, inventory management, customer relations management, digitalized marketing, financial reporting and auto finance. Any serious disruption to or slowdown of our information technology systems as a result of, among others, our inability to successfully upgrade our systems, system breakdowns or virus or cyber attacks might result in the loss of data and disruption in operations. Hence, the Group will invest in information technology and ERP systems on an ongoing basis to ensure the technological security, accessibility and completeness of important operational data.

(vii) Market risks

The Group is subject to various types of market risks, including credit risks, liquidity risks, interest rate risks and exchange risks, the details of which are set out in note 32 to the consolidated financial statements in this annual report. The Group has exercised effective control over market risks through continuous monitoring of risks and changes, timely risk warnings and appropriate application of hedge instruments.

PERMITTED INDEMNITY

In accordance with the Articles of the Company containing provisions that provide indemnity to, among other persons, our Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty. In accordance with their respective service agreements, each of our executive Directors is entitled to be indemnified by the Company in all respects under laws, except to the extent of the willful default or gross negligence of a director. The Company maintained Directors' and chief executives' liability insurance and corporate compensation insurance during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We recognise the importance of environmental protection and have adopted stringent measures for environmental protection in order to ensure the compliance by the Group with the prevailing environmental protection laws and regulations.

The Group has been advocating the concept of green office in its daily operation by fully committing to environmental protection, energy saving and discharge reduction, reasonable allocation and utilisation of resources. In addition, the Group has implemented resources recycling with an aim to minimise energy consumption and waste. In future, the Group will continue to firmly employ its sustainable development strategy to strongly promote environmental protection and carry out measures for environmental protection.

More details of the environmental policies and performance of the Company are set out in the Environmental, Social and Governance (ESG) Report for the year.

MANAGEMENT CONTRACTS

Except for the service contracts of the Directors and senior management of the Company or otherwise disclosed in this annual report, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management and administration of the whole or any substantial part of the Company's business during the year ended 31 December 2023.

CORPORATE GOVERNANCE

So far as the current Board is aware, during the year ended 31 December 2023, the Company had complied with the applicable Code Provisions set out in CG Code contained in Appendix C1 to the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float.

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

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reasons of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

AUDITORS

KPMG will retire and, being eligible, offer themselves for re-appointment at the 2024 AGM. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the 2024 AGM.

On behalf of the Board

Wang Mingcheng
Chairman of the Board (then)

27 March 2024

KPMG

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

OPINION

We have audited the consolidated financial statements of China ZhengTong Auto Services Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 61 to 163, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policies information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment assessment of goodwill and intangible assets — car dealerships

Refer to note 14 & note 15 to the consolidated financial statements on pages 102 to 105 and the accounting policies on page 71 and page 74.

The Key Audit Matter	How the matter was addressed in our audit
As a result of acquisitions by the Group of 4S dealership stores, the Group recognised goodwill and intangible assets — car dealerships in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealership stores, which are considered to represent individual cash generating units ("**CGUs**"). As at 31 December 2023, goodwill and intangible assets — car dealerships, after impairment, amounted to RMB567 million (31 December 2022: RMB567 million) and RMB1.9 billion (31 December 2022: RMB2.0 billion), respectively. The 4S dealership business in China operates in a highly competitive and regulated market which increases the risk of sales volatility of the 4S dealership stores. Consequently, there are uncertainties as to whether the acquired 4S dealership stores can meet forecast growth projections.	Our audit procedures to assess impairment of goodwill and intangible assets — car dealerships included the following: • evaluating the appropriateness of management's identification of CGUs and the amounts of goodwill allocated to each CGU; • evaluating the reasonableness of management's identification of impairment indications of goodwill and intangible assets — car dealerships and determination of recoverable amount; • assessing the qualifications, experience and expertise of the external valuer appointed by management in assessing the impairment of goodwill and intangible assets — car dealerships and considering their objectivity and independence;

KEY AUDIT MATTERS (Continued)

<table>
<tr><th colspan="2">Impairment assessment of goodwill and intangible assets — car dealerships (Continued)</th></tr>
<tr><td colspan="2">Refer to note 14 & note 15 to the consolidated financial statements on pages 102 to 105 and the accounting policies on page 71 and page 74.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2023, management assessed goodwill and intangible assets — car dealerships for potential impairment and determined the recoverable amount for respective CGU, with reference to a valuation report prepared by an external valuer appointed by management. The recoverable amount of each CGU is determined by management using the discounted cash flow method. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating sales growth rates, corresponding gross margin rates and working capital changes, which are based on past performance and management's expectation of market developments.</td><td>• with the assistance of our internal valuation specialists, evaluating the methodology adopted by management and the valuer in determining the recoverable amount of goodwill and intangible assets — car dealerships with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry;

• comparing data in the discounted cash flow forecast of each individual CGU with relevant data, including forecast sales growth rates, corresponding gross margin rates and working capital changes, in the financial budget which was approved by the directors and comparing forecast revenue growth trends with sales forecasts issued by industry research institutions;</td></tr>
</table>

KEY AUDIT MATTERS (Continued)

Impairment assessment of goodwill and intangible assets — car dealerships (Continued)

Refer to note 14 & note 15 to the consolidated financial statements on pages 102 to 105 and the accounting policies on page 71 and page 74.

The Key Audit Matter	How the matter was addressed in our audit
We identified impairment of goodwill and intangible assets — car dealerships as a key audit matter because these assets are material to the consolidated financial statements and because the impairment assessments prepared by management are complex and involve judgements and assumptions which are inherently uncertain and could be subject to management bias.	• comparing forecast sales growth rates, corresponding gross margin rates and working capital changes in the discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified; • obtaining from management sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessments of goodwill and intangible assets — car dealerships with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (Continued)

Recognition of vendor rebates	
Refer to note 21 to the consolidated financial statements on page 128 and the accounting policy on page 87.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group earns vendor rebates under various and differing arrangements with automobile manufacturers. Rebate arrangements, which can vary in different fiscal years and between automobile manufacturers, include rebates based on purchase or (for certain specific car models) sales volumes, performance rebates and other specific rebates. Rebates based on purchase or sales volumes are granted by vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with the vendors' comprehensive assessment of the Group's business performance. In addition, other specific rebates are granted to the Group, including, but not limited to, compensation for automobile mortgage sales, new store one-off compensation, regional annual awards and car demonstration compensation.	Our audit procedures to assess the recognition of vendor rebates included the following: • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the Group's accounting policies in respect of the recognition of vendor rebates by inspecting the terms and conditions set out in each type of rebate arrangement communicated by the respective automobile manufacturers with reference to the requirements of the prevailing accounting standards; • selecting samples of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or underlying bank payment slips;

KEY AUDIT MATTERS (Continued)

Recognition of vendor rebates (Continued)	
Refer to note 21 to the consolidated financial statements on page 128 and the accounting policy on page 87.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group manually calculates rebates and recognises them to the extent that the management expects it is probable that the associated conditions will be met and the amount can be estimated reliably. We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because the manual calculation of the Group's entitlement to such rebates involves significant management's estimation, which is inherently subjective.	• for vendor rebate receivables at the reporting date, performing recalculations of the amounts receivable, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements; • evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and • for vendor rebate receivables at the previous financial reporting date, performing retrospective review by assessing the subsequent settlement, on a sample basis, in the current year.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the audit committee of the Company ("**Audit Committee**") in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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.

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

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

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

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

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

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	For the year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	3	**24,131,975**	22,606,790
Cost of sales		**(23,123,382)**	(21,019,912)
Gross profit		**1,008,593**	1,586,878
Other income	4	**1,327,026**	1,506,316
Selling and distribution expenses		**(1,082,892)**	(1,211,482)
Administrative expenses		**(1,084,526)**	(1,280,537)
Reversal of impairment losses on intangible assets	14	**—**	232,426
Profit from operations		**168,201**	833,601
Finance costs	5(a)	**(1,054,301)**	(1,006,998)
Share of (loss)/profit of associates		**(500)**	43,055
Loss before taxation	5	**(886,600)**	(130,342)
Income tax	6	**66,120**	(167,079)
Loss for the year		**(820,480)**	(297,421)
Loss for the year attributable to:			
Ordinary shareholders of the Company		**(890,990)**	(296,285)
Perpetual bond holders of the Company	31	**41,708**	—
Non-controlling interests		**28,802**	(1,136)
Loss for the year		**(820,480)**	(297,421)
Basic and diluted loss per share (RMB cents)	9	**(31.9)**	(10.9)

The notes on pages 67 to 163 form part of these financial statements.

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

		For the year ended 31 December	
	Note	**2023** **RMB'000**	2022 RMB'000
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
Financial statements of entities outside the Mainland China		**(3,638)**	(20,623)
Other comprehensive income for the year		**(3,638)**	(20,623)
Total comprehensive income for the year		**(824,118)**	(318,044)
Attributable to:			
Ordinary shareholders of the Company		**(894,628)**	(316,908)
Perpetual bond holders of the Company	31	**41,708**	—
Non-controlling interests		**28,802**	(1,136)
Total comprehensive income for the year		**(824,118)**	(318,044)

The notes on pages 67 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in RMB'000)

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	11	**6,075,954**	5,766,306
Investment properties	12	**431,510**	303,593
Right-of-use assets	13	**2,487,855**	2,606,585
Intangible assets	14	**2,540,361**	2,705,072
Goodwill	15	**566,736**	566,736
Interests in associates	17	**15,191**	15,341
Interest in a joint venture	18	**26,798**	—
Deferred tax assets	29	**758,013**	673,051
Long-term receivables		**381,655**	321,037
Other financial assets	22	**829,028**	944,947
Pledged bank deposits	23	**975,420**	—
		15,088,521	13,902,668
Current assets			
Inventories	19	**3,771,902**	4,064,270
Trade and bills receivables	20	**941,949**	907,442
Prepayments, deposits and other receivables	21	**4,941,148**	4,063,517
Other financial assets	22	**126,344**	103,561
Pledged bank deposits	23	**3,900,082**	3,957,215
Cash and cash equivalents	24	**744,855**	734,086
		14,426,280	13,830,091
Current liabilities			
Loans and borrowings	25	**16,272,920**	12,234,030
Lease liabilities	26	**319,641**	363,493
Trade and other payables	27	**5,638,481**	5,827,775
Income tax payables		**391,173**	394,662
Other financial liabilities	22	**22,177**	91,516
		22,644,392	18,911,476
Net current liabilities		**(8,218,112)**	(5,081,385)
Total assets less current liabilities		**6,870,409**	8,821,283

The notes on pages 67 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023 (Expressed in RMB'000)

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Non-current liabilities			
Loans and borrowings	25	**3,488,141**	6,439,857
Lease liabilities	26	**960,309**	981,073
Deferred tax liabilities	29	**970,800**	989,261
Trade and other payables	27	**139,567**	186,648
Other financial liabilities	22	**24,532**	—
		5,583,349	8,596,839
NET ASSETS		**1,287,060**	224,444
CAPITAL AND RESERVES	30		
Share capital		**246,394**	235,203
Perpetual bonds	31	**1,010,921**	—
Reserves		**(895,485)**	(41,814)
Total equity attributable to equity shareholders of the Company		**361,830**	193,389
Non-controlling interests		**925,230**	31,055
TOTAL EQUITY		**1,287,060**	224,444

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

Wang Mingcheng
Chairman

Li Zhihuang
Director

The notes on pages 67 to 163 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Company									Attributable to Non-controlling interests			
	Share capital RMB'000 (note 30(c))	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000 (note 30(d)(i))	Exchange reserve RMB'000 (note 30(d)(ii))	Discretionary surplus reserve RMB'000	Accumulated losses RMB'000	Perpetual bonds RMB'000 (note 31)	Sub-total RMB'000	Perpetual bonds RMB'000 (note 31)	Share of net assets of subsidiaries RMB'000	Sub-total RMB'000	Total equity RMB'000
Balance at 1 January 2022	235,203	6,347,149	301,202	757,984	3,361	4,459	(7,140,928)	–	508,430	–	32,191	32,191	540,621
Total comprehensive income for the year:													
Loss for the year	–	–	–	–	–	–	(296,285)	–	(296,285)	–	(1,136)	(1,136)	(297,421)
Other comprehensive income	–	–	–	–	(20,623)	–	–	–	(20,623)	–	–	–	(20,623)
Total comprehensive income for the year	–	–	–	–	(20,623)	–	(296,285)	–	(316,908)	–	(1,136)	(1,136)	(318,044)
Equity settled share-based transactions	–	6,922	(5,055)	–	–	–	–	–	1,867	–	–	–	1,867
Appropriation to reserves	–	–	–	44,840	–	–	(44,840)	–	–	–	–	–	–
Balance at 31 December 2022, and 1 January 2023	235,203	6,354,071	296,147	802,824	(17,262)	4,459	(7,482,053)	–	193,389	–	31,055	31,055	224,444
Total comprehensive income for the year:													
Loss for the year	–	–	–	–	–	–	(890,990)	41,708	(849,282)	27,808	994	28,802	(820,480)
Other comprehensive income	–	–	–	–	(3,638)	–	–	–	(3,638)	–	–	–	(3,638)
Total comprehensive income for the year	–	–	–	–	(3,638)	–	(890,990)	41,708	(852,920)	27,808	994	28,802	(824,118)
Issue of ordinary shares by placement (note 30(c))	11,191	39,875	–	–	–	–	–	–	51,066	–	–	–	51,066
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	980	980	980
Loss of control in a subsidiary (note 18)	–	–	–	(3,750)	–	–	3,750	–	–	–	(9,546)	(9,546)	(9,546)
Issue of perpetual bonds (note 31)	–	–	–	–	–	–	–	1,010,921	1,010,921	900,000	–	900,000	1,910,921
Distribution to holders of perpetual bonds (note 31)	–	–	–	–	–	–	–	(41,708)	(41,708)	(26,061)	–	(26,061)	(67,769)
Equity settled share-based transactions	–	5,416	(4,334)	–	–	–	–	–	1,082	–	–	–	1,082
Appropriation to reserves	–	–	–	22,886	–	–	(22,886)	–	–	–	–	–	–
Balance at 31 December 2023	246,394	6,399,362	291,813	821,960	(20,900)	4,459	(8,392,179)	1,010,921	361,830	901,747	23,483	925,230	1,287,060

The notes on pages 67 to 163 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	For the year ended 31 December 2023 RMB'000	2022 RMB'000
Operating activities:			
Cash generated from operations	24(b)	**88,587**	252,352
Income tax paid		**(51,801)**	(93,565)
Net cash generated from operating activities		**36,786**	158,787
Investing activities:			
Payment for purchase of property, plant and equipment		**(1,124,150)**	(868,895)
Proceeds from disposal of property, plant and equipment		**301,739**	301,314
Proceeds from redemption of financial assets, net effect		**914**	37,220
Payment for purchase of intangible assets		**(325)**	(1,911)
Proceeds from disposal of a former subsidiary		**—**	1,410,560
Dividend received		**39,538**	40,404
Net cash used in business acquisition		**(55,912)**	(71,000)
(Increase)/decrease in time deposits		**(10,646)**	413,841
Payments in relation to investment in an associate		**(350)**	—
Loss of control over a subsidiary	18	**(1,563)**	—
Interest received		**57,273**	37,443
Net cash (used in)/generated from investing activities		**(793,482)**	1,298,976
Financing activities:			
Proceeds from loans and borrowings	24(c)	**36,081,546**	28,531,553
Repayment of loans and borrowings and bonds payable	24(c)	**(34,068,925)**	(26,919,435)
Proceeds from issue of ordinary shares by placement		**51,066**	—
Proceeds from issue of perpetual bonds	31	**900,000**	—
Capital injection by non-controlling interests		**980**	—
Capital element of lease rentals paid	24(c)	**(339,474)**	(305,467)
Interest element of lease rentals paid	24(c)	**(74,307)**	(90,556)
Interest paid	24(c)	**(1,103,371)**	(990,970)
Distribution to the holders of perpetual bonds	31	**(67,769)**	—
Increase of pledged bank deposits for bank loans	23	**(589,752)**	(1,467,633)
(Payments for)/proceeds from settlement of derivative financial instruments, net effect		**(22,918)**	306,133
Net cash generated from/(used in) financing activities		**767,076**	(936,375)
Net increase in cash and cash equivalents		**10,380**	521,388
Cash and cash equivalents at the beginning of the year		**734,086**	208,771
Effect of foreign exchange rate changes		**389**	3,927
Cash and cash equivalents at the end of the year	24(a)	**744,855**	734,086

The notes on pages 67 to 163 form part of these financial statements.

1 GENERAL INFORMATION

China ZhengTong Auto Services Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 9 July 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in 4S dealership business, supply chain business and comprehensive properties business in the People's Republic of China (the "**PRC**").

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

These consolidated financial statements are presented in Renminbi ("**RMB**") which is the Group's presentation currency, rounded to the nearest thousand, except for where otherwise stated.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for certain financial instruments are stated at fair value as explained in the accounting policies set out below.

— other investments in securities (see note 2(g)); and

— derivative financial instruments (see note 2(h)).

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

The Group incurred a net loss of RMB820 million for the year ended 31 December 2023 and had net current liabilities of RMB8,218 million as at 31 December 2023. The Group's liabilities included a sum of short-term and long-term loans and borrowings due to Xiamen ITG Holding Group Co., Ltd. ("**ITG Holding**") and its subsidiaries of RMB2,177 million and RMB2,035 million, respectively. Notwithstanding these conditions, the Company's consolidated financial statements for the year ended 31 December 2023 have been prepared on a going concern basis and the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because, based on the cash flow projections for at least the next twelve months, the directors of the Company concluded that the Group will have adequate funds having considered the current available banking facilities as well as the financial support from ITG Holding, which has informed the Group that, on the basis that in compliant with regulatory regime applicable to state owned enterprises and after obtaining internal resolutions and approvals, it will provide such financial support to the Group as is necessary to enable the Group to continue operation as a going concern for at least the next twelve months.

(c) Changes in accounting policies

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except the amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*, none of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this consolidated financial statements. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

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

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

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the note 29, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

(d) Subsidiaries and non-controlling interests

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

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

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

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

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see note 2(m)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Associates and joint ventures

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

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

When the Group's share of losses exceeds its interest in the associates or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(m)(i)).

2 MATERIAL ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

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

In all other cases, when the Group ceases to have significant influence over an associate or a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 2(m)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(f) Goodwill

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

(g) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and a joint venture, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(x)(ii)(c)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Other investments in securities (Continued)

(i) Non-equity investments (Continued)

— fair value through other comprehensive income ("**FVOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings, and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income(see note 2(x)(ii)(b)).

(h) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

(i) Investment properties

Investment properties are measured at cost less accumulated depreciation and impairment losses (see note 2(m)(iii)). Cost includes expenditure that is directly attributable to the acquisition of the investment property. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 30 to 40 years. Depreciation methods, useful lives and residual values are re-assessed at the end of each reporting period and adjusted if appropriate.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(m)).

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

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

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

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

— Buildings situated on leasehold land	Over the shorter of the unexpired term of lease and their estimated useful lives, being 30–40 years after the date of completion
— Leasehold improvements	Over the shorter of the unexpired term of the lease and 5 years
— Plant and machinery	10 years
— Motor vehicles	5 years
— Office equipment and furniture	5 years

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

Construction in progress is stated at cost less impairment losses (see note 2(m)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are completed.

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

— Car dealerships	40 years
— Dealership operation rights	10 years
— Favourable lease contracts	Over the unexpired term of lease, being 1–10 years
— Software	5 years
— Trademark	Indefinite

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(l) Leased assets

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

(i) As a lessee

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

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(l) Leased assets (Continued)

(i) As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(j) and 2(m)(iii)).

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

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

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

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(l)(i), then the Group classifies the sub-lease as an operating lease.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on:

— financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, time deposits, trade and bills receivables, and deposits and other receivables and long-term receivables); and

— lease receivables

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade and bills receivables, deposits and long-term receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and lease receivables (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor;

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group;

— significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; and

— significant increases in credit risk on other financial instruments of the same debtor.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and lease receivables (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued (Continued)

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(iv) Interim financial reporting and impairment

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

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

(n) Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

— 4S dealership business

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

— Property development

Cost of properties comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(aa)) and any other costs incurred in bringing the properties to their present location and condition. In the case of properties developed by the Group which comprise of multiple units to be sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit.

Net realisable value represents the estimated selling price less any estimated costs of completion and costs to be incurred in selling the property

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(o) Contract liabilities

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

(p) Trade and other receivables

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

All receivables are stated at amortised cost (see note 2(m)(i)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 2(m)(i)).

(r) Trade and other payables

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

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(aa).

(t) Perpetual bonds

Perpetual bonds do not have a maturity date and coupon payment is optional at the discretion of the Group. As the Group does not have a contractual obligation to repay the principal nor make any distributions, perpetual bonds are classified as equity.

Any distributions made to perpetual bond holders are treated as dividends and directly debited from equity. Incremental costs directly attributable to the issue of the perpetual bonds are deducted against the proceeds from the issue.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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

(ii) Share-based payments

The fair values of the selected current employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the granted share measured as of the grant date less the proceeds received from the employees, and records in the capital reserve until each unlocking date.

During the vesting period, the number of restricted shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of restricted share that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's share. The equity amount is recognised in the capital reserve until the restricted share is released (when it is included in the amount recognised in share capital for the share issued) or restricted share expires or is forfeited or cancelled (when it is released directly to retained earnings) after the end of vesting period.

Share-based payment transactions in which the Company grants shares to its subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(v) Income tax

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

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

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(w) Provisions and contingent liabilities

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

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

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(m)(iii)).

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

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

(x) Revenue and other income

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

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of motor vehicles that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(x) Revenue and other income (Continued)

(i) Revenue from contracts with customers (Continued)

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

(a) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised upon delivery of motor vehicles when the customer takes possession of and accepts the motor vehicles. Revenue excludes value added tax and is after deduction of any trade discounts.

(b) After-sales services — sales of motor spare parts

Revenue arising from the sale of motor spare parts is recognised when the customer takes possession of and accepts the spare parts.

(c) After-sales services — maintenance services income

Revenue arising from maintenance services is recognised when the relevant service is rendered without further performance obligations.

(d) Logistics services income and other related services income

Revenue arising from logistics services and other related services are recognised when the service is rendered to customers.

(e) Sales of lubricant oil

Revenue arising from the sales of lubricant oil is recognised when lubricant oil is delivered at the customers' premises.

(f) Service income from financial services — consulting services

Revenue arising from consulting services is recognised when the customer has accepted the loan consulting services.

In general, revenue from logistics services and other related services are recognised over-time upon fulfilment of services obligation, whereas revenue from sales of motor vehicles, motor spare parts, lubricant oil, and provision of maintenance and consulting services are recognised at a point in time.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(x) Revenue and other income (Continued)

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(b) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(c) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 MATERIAL ACCOUNTING POLICIES (Continued)

(y) Vendor rebates

Incentive rebates provided by vendors are recognised on an accrual basis based on the expected entitlement earned up to the reporting date pursuant to each relevant supplier contract.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

(z) Translation of foreign currencies

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

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

The assets and liabilities of foreign operations are translated into Renminbi at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Renminbi at the exchange rates at the dates of the transactions.

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

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(aa) Borrowing costs

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

2 MATERIAL ACCOUNTING POLICIES (Continued)

(bb) Related parties

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

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

(ii) has significant influence over the Group, or

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

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

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

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

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

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

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

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

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

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

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

(cc) Segment reporting

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

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

3 REVENUE

The Group is mainly engaged in sales of passenger motor vehicles, provision of after-sales services, provision of logistics services and sales of lubricant oil. Revenue represents the sales of goods and services income rendered to customers.

(i) Disaggregation of revenue

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

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of passenger motor vehicles	**20,224,295**	18,844,892
Provision of after-sales services	**3,240,248**	3,081,406
Provision of logistics services	**435,120**	472,588
Sales of lubricant oil	**232,282**	207,089
	24,131,945	22,605,975
Revenue from other sources		
Others	**30**	815
	24,131,975	22,606,790

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

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

4 OTHER INCOME

	Note	For the year ended 31 December 2023 RMB'000	2022 RMB'000
Service income		**1,014,471**	633,895
Interest income		**57,273**	37,443
Net gain on disposal of property, plant and equipment and right-of-use assets		**67,976**	118,095
Dividend income	22(iv)	**39,538**	—
Fair value change related to interest in Dongfeng Logistics	22(iv)	**(115,919)**	424,271
Realised/unrealised gain of other financial instruments		**45,586**	242,654
Remeasurement gain due to loss of control over a subsidiary	18	**23,388**	—
Gross rentals from investment properties	12	**29,386**	15,787
Compensation income		**54,509**	—
Others		**110,818**	34,171
		1,327,026	1,506,316

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

		Note	For the year ended 31 December 2023 RMB'000	2022 RMB'000
(a)	**Finance costs:**			
	Interest on loans and borrowings and bonds payable		**1,031,600**	957,414
	Interest on lease liabilities		**74,307**	90,556
	Finance costs for consideration of business combination		**—**	9,083
	Other finance costs	(i)	**29,133**	22,852
	Less: Interest capitalised*		**(80,739)**	(72,907)
			1,054,301	1,006,998

* The borrowing costs have been capitalised at a rate of 5.2%–5.8% per annum (2022: 5.7%–5.8%).

5 LOSS BEFORE TAXATION (Continued)

		Note	For the year ended 31 December 2023 RMB'000	2022 RMB'000
(b)	**Staff costs:**			
	Salaries, wages and other benefits		**899,648**	924,812
	Contributions to defined contribution retirement plans	(ii)	**55,020**	58,640
	Equity settled share-based transactions	28	**1,082**	1,867
			955,750	985,319

(i) It mainly represents the interest expenses arising from discounting of bills payable.

(ii) Employees of the Group's PRC subsidiaries are required to participate in defined contribution retirement schemes administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal government to the schemes to fund the retirement benefits of the employees. The Group remits all pension fund contributions to the respective tax bureau, which are responsible for the payment and liabilities relating to the pension funds.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Company's and its subsidiaries' contributions made to the above defined contribution schemes are non-refundable and cannot be used to reduce the future or existing level of contribution of the Company and its subsidiaries should any forfeiture be resulted from the Schemes.

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

		For the year ended 31 December 2023 RMB'000	2022 RMB'000
(c)	**Other items:**		
	Cost of inventories (note 19(b))	**22,558,926**	20,454,963
	Depreciation		
	— owned property, plant and equipment	**336,860**	306,469
	— right-of-use assets	**321,757**	342,546
	— investment properties	**20,103**	3,955
	Amortisation of intangible assets	**165,036**	160,999
	Operating lease charges	**7,349**	6,878
	Net foreign exchange loss	**100,474**	398,206
	Reversal of impairment losses on		
	— intangible assets	**—**	(232,426)
	— property, plant and equipment	**—**	(21,239)
	Auditors' remuneration of audit service	**9,800**	9,800

6 INCOME TAX

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

	For the year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Current tax:		
Provision for income tax for the year	**37,303**	73,849
Deferred tax:		
Origination and reversal of temporary differences (note 29)	**(103,423)**	93,230
	(66,120)	167,079

Reconciliation between income tax and accounting loss at applicable tax rates:

		For the year ended 31 December	
	Note	**2023** **RMB'000**	2022 RMB'000
Loss before taxation		**(886,600)**	(130,342)
Notional tax on loss before taxation, calculated at PRC income tax rate of 25%		**(221,650)**	(32,586)
Non-deductible expenses, net of non-taxable income		**114,985**	185,961
Unused tax losses not recognised		**68,727**	24,468
Effect on deferred tax reversal due to changes in income tax rate applicable to a subsidiary	(iii)	**(28,307)**	—
Share of loss/(profits) recognised under the equity method		**125**	(10,764)
Income tax		**(66,120)**	167,079

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

(ii) No provision for Hong Kong Profits Tax was made for the subsidiaries located in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the year.

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% (2022: 25%), except for Shengze Jietong Supply Chain Co.,Ltd. ("**Shengze Jietong**"), an automotive logistics supplier in the PRC. Shengze Jietong is subject to a preferential rate of 15% for high-tech enterprises for three years commenced from 2023.

Taxation for the Group's PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable.

(iv) Under the CIT law and its relevant regulations, capital gains and dividends receivable on investment by non-PRC resident enterprises from PRC resident enterprises for earnings beginning on 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements.

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

Year ended 31 December 2023

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman					
Wang Mingcheng*	—	960	729	39	1,728
Executive directors					
Li Zhihuang*	—	—	—	—	—
Zeng Tingyi* (i)	—	—	—	—	—
Huang Junfeng* (ii)	—	—	—	—	—
Independent non-executive directors					
Wong Tin Yau, Kelvin	297	—	—	—	297
Cao Tong	264	—	—	—	264
Wong Tantan	297	—	—	—	297
Chief executive					
Chen Hong	—	900	472	39	1,411
	858	1,860	1,201	78	3,997

Year ended 31 December 2022

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman					
Wang Mingcheng	—	880	—	38	918
Executive directors					
Li Zhihuang	—	—	—	—	—
Zeng Tingyi	—	—	—	—	—
Independent non-executive directors					
Wong Tin Yau, Kelvin	295	—	—	—	295
Cao Tong	264	—	—	—	264
Wong Tantan	295	—	—	—	295
Chief executive					
Chen Hong	—	689	—	32	721
	854	1,569	—	70	2,493

* During the year ended 31 December 2023, Mr. Wang Mingcheng, Mr. Li Zhihuang, Mr. Zeng Tingyi and Mr. Huang Junfeng, the executive directors of the Company, waived the director's fee.

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(i) On 31 July 2023, Mr. Zeng Tingyi resigned as executive director of the Company, effective from 31 July 2023.

(ii) On 31 July 2023, Mr. Huang Junfeng was nominated as executive director of the Company, effective from 31 July 2023.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2022: two) are director and chief executive, respectively, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2022: three) individuals are as follows:

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and allowances	**1,920**	2,055
Discretionary bonuses	**1,499**	—
Retirement scheme contributions	**154**	37
	3,573	2,092

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

	2023 Number of individuals	2022 Number of individuals
RMB		
Nil–1,000,000	**—**	2
1,000,001–1,500,000	**3**	1

9 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2023 was based on the loss attributable to ordinary shareholders of the Company of RMB890,990,000 (2022: loss attributable to ordinary shareholders of the Company of RMB296,285,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2023 of 2,792,629,543 (2022: 2,720,254,036), calculated as follows:

Weighted average number of ordinary shares:

	For the year ended 31 December	
	2023	2022
Issued ordinary shares at 1 January	**2,722,942,420**	2,716,922,420
Effect of placing of new shares under general mandate	**66,820,384**	—
Effect of restricted shares vested to employees	**2,866,739**	3,331,616
Weighted average number of ordinary shares at 31 December	**2,792,629,543**	2,720,254,036
Basic loss per share (RMB cents)	**(31.9)**	(10.9)

The potential ordinary shares in respect of vesting of restricted shares on 12 June 2023 and the remaining unvested restricted shares pursuant to the Share Award Scheme was anti-dilutive, as they would lead to a decline in the loss per share. Therefore, diluted loss per share is equal to basic loss per share.

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three major operating segments:

(1) 4S dealership business

4S dealership business mainly includes sales of motor vehicles and after-sales services through the Group's network of 4S dealerships in the PRC.

(2) Supply chain business

Supply chain business mainly includes provision of motor-related logistics services and trading of lubricant oil.

(3) Comprehensive properties business

Comprehensive properties business mainly includes development and sales of properties in the PRC.

10 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

— Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

— The measure used for reporting segment profit is profit before taxation. To arrive at profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as head office and corporate administration costs, other revenue, other income and finance costs.

— Segment assets include all current and non-current assets with the exception of intangible assets, goodwill, deferred tax assets and unallocated head office assets. Segment liabilities include all current and non-current liabilities with the exception of income tax payables, deferred tax liabilities and unallocated head office liabilities.

— In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue, loans and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

	4S dealership business		Supply chain business		Comprehensive properties business		Total	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Revenue from external customers	**23,464,573**	21,927,113	**667,402**	679,677	**–**	–	**24,131,975**	22,606,790
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**23,464,573**	21,927,113	**667,402**	679,677	**–**	–	**24,131,975**	22,606,790
Reportable segment (loss)/profit	**(1,012,047)**	(330,867)	**8,056**	29,999	**–**	–	**(1,003,991)**	(300,868)
Reversal of impairment losses of intangible assets	**–**	232,426	**–**	–	**–**	–	**–**	232,426
Depreciation and amortisation for the year	**809,594**	782,911	**34,162**	31,058	**–**	–	**843,756**	813,969
Reportable segment assets	**16,790,498**	15,497,623	**718,024**	592,869	**753,654**	682,187	**18,262,176**	16,772,679
Additions to non-current segment assets during the year	**1,486,646**	845,831	**300,494**	200,554	**–**	–	**1,787,140**	1,046,385
Reportable segment liabilities	**(20,581,683)**	(20,027,854)	**(325,811)**	(221,904)	**(753,654)**	(682,187)	**(21,661,148)**	(20,931,945)
Interests in associates and a joint venture	**15,191**	15,341	**26,798**	–	**–**	–	**41,989**	15,341

10 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment

	For the year ended 31 December	
	2023 RMB'000	2022 RMB'000
Reportable segment loss	(1,003,991)	(300,868)
Unallocated head office expenses	(155,334)	(561,218)
Other income	1,327,026	1,485,077
Finance costs	(1,054,301)	(1,006,998)
Reversal of impairment loss on fixed assets	—	21,239
Reversal of impairment loss on intangible assets	—	232,426
Consolidated loss before taxation	(886,600)	(130,342)

	At 31 December	
	2023 RMB'000	2022 RMB'000
Assets:		
Reportable segment assets	18,262,176	16,772,679
Intangible assets	2,540,361	2,705,072
Goodwill	566,736	566,736
Deferred tax assets	758,013	673,051
Unallocated head office assets	7,387,515	7,015,221
Consolidated total assets	29,514,801	27,732,759
Liabilities:		
Reportable segment liabilities	(21,661,148)	(20,931,945)
Income tax payables	(391,173)	(394,662)
Deferred tax liabilities	(970,800)	(989,261)
Unallocated head office liabilities	(5,204,620)	(5,192,447)
Consolidated total liabilities	(28,227,741)	(27,508,315)

(c) Geographic information

As the Group solely operates in the PRC, no geographical segment information has been presented.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2022	4,667,547	94,048	612,269	485,834	363,033	1,768,219	7,990,950
Additions	—	—	22,057	206,386	21,138	609,783	859,364
Transfer among items under property, plant and equipment	179,697	122	—	—	—	(179,819)	—
Transfer to properties under development for sale (note 11(c))	—	—	—	—	—	(69,046)	(69,046)
Transfer to investment properties	(216,986)	—	—	—	—	—	(216,986)
Transfer from investment properties	19,463	—	—	—	—	15,380	34,843
Disposals	(239,887)	—	(209,235)	(316,778)	(65,051)	—	(830,951)
At 31 December 2022, and 1 January 2023	4,409,834	94,170	425,091	375,442	319,120	2,144,517	7,768,174
Additions	26,434	22,419	8,758	386,604	69,568	495,370	1,009,153
Transfer among items under property, plant and equipment	250,357	—	1,515	—	—	(251,872)	—
Transfer to properties under development for sale (note 11(c))	—	—	—	—	—	(18,554)	(18,554)
Transfer to investment properties	(125,174)	—	—	—	—	—	(125,174)
Disposals	(51,136)	—	(64,976)	(378,568)	(54,376)	—	(549,056)
At 31 December 2023	4,510,315	116,589	370,388	383,478	334,312	2,369,461	8,084,543
Accumulated depreciation:							
At 1 January 2022	873,160	87,849	362,498	180,694	311,753	—	1,815,954
Charge for the year	136,311	863	45,824	98,087	25,384	—	306,469
Transfer to investment properties	(37,825)	—	—	—	—	—	(37,825)
Transfer from investment properties	11,453	—	—	—	—	—	11,453
Written-back on disposals	(64,785)	—	(84,269)	(105,602)	(57,504)	—	(312,160)
At 31 December 2022, and 1 January 2023	918,314	88,712	324,053	173,179	279,633	—	1,783,891
Charge for the year	158,187	5,337	47,795	92,911	32,630	—	336,860
Transfer to investment properties	(57,970)	—	—	—	—	—	(57,970)
Written-back on disposals	(33,683)	—	(48,387)	(129,925)	(49,122)	—	(261,117)
At 31 December 2023	984,848	94,049	323,461	136,165	263,141	—	1,801,664
Accumulated impairment losses:							
At 1 January 2022	486,136	—	—	—	—	—	486,136
Reversal of impairment losses	(21,239)	—	—	—	—	—	(21,239)
Written-back on disposals	(246,920)	—	—	—	—	—	(246,920)
At 31 December 2022, and 1 January 2023	217,977	—	—	—	—	—	217,977
Written-back on disposals	(11,052)	—	—	—	—	—	(11,052)
At 31 December 2023	206,925	—	—	—	—	—	206,925
Net book value:							
At 31 December 2023	3,318,542	22,540	46,927	247,313	71,171	2,369,461	6,075,954
At 31 December 2022	3,273,543	5,458	101,038	202,263	39,487	2,144,517	5,766,306

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group's buildings are located in the PRC. The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB120,365,000 as at 31 December 2023 (2022: RMB193,864,000). Notwithstanding this, the directors of the Company are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2023.

(b) Property, plant and equipment with carrying amount of RMB1,020,397,000 (2022: RMB730,344,000) are pledged for bank loans (note 25) as at 31 December 2023.

(c) To fully utilise the potential value of the land use rights held by the Group's subsidiaries engaged in 4S dealership business, the Group commenced construction of comprehensive property projects since 2019. The Group obtained pre-sale permits for two service apartments projects in December 2019 and for one service apartments project in May 2020. During the year ended 31 December 2023, construction in progress of RMB18,554,000 (2022: RMB69,046,000), related to such service apartments, were transferred to properties under development for sale.

12 INVESTMENT PROPERTIES

	RMB'000
Cost:	
At 1 January 2022	143,539
Transfer out from property, plant and equipment and right-of-use assets	267,406
Transfer out to property, plant and equipment and right-of-use assets	(42,682)
At 31 December 2022, and 1 January 2023	**368,263**
Transfer out from property, plant and equipment and right-of-use assets	**249,418**
At 31 December 2023	**617,681**
Accumulated depreciation:	
At 1 January 2022	27,908
Charge for the year	3,955
Transfer out from property, plant and equipment and right-of-use assets	48,245
Transfer out to property, plant and equipment and right-of-use assets	(15,438)
At 31 December 2022, and 1 January 2023	**64,670**
Charge for the year	**20,103**
Transfer out from property, plant and equipment and right-of-use assets	**101,398**
At 31 December 2023	**186,171**
Net book value:	
At 31 December 2023	**431,510**
At 31 December 2022	303,593

Investment properties comprise land use rights and buildings located in Mainland China that are leased to third parties. The Group leases out investment properties under operating leases. The leases carry rentals determined based on the lease contract with third parties for a period of typically 5 to 12 years. The aggregate fair value of the investment properties was approximately RMB701,610,000 as at 31 December 2023, which was based on the valuation performed by an independent professionally qualified valuer, on an open market, existing use basis.

During the year ended 31 December 2023, rental income of RMB29,386,000 (2022: RMB15,787,000) were recognised as "Other income" in the consolidated statement of profit or loss.

12 INVESTMENT PROPERTIES (Continued)

Undiscounted lease payments under non-cancellable operating lease contracts in place at the reporting date will be receivable by the Group in future periods as follows:

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	**32,267**	14,885
After 1 year but within 5 years	**130,117**	62,912
After 5 years	**118,972**	54,093
	281,356	131,890

13 RIGHT-OF-USE ASSETS

	Land use rights carried at cost (i) RMB'000	**Properties and land leased for own use carried at cost (ii)** RMB'000	**Total** RMB'000
Cost:			
At 1 January 2022	1,791,095	2,201,102	3,992,197
Additions	—	185,110	185,110
Disposals	—	(195,786)	(195,786)
Transfer to investment properties	(50,420)	—	(50,420)
Transfer from investment properties	7,839	—	7,839
At 31 December 2022, and 1 January 2023	**1,748,514**	**2,190,426**	**3,938,940**
Additions	**—**	**434,885**	**434,885**
Disposals	**—**	**(507,274)**	**(507,274)**
Transfer to investment properties	**(124,244)**	**—**	**(124,244)**
At 31 December 2023	**1,624,270**	**2,118,037**	**3,742,307**
Accumulated depreciation:			
At 1 January 2022	241,018	835,367	1,076,385
Charge for the year	42,896	299,650	342,546
Written-back on disposals	—	(80,141)	(80,141)
Transfer to investment properties	(10,420)	—	(10,420)
Transfer from investment properties	3,985	—	3,985
At 31 December 2022, and 1 January 2023	**277,479**	**1,054,876**	**1,332,355**
Charge for the year	**37,557**	**284,200**	**321,757**
Written-back on disposals	**—**	**(356,232)**	**(356,232)**
Transfer to investment properties	**(43,428)**	**—**	**(43,428)**
At 31 December 2023	**271,608**	**982,844**	**1,254,452**
Net book Value:			
At 31 December 2023	**1,352,662**	**1,135,193**	**2,487,855**
At 31 December 2022	1,471,035	1,135,550	2,606,585

13 RIGHT-OF-USE ASSETS (Continued)

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights (i)	**37,557**	42,896
Properties and land leased for own use (ii)	**284,200**	299,650
	321,757	342,546
Interest on lease liabilities (note 5(a))	**74,307**	90,556
Expense relating to short-term leases (note 5(c))	**7,349**	6,878
COVID-19-related rent concessions received in a form of a discount on fixed lease payments	**—**	(1,806)

(i) Land use rights

Land in respect of land use rights are all located in the PRC with a lease period of 23 to 50 years when granted.

Land use rights with net book value of RMB681,328,000 are pledged as security for bank loans (note 25) as at 31 December 2023 (2022: RMB406,110,000).

(ii) Properties and land leased for own use

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

None of the leases include an option to renew the lease, or an option to purchase the leased properties and land use rights at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

14 INTANGIBLE ASSETS

	Car dealerships & Dealership operation rights RMB'000	Favourable lease contracts RMB'000	Trademark RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
Cost:						
At 1 January 2022	4,848,553	36,904	362,732	26,284	363	5,274,836
Additions	—	—	—	1,911	—	1,911
At 31 December 2022, and 1 January 2023	**4,848,553**	**36,904**	**362,732**	**28,195**	**363**	**5,276,747**
Additions	**—**	**—**	**—**	**325**	**—**	**325**
Disposal	**—**	**—**	**—**	**(896)**	**—**	**(896)**
At 31 December 2023	**4,848,553**	**36,904**	**362,732**	**27,624**	**363**	**5,276,176**
Accumulated amortisation:						
At 1 January 2022	1,383,979	36,887	—	11,252	—	1,432,118
Additions	154,305	11	—	6,683	—	160,999
At 31 December 2022, and 1 January 2023	**1,538,284**	**36,898**	**—**	**17,935**	**—**	**1,593,117**
Additions	**158,244**	**6**	**—**	**6,786**	**—**	**165,036**
Disposal	**—**	**—**	**—**	**(896)**	**—**	**(896)**
At 31 December 2023	**1,696,528**	**36,904**	**—**	**23,825**	**—**	**1,757,257**
Accumulated impairment losses						
At 1 January 2022	1,065,357	—	145,627	—	—	1,210,984
Reversal of impairment losses	(232,426)	—	—	—	—	(232,426)
At 31 December 2022, 1 January 2023 and 31 December 2023	**832,931**	**—**	**145,627**	**—**	**—**	**978,558**
Net book Value:						
At 31 December 2023	**2,319,094**	**—**	**217,105**	**3,799**	**363**	**2,540,361**
At 31 December 2022	2,477,338	6	217,105	10,260	363	2,705,072

The car dealerships arise from prior business combinations and relate to relationships with automakers, with an estimated useful life of 40 years. The fair value of the car dealerships as at the respective acquisition date was determined by using the multiple excess earning method.

The dealership operation rights arise from a prior business combination through an agreement on strategic operation management cooperation scheme, with an estimated useful life of 10 years. The fair value of the dealership operation rights as at the acquisition date was determined by using the multiple excess earning method.

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss.

14 INTANGIBLE ASSETS (Continued)

Impairment testing of intangible assets— car dealerships and goodwill

Having considered the impacts of macroeconomic environment changes, the intense competition in automobile dealership industry and the recent development in customer demand observed in automobile sector, the management of the Group performed an impairment assessment, assisted by an external valuer, to determine the recoverable amount of the cash generating units (CGUs) containing intangible assets — car dealerships and/or goodwill as at 31 December 2023. No impairment loss of intangible assets — car dealerships or goodwill was recognised during the year ended 31 December 2023.

The recoverable amounts of CGUs have been determined based on the value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated by using an estimated growth rate of 3% (2022: 3%) which is consistent with the forecasts included in industry reports. The pre-tax discount rates applied to the cash flow projections beyond the one-year period are with a range from 13% to 15% (2022: from 12% to 15%).

Key assumptions used in the value-in-use calculation for CGUs containing intangible assets — car dealerships and/or goodwill

Key assumptions used in the value in use calculations include: (i) annual revenue growth rates during the forecast period, (ii) gross profit margin, (iii) working capital as a percentage of revenue and (iv) discount rates.

The key inputs and assumptions used in the impairment test for the year of 2023 and 2022 are listed as follows:

As at 31 December 2023

Inputs	2024	2025	2026~2028
Annual Revenue Growth Rate	**1.5%~24.3%**	**2.7%~27.8%**	**2.7%~44.3%**
Gross Profit Margin	**3.1%~12.0%**	**5.9%~13.8%**	
Working Capital as a % of Revenue	**-22.4%~15.7%**	**-21.6%~19.2%**	

As at 31 December 2022

Inputs	2023	2024	2025~2027
Annual Revenue Growth Rate	3.0%~46.4%	3.0%~48.9%	3.0%~30.0%
Gross Profit Margin	5.1%~13.0%	5.2%~14.0%	
Working Capital as a % of Revenue	-11.4%~7.4%	—11.4%~14.2%	

14 INTANGIBLE ASSETS (Continued)

Key assumptions used in the value-in-use calculation for CGUs containing intangible assets — car dealerships and/or goodwill (Continued)

The key assumptions are estimated by the management with reference to actual and historical financial performance, expected market growth trend for different brands based on open market data and the trend estimation for repositioned stores:

— The estimated revenue growth rates for 2024 through 2028 were based on historical performance of each store and reflected the recent development in customer demand observed in automobile sector.

— Gross profit margin was mainly estimated based on the historical performance of each store, the intense competition in automobile dealership industry and took into consideration of mix for different revenue categories like new car sales and after-sale services.

— Working capital as percentage of revenue was estimated by calculation based on historical trend of turnover days of different balance sheet items or expense to revenue ratios of different profit or loss items, which is generally in line with years comparable to the forecast periods.

The pre-tax discount rate applied to the impairment test was within a range from 13% to 15% (2022: 12% to 15%) which reflected current market assessment of the time value of money and the risk specific to CGUs.

There have been no changes in the valuation methods used compared with those adopted in the year ended 31 December 2022.

Intangible assets — trademark

The trademark, arising from the acquisition of Top Globe Limited, has an indefinite useful life because it is expected to contribute net cash inflows to the Group indefinitely. The fair value of the trademark as at the acquisition date was determined by using the relief from royalty method.

Management engaged an external valuer to assist with an impairment assessment on the carrying amount of the trademark. No impairment of trademark was recognised for the year ended 31 December 2023 (2022: Nil).

15 GOODWILL

	RMB'000
Cost:	
At 1 January 2022, 31 December 2022 and 31 December 2023	2,006,335
Accumulated impairment losses:	
At 1 January 2022, 31 December 2022 and 31 December 2023	1,439,599
Carrying amount:	
At 31 December 2022 and 31 December 2023	**566,736**

Goodwill is allocated to the Group's CGUs identified according to the operating segments as follows:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
4S dealership business	**566,736**	566,736

No impairment loss of goodwill was recognised during the year ended 31 December 2023 (note 14).

16 INTERESTS IN SUBSIDIARIES

As of 31 December 2023, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Big Glory International Limited (浩榮國際有限公司)	(iii)	British Virgin Islands ("**BVI**") 22 June 2006 Private limited company	US$100	100%	–	Investment holding
Top Globe Limited (同方有限公司)	(iii)	British Virgin Islands ("**BVI**") 27 August 2007 Private limited company	US$100	100%	–	Investment holding
Acme Joy Group Limited	(iii)	British Virgin Islands ("**BVI**") 28 April 2011 Limited liability company	US$50,000	–	100%	Investment holding
Chang Jun Limited (昌駿有限公司)	(iii)	British Virgin Islands ("**BVI**") 16 June 2011 Limited company	US$100	–	100%	Investment holding
Silver Journey Global Limited	(iii)	British Virgin Islands ("**BVI**") 6 July 2011 Limited liability company	US$50,000	–	100%	Investment holding

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hong Kong Nettime Investment Co., Ltd. (香港強時投資有限公司)	(iii)	British Virgin Islands ("**BVI**") 03 December 2018 Limited liability company	US$1	–	100%	Investment holding
Rising Wave Development Limited (升濤發展有限公司)	(iii)	Hong Kong 21 April 2006 Private limited company	HK$100	–	100%	Investment holding
Hong Kong Newspeed Technology Co., Ltd. (香港祥馳科技有限公司)	(iii)	Hong Kong 18 December 2018 Limited liability company	HK$1	–	100%	Investment holding
Wealth Fame Holdings Limited (佳名集團有限公司)	(iii)	Hong Kong 19 July 2007 Private limited company	HK$1	–	100%	Investment holding
Tongda Group (China) Co., Ltd. (通達集團(中國)有限公司)	(iii)	Hong Kong 10 November 2008 Limited liability company	HK$10,000	–	100%	Investment holding
Wuhan Zhengtong United Industrial Investment Group Co., Ltd. (武漢正通聯合實業投資集團有限公司)	(iv)	The PRC 22 November 2002 Limited liability company	RMB1,410,000,000	–	100%	Investment holding
Shanghai Shenxie Automobile Trading Co., Ltd. (上海紳協汽車貿易有限公司)		The PRC 21 April 1999 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Hubei Dingjie Automobile Sales Services Co., Ltd. (湖北鼎杰汽車銷售服務有限公司)		The PRC 12 December 2002 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
Inner Mongolia Dingjie Automobile Trading Co., Ltd. (內蒙古鼎杰汽車貿易有限公司)		The PRC 23 January 2003 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Hubei Bocheng Automobile Sales Services Co., Ltd. (湖北博誠汽車銷售服務有限公司)		The PRC 30 May 2003 Limited liability company	RMB20,000,000	–	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wuhan Kaitai Automobile Sales Services Co., Ltd. (武漢開泰汽車銷售服務有限公司)		The PRC 20 October 2003 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Hubei Xinrui Automobile Sales Services Co., Ltd. (湖北欣瑞汽車銷售服務有限公司)		The PRC 18 March 2004 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Wuhan Baoze Automobile Sales Services Co., Ltd. (武漢寶澤汽車銷售服務有限公司)		The PRC 26 May 2004 Limited liability company	RMB70,000,000	—	100%	Automobile dealership
Inner Mongolia Dingze Automobile Sales Services Co., Ltd. (內蒙古鼎澤汽車銷售服務有限公司)		The PRC 27 October 2009 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Shantou Hongxiang Materials Co., Ltd. (汕頭市宏祥物資有限公司)		The PRC 12 July 2000 Limited liability company	RMB5,000,000	—	100%	Automobile dealership
Zhengzhou Dingwo Automobile Sales Services Co., Ltd. (鄭州鼎沃汽車銷售服務有限公司)		The PRC 3 June 2010 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
ZhengTong Automobile Investment Holding(Wuhan) Co., Ltd. (正通汽車投資控股(武漢)有限公司)	(i)	The PRC 29 March 2011 Limited liability company	RMB600,000,000	—	100%	Investment holding
Chengdu Qibao Automobile Sales Services Co., Ltd. (成都祺寶汽車銷售服務有限公司)		The PRC 13 July 2011 Limited liability company	RMB210,000,000	—	100%	Automobile dealership
Qingyuan SCAS Hezhong Automobile Sales Services Co., Ltd. (清遠南方合眾汽車銷售服務有限公司)		The PRC 31 December 2009 Limited liability company	RMB20,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Goldrich Holdings Limited (啟富集團有限公司)		Hong Kong 16 January 2014 Private limited company	HK$1	—	100%	Investment holding
Beijing Zhengtong Baozehang Automobile Sales Services Co., Ltd. (北京正通寶澤行汽車銷售有限公司)		The PRC 7 January 2014 Limited liability company	RMB80,000,000	—	100%	Automobile dealership
Wuhan Luze Automobile Sales Services Co., Ltd. (武漢路澤汽車銷售服務有限公司)		The PRC 6 January 2014 Limited liability company	RMB78,000,000	—	100%	Automobile dealership
Shenzhen Dingwo Automobile Sales Services Co., Ltd. (深圳鼎沃汽車銷售服務有限公司)		The PRC 3 September 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Yiwu Xinhui Automobile Sales Service Co., Ltd. (義烏市新徽汽車銷售服務有限公司)		The PRC 17 December 2015 Limited liability company	RMB60,000,000	—	100%	Automobile dealership
Shenzhen Chance Cloud Technology Co., Ltd. (深圳強時科技有限公司)		The PRC 11 February 2019 Limited liability company	RMB10,000,000	—	100%	Investment holding
Shanghai Qize Automobile Sales Services Co., Ltd. (上海旗澤汽車銷售服務有限公司)		The PRC 30 September 2017 Limited liability company	RMB20,000,000	—	100%	Automobile dealership
Jieyang Baotaihang Automobile Sales Services Co., Ltd. (揭陽寶泰行汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB20,000,000	—	100%	Automobile dealership
Dalian Hengyuehang Automobile Sales Services Co., Ltd. (大連恒悦行汽車銷售服務有限公司)		The PRC 09 April 2018 Limited liability company	RMB50,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Foshan Baoyunhang Automobile Sales Services Co., Ltd. (佛山寶運行汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Shiyan Shenxie Automobile Trading Co., Ltd. (十堰紳協汽車貿易有限公司)		The PRC 18 June 2004 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Shanghai Luda Automobile Sales Services Co., Ltd. (上海陸達汽車銷售服務有限公司)		The PRC 8 November 2004 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Changsha Ruibao Automobile Sales Services Co., Ltd. (長沙瑞寶汽車銷售服務有限公司)		The PRC 21 June 2005 Limited liability company	RMB20,000,000	—	100%	Automobile dealership
Hubei Jierui Automobile Sales Services Co., Ltd. (湖北捷瑞汽車銷售服務有限公司)		The PRC 24 June 2005 Limited liability company	RMB22,000,000	—	100%	Automobile dealership
Huhhot Qibao Automobile Sales Services Co., Ltd. (呼和浩特市祺寶汽車銷售服務有限公司)		The PRC 23 February 2006 Limited liability company	RMB18,000,000	—	100%	Automobile dealership
Yichang Baoze Automobile Sales Services Co., Ltd. (宜昌寶澤汽車銷售服務有限公司)		The PRC 13 June 2006 Limited liability company	RMB15,000,000	—	100%	Automobile dealership
Chenzhou Ruibao Automobile Sales Services Co., Ltd. (郴州瑞寶汽車銷售服務有限公司)		The PRC 6 September 2006 Limited liability company	RMB8,000,000	—	100%	Automobile dealership
Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. (上海紳協紳通汽車銷售服務有限公司)		The PRC 31 January 2007 Limited liability company	RMB15,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Nanchang Baoze Automobile Sales Services Co., Ltd. (南昌寶澤汽車銷售服務有限公司)		The PRC 2 June 2008 Limited liability company	RMB29,000,000	—	100%	Automobile dealership
Zhuhai Baoze Automobile Sales Services Co., Ltd. (珠海寶澤汽車銷售服務有限公司)		The PRC 27 June 2008 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Shanghai Aohui Automobile Sales Services Co., Ltd. (上海奧匯汽車銷售服務有限公司)		The PRC 4 December 2008 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Guangzhou Baoze Automobile Sales Services Co., Ltd. (廣州寶澤汽車銷售服務有限公司)		The PRC 20 April 2009 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Dongguan Jieyunhang Automobile Sales Services Co., Ltd. (東莞捷運行汽車銷售服務有限公司)		The PRC 6 July 2009 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Baotou Baoze Automobile Sales Services Co., Ltd. (包頭市寶澤汽車銷售服務有限公司)		The PRC 6 August 2009 Limited liability company	RMB26,000,000	—	100%	Automobile dealership
Beijing Baozehang Automobile Sales Services Co., Ltd. (北京寶澤行汽車銷售服務有限公司)		The PRC 16 October 2009 Limited liability company	RMB90,000,000	—	100%	Automobile dealership
Shangrao Baoze Automobile Sales Services Co., Ltd. (上饒市寶澤汽車銷售服務有限公司)		The PRC 2 November 2010 Limited liability company	RMB36,000,000	—	100%	Automobile dealership
Ganzhou Baoze Automobile Sales Services Co., Ltd. (贛州寶澤汽車銷售服務有限公司)		The PRC 3 December 2010 Limited liability company	RMB10,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xiangyang Baoze Automobile Sales Services Co., Ltd. (襄陽寶澤汽車銷售服務有限公司)		The PRC 1 November 2010 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Xiangtan Baoze Automobile Sales Services Co., Ltd. (湘潭寶澤汽車銷售服務有限公司)		The PRC 9 November 2010 Limited liability company	RMB14,000,000	—	100%	Automobile dealership
Wuhan Shengtong Investment Management Co., Ltd. (武漢升通投資管理有限公司)		The PRC 22 April 2011 Limited liability company	RMB10,000,000	—	100%	Investment holding
Baotou Luze Automobile Sales Services Co., Ltd. (包頭市路澤汽車銷售服務有限公司)		The PRC 4 May 2011 Limited liability company	RMB33,000,000	—	100%	Automobile dealership
Ganzhou Yizezhiye Co., Ltd. (贛州益澤置業有限公司)		The PRC 19 November 2010 Limited liability company	RMB10,000,000	—	100%	Real estate development
Xiangtan Yizezhiye Co., Ltd. (湘潭益澤置業有限公司)		The PRC 18 November 2010 Limited liability company	RMB10,000,000	—	100%	Real estate development
Shangrao Yizezhiye Co., Ltd. (上饒市益澤置業有限公司)		The PRC 18 November 2010 Limited liability company	RMB10,000,000	—	100%	Real estate development
Hubei Aoze Automobile Sales Services Co., Ltd. (湖北奧澤汽車銷售服務有限公司)		The PRC 25 May 2011 Limited liability company	RMB60,000,000	—	100%	Automobile dealership
Qingdao Huacheng Automobile Services Co., Ltd. (青島華成汽車服務有限公司)		The PRC 8 March 2001 Limited liability company	RMB8,800,000	—	100%	Automobile dealership
Shantou Lujie Automobile Sales Services Co., Ltd. (汕頭市路杰汽車銷售服務有限公司)		The PRC 2 September 2011 Limited liability company	RMB46,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Henan Jintangsheng Automobile Co., Ltd. (河南省錦堂盛汽車有限公司)		The PRC 7 May 2008 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Guangzhou Baotaihang Automobile Sales Services Co., Ltd. (廣州寶泰行汽車銷售服務有限公司)		The PRC 18 December 2017 Limited liability company	RMB90,000,000	–	100%	Automobile dealership
Foshan Dingbaohang Automobile Sales Services Co., Ltd. (佛山鼎寶行汽車銷售服務有限公司)		The PRC 19 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen Huashunbao Automobile Sales Services Co., Ltd. (深圳華順寶汽車銷售服務有限公司)		The PRC 14 September 2017 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Shenzhen Huashunbao Automobile Services Co., Ltd. (深圳華順寶汽車服務有限公司)		The PRC 15 September 2017 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Foshan Zheng Tong Zhong Rui Automobile Sales Services Co., Ltd. (佛山正通眾銳汽車銷售服務有限公司)		The PRC 18 April 2011 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Baotou Zhongrui Automobile Sales Service Co., Ltd. (包頭眾銳汽車銷售服務有限公司)		The PRC 21 September 2010 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
ZhengTong Automobile Services Co., Ltd. (正通汽車服務有限公司)		The PRC 1 September 2011 Limited liability company	RMB50,000,000	–	100%	Automobile parts sales
Jiangxi Deao Automobile Sales Services Co., Ltd. (江西德奧汽車銷售服務有限公司)		The PRC 17 September 2002 Limited liability company	RMB5,000,000	–	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huhhot Jieyun Automobile Sales Services Co., Ltd. (呼和浩特市捷運行汽車銷售服務有限公司)		The PRC 29 December 2011 Limited liability company	RMB90,000,000	—	100%	Automobile dealership
Jieyang Dingjie Automobile Sales Services Co., Ltd. (揭陽鼎杰汽車銷售服務有限公司)		The PRC 19 July 2011 Limited liability company	RMB31,000,000	—	100%	Automobile dealership
Shenzhen Roadmate Technology Co., Ltd. (深圳路美特科技有限公司)	(ii)	The PRC 15 March 2004 Limited liability company	US$2,100,000	—	100%	Investment holding
Shenzhen SCAS Investment Group Co., Ltd. (深圳市中汽南方投資集團有限公司)		The PRC 21 May 2001 Limited liability company	RMB50,000,000	—	100%	Investment holding
Shenzhen Yama Automobile Trading Co., Ltd. (深圳野馬汽車貿易有限公司)		The PRC 15 June 1993 Limited liability company	RMB15,000,000	—	100%	Investment holding
Shenzhen SCAS Electric Machinery Co., Ltd. (深圳市中汽南方機電設備有限公司)		The PRC 25 November 1996 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Shenzhen SCAS Automobile Maintenance Co., Ltd. (深圳市中汽南方汽車維修有限公司)		The PRC 14 August 2000 Limited liability company	RMB5,000,000	—	100%	Provision of Automobile Maintenance services
Guangdong SCAS Automobile Sales Services Co., Ltd. (廣東中汽南方汽車銷售服務有限公司)		The PRC 21 July 2004 Limited liability company	RMB20,000,000	—	100%	Automobile dealership
Dongguan SCAS Automobile Sales Services Co., Ltd. (東莞中汽南方汽車銷售服務有限公司)		The PRC 30 July 2004 Limited liability company	RMB5,000,000	—	100%	Automobile dealership
Zhongshan SCAS Automobile Sales Services Co., Ltd. (中山中汽南方汽車銷售服務有限公司)		The PRC 29 April 2011 Limited liability company	RMB30,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhuhai SCAS Automobile Sales Services Co., Ltd. (珠海中汽南方汽車銷售服務有限公司)		The PRC 10 March 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dalian Jieyuehang Real Estate Development Co., Ltd. (大連捷悦行房地產開發有限公司)		The PRC 28 March 2018 Limited liability company	RMB100,000,000	–	100%	Property management
Xiamen ZhengTong Automobile Group Co., Ltd. (廈門正通汽車集團有限公司)		The PRC 01 April 2022 Limited liability company	RMB200,000,000	–	100%	Automobile dealership
Chengdu Hengyuehang Automobile Sales Service Co., Ltd. (成都恒悦行汽車銷售服務有限公司)		The PRC 26 December 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen Baotaihang Automobile Sales Services Co., Ltd. (深圳寶泰行汽車銷售服務有限公司)		The PRC 15 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Hunan SCAS Automobile Sales Services Co., Ltd. (湖南中汽南方汽車銷售服務有限公司)		The PRC 26 May 2005 Limited liability company	RMB10,000,000	–	90%	Automobile dealership
Hainan SCAS Automobile Sales Services Co., Ltd. (海南中汽南方汽車銷售服務有限公司)		The PRC 23 May 2008 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Fujian SCAS Automobile Sales Services Co., Ltd. (福建中汽南方汽車銷售服務有限公司)		The PRC 29 April 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Beijing SCAS North China Automobile Services Co., Ltd. (北京中汽南方華北汽車服務有限公司)		The PRC 2 July 2001 Limited liability company	RMB20,000,000	–	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing BWWR Automobile Sales Services Co., Ltd. (北京百旺沃瑞汽車銷售服務有限公司)		The PRC 27 March 2008 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Beijing Dewanlong Trading Co., Ltd. (北京德萬隆經貿有限公司)		The PRC 9 September 1999 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Beijing SCAS Zhongguan Automobile Sales Co., Ltd. (北京中汽南方中關汽車銷售有限公司)		The PRC 19 March 2010 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Tianjin SCAS Automobile Sales Services Co., Ltd. (天津中汽南方汽車銷售服務有限公司)		The PRC 21 May 2004 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Tianjin Automobile Industry SCAS Sales Co., Ltd. (天津汽車工業銷售深圳南方有限公司)		The PRC 28 November 1995 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengxing Automobile Sales Services Co., Ltd. (深圳市南方騰星汽車銷售服務有限公司)		The PRC 15 May 2006 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd. (深圳市南方英菲尼迪汽車銷售服務有限公司)		The PRC 19 October 2006 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Shenzhen SCAS Changfu Automobile Sales Co., Ltd. (深圳市中汽南方長福汽車銷售有限公司)		The PRC 10 December 2004 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengtian Automobile Sales Services Co., Ltd. (深圳市南方騰田汽車銷售服務有限公司)		The PRC 24 March 2006 Limited liability company	RMB30,000,000	–	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd. (深圳市南方騰龍汽車銷售服務有限公司)		The PRC 5 December 2005 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Shenzhen SCAS Toyota Automobile Sales Services Co., Ltd. (深圳南方豐田汽車銷售服務有限公司)		The PRC 9 April 2002 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhen Qianhaichichang International Trading Co., Ltd. (深圳前海馳暢國際貿易有限公司)		The PRC 09 May 2018 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Qingyuan SCAS Toyota Automobile Sales Services Co., Ltd. (清遠南方豐田汽車銷售服務有限公司)		The PRC 17 October 2008 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Baotou Lizhongyou Materials Co., Ltd. (包頭市利中友物資有限公司)		The PRC 6 November 2003 Limited liability company	RMB1,000,000	–	100%	Automobile parts sales
Changchun Shengze Jietong Transportation Co., Ltd. (長春聖澤捷通物流有限公司)		The PRC 24 October 2008 Limited liability company	RMB30,000,000	–	100%	Provision of automobile related logistic services
Wuhan Yuntong Investment Management Co., Ltd. (武漢運通行投資管理有限公司)		The PRC 1 March 2012 Limited liability company	RMB10,000,000	–	100%	Investment holding
Dongguan Liaobu SCAS Automobile Sales Services Co., Ltd. (東莞寮步中汽南方汽車銷售服務有限公司)		The PRC 15 May 2012 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Guangdong SCAS Shengwo Automobile Sales Services Co., Ltd. (廣東中汽南方勝沃汽車銷售服務有限公司)		The PRC 11 June 2012 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Wuhan Baozehang Automobile Maintenance Co., Ltd. (武漢寶澤行汽車維修服務有限公司)		The PRC 12 June 2012 Limited liability company	RMB20,000,000	—	100%	Provision of Automobile Maintenance Services
Jingdezhen Shengtong Trading Co., Ltd. (景德鎮升通貿易有限公司)		The PRC 20 June 2012 Limited liability company	RMB10,000,000	—	100%	Automobile parts sales
Zhuhai SCAS Jielu Automobile Sales Services Co., Ltd. (珠海中汽南方捷路汽車銷售服務有限公司)		The PRC 21 June 2012 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Hunan SCAS Xingsha Automobile Sales Services Co., Ltd. (湖南中汽南方星沙汽車銷售服務有限公司)		The PRC 27 June 2012 Limited liability company	RMB20,000,000	—	100%	Automobile dealership
Dongguan Zhengtong Kaidi Automobile Sales Services Co., Ltd. (東莞正通凱迪汽車銷售服務有限公司)		The PRC 29 October 2012 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Jiangxi Zhengtong Zetian Automobile Sales Services Co., Ltd. (江西正通澤田汽車銷售服務有限公司)		The PRC 19 November 2012 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Shanghai Qibao Automobile Sales Services Co., Ltd. (上海祺寶汽車銷售服務有限公司)		The PRC 6 June 2013 Limited liability company	RMB47,000,000	—	100%	Automobile dealership
Zhanjiang Zhengtong Kaidi Automobile Sales Services Co., Ltd. (湛江正通凱迪汽車銷售服務有限公司)		The PRC 15 April 2013 Limited liability company	RMB40,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shenzhen Zhengyuan Automobile Technology Co., Ltd. (深圳正源汽車科技有限公司)		The PRC 25 December 2017 Limited liability company	RMB500,000,000	80%	–	Financial services
Shenzhen Chixing Automobile Sales Services Co., Ltd. (深圳馳星汽車銷售服務有限公司)		The PRC 07 November 2018 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Wuhan Zhengtong Yuechi Automobile Sales Services Co., Ltd. (武漢正通悦馳汽車銷售服務有限公司)		The PRC 14 May 2013 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Shantou Baoze Automobile Sales Services Co., Ltd. (汕頭市寶澤汽車銷售服務有限公司)		The PRC 2 September 2013 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Jingmen Baoze Automobile Sales Services Co., Ltd. (荊門寶澤汽車銷售服務有限公司)		The PRC 11 October 2013 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Weihai Luze Automobile Sales Services Co., Ltd. (威海路澤汽車銷售服務有限公司)		The PRC 31 October 2013 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Baotou Baozehang Automobile Maintenance Services Co., Ltd. (包頭寶澤行汽車維修服務有限公司)		The PRC 18 December 2013 Limited liability company	RMB40,000,000	–	100%	Provision of automobile maintenance services
Shenzhenshi Qianhaizhengtong Logistic Equipment Services Co., Ltd. (深圳市前海正通物流設備服務有限責任公司)	(i)	The PRC 24 May 2013 Limited liability company	US$5,000,000	–	100%	Provision of automobile related logistic services
Changsha Ruize Real Estate Development Co., Ltd. (長沙瑞澤房地產開發有限公司)		The PRC 4 March 2013 Limited liability company	RMB20,000,000	–	100%	Property management

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shantoushi Ruize Real Estate Development Co., Ltd. (汕頭市瑞澤房地產開發有限公司)		The PRC 14 August 2013 Limited liability company	RMB160,000,000	–	100%	Property management
Dingze Insurance Agency Co., Ltd. (鼎澤保險代理有限公司)		The PRC 16 September 2013 Limited liability company	RMB50,000,000	–	100%	Insurance agency services
Wuhan Jiewo Advisory Services Limited (武漢捷沃諮詢服務有限公司)		The PRC 6 August 2013 Limited liability company	RMB1,000,000	–	100%	Consulting services
Sky Wonder Limited (天悦有限公司)		Hong Kong 14 March 2014 Private limited company	HK$1	–	100%	Investment holding
Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. (深圳市卓瑞翔信息諮詢有限公司)		The PRC 31 December 2013 Limited liability company	RMB32,000,000	–	100%	Consulting services
ChengTong Developments Limited (成通發展有限公司)		British Virgin Islands ("**BVI**") 1 April 2014 Limited company	US$1	–	100%	Investment holding
Landtime International Limited (裕泰國際有限公司)		Hong Kong 7 April 2014 Private limited company	US$1	–	100%	Investment holding
Wuhan Jieyuehang Supply Chain Co., Ltd. (武漢捷悦行供應鏈有限公司)		The PRC 17 July 2017 Limited liability company	RMB60,000,000	–	100%	Provision of automobile related logistic services
Shanghai Taishijie Automobile Sales Services Co., Ltd. (上海泰士杰汽車銷售有限公司)		The PRC 23 February 2004 Limited liability company	RMB48,800,000	–	100%	Automobile dealership
Yiwu Dongtai Health Food Co., Ltd. (義烏市東太保健食品有限公司)		The PRC 19 June 2003 Limited liability company	RMB5,000,000	–	100%	Automobile trading agency

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shangraoshi Luze Automobile Sales Services Co., Ltd. (上饒市路澤汽車銷售服務有限公司)		The PRC 17 February 2014 Limited liability company	RMB41,000,000	–	100%	Automobile dealership
Langfangshi Luze Automobile Sales Services Co., Ltd. (廊坊市路澤汽車銷售服務有限公司)		The PRC 23 May 2014 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
Yichun Baoze Automobile Sales Services Co., Ltd. (宜春寶澤汽車銷售服務有限公司)		The PRC 6 March 2014 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Qingdao Aoze Automobile Sales Services Co., Ltd. (青島奧澤汽車銷售服務有限公司)		The PRC 9 May 2014 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Shengzhou Aoze Automobile Sales Services Co., Ltd. (嵊州奧澤汽車銷售服務有限公司)		The PRC 30 May 2014 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Dongguan Zhengtong Kaize Automobile Sales Services Co., Ltd. (東莞正通凱澤汽車銷售服務有限公司)		The PRC 17 February 2014 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Shanghai Chichang Trading Co., Ltd. (上海馳暢貿易有限公司)	(i)	The PRC 24 July 2014 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Beijing Zhengtong Baoze Automobile Sales Services Co., Ltd. (北京正通寶澤汽車銷售服務有限公司)		The PRC 14 July 2014 Limited liability company	RMB50,000,000	–	100%	Provision of Automobile Maintenance services
Shenzhen Aoze Automobile Sales Services Co., Ltd. (深圳奧澤汽車銷售服務有限公司)		The PRC 2 July 2014 Limited liability company	RMB60,000,000	–	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dongguan Aoze Automobile Sales Services Co., Ltd. (東莞奧澤汽車銷售服務有限公司)		The PRC 21 July 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Foshan Aoze Automobile Sales Services Co., Ltd. (佛山奧澤汽車銷售服務有限公司)		The PRC 5 September 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Zhengzhou Aoze Automobile Sales Services Co., Ltd. (鄭州奧澤汽車銷售服務有限公司)		The PRC 25 July 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Baoding Aoze Automobile Sales Services Co., Ltd. (保定奧澤汽車銷售服務有限公司)		The PRC 18 September 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Fuzhou Dingwo Automobile Sales Services Co., Ltd. (福州鼎沃汽車銷售服務有限公司)		The PRC 19 August 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Chengdu Dingbaohang Second Hand Automobile Sales Services Co., Ltd. (成都鼎寶行二手車銷售服務有限公司)		The PRC 12 June 2016 Limited liability company	RMB10,000,000	—	100%	Automobile trading agency
Yongkang Guobang Automobile Sales Co., Ltd. (永康市國邦汽車銷售有限公司)		The PRC 8 August 2012 Limited liability company	RMB80,000,000	—	100%	Automobile dealership
Jieyang Luze Automobile Sales Services Co., Ltd. (揭陽路澤汽車銷售服務有限公司)		The PRC 14 August 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Shenzhen Luze Automobile Sales Services Co., Ltd. (深圳路澤汽車銷售服務有限公司)		The PRC 15 August 2014 Limited liability company	RMB10,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Yichang Baozehang Automobile Sales Services Co., Ltd. (宜昌寶澤行汽車銷售服務有限公司)		The PRC 22 August 2014 Limited liability company	RMB70,000,000	—	100%	Automobile dealership
Shenzhenshi SCAS Huawo Automobile Sales Services Co., Ltd. (深圳市中汽南方華沃汽車銷售服務有限公司)		The PRC 11 June 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Shenzhen Hengyiyingtong Investment Management Co., Ltd. (深圳恒毅盈通投資管理有限公司)		The PRC 3 April 2014 Limited liability company	RMB100,000,000	—	100%	Investment holding
Shenzhenshi Huianqi Investment Advisory Co., Ltd. (深圳市匯安啟投資諮詢有限公司)		The PRC 13 May 2014 Limited liability company	HK$500,000	—	100%	Consulting services
Shenzhen Baoze Automobile Sales Services Co., Ltd. (深圳寶澤汽車銷售服務有限公司)		The PRC 31 March 2015 Limited liability company	RMB44,000,000	—	100%	Automobile dealership
Beijing Zhengtong Dingwo Automobile Sales Services Co., Ltd. (北京正通鼎沃汽車銷售服務有限公司)		The PRC 30 January 2015 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Hengyang Luze Automobile Sales Services Co., Ltd. (衡陽路澤汽車銷售服務有限公司)		The PRC 2 July 2014 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Huhhot Yingfei Automobile Sales Services Co., Ltd. (呼和浩特市英菲汽車銷售服務有限公司)		The PRC 27 May 2015 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Beijing Hengyiyingtong Advertising Media Co., Ltd. (北京恒毅盈通廣告傳媒有限公司)		The PRC 21 May 2015 Limited liability company	RMB5,000,000	—	100%	Consulting services

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Zhengtong Dingze Financial Leasing Co., Ltd. (上海正通鼎澤融資租賃有限公司)		The PRC 29 July 2014 Limited liability company	US$100,000,000	—	100%	Financial services
Shengze Jietong Supply Chain Co., Ltd. (聖澤捷通供應鏈有限公司)		The PRC 15 January 2016 Limited liability company	RMB200,000,000	—	100%	Provision of automobile related logistic services
Yunnan Chixing Automobile Sales Services Co., Ltd. (雲南馳星汽車銷售服務有限公司)		The PRC 25 May 2016 Limited liability company	RMB200,000,000	—	100%	Automobile dealership
Hubei Changze Automobile Sales Services Co., Ltd. (湖北長澤汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Beijing Baoze Exhibition Co., Ltd. (北京寶澤會展有限公司)		The PRC 16 March 2016 Limited liability company	RMB10,000,000	—	100%	Consulting services
Suzhou Anzhixing Automobile Sales Services Co., Ltd. (宿州安之星汽車銷售服務有限公司)		The PRC 16 July 2014 Limited liability company	RMB20,000,000	—	100%	Automobile dealership
Guangzhoushi Hengyuehang Automobile Sales Services Co., Ltd. (廣州市恒悦行汽車銷售服務有限公司)		The PRC 21 June 2016 Limited liability company	RMB100,000,000	—	100%	Automobile dealership
Qingyuan Aoze Automobile Sales Services Co., Ltd. (清遠奧澤汽車銷售服務有限公司)		The PRC 10 August 2016 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Shenzhen Hengshuo Advisory Services Co., Ltd. (深圳恒爍諮詢服務有限公司)		The PRC 17 August 2016 Limited liability company	RMB1,000,000	—	100%	Consulting services
Foshan Tengxing Automobile Sales Services Co., Ltd. (佛山騰星汽車銷售服務有限公司)		The PRC 17 August 2016 Limited liability company	RMB40,000,000	—	100%	Automobile dealership

16 INTERESTS IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/establishment	Registered/issued and fully paid-up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shantou Hengshuo Services Co., Ltd. (汕頭市恒爍商務諮詢服務有限公司)		The PRC 7 September 2016 Limited liability company	RMB1,000,000	–	100%	Consulting services
Nanjing Qi'ao Automobile Sales Services Co., Ltd. (南京祺奧汽車銷售服務有限公司)		The PRC 3 May 2017 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Zhuhai Zhengtong Tengxing Automobile Sales Services Co., Ltd. (珠海正通騰星汽車銷售服務有限公司)		The PRC 6 March 2017 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Chongqing Qibao Automobile Sales Services Co., Ltd. (重慶祺寶汽車銷售服務有限公司)		The PRC 14 June 2016 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Wuhan Tengxing Automobile Sales Services Co., Ltd. (武漢騰星汽車銷售服務有限公司)		The PRC 1 August 2017 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Xiamen Zhengtong Yuanrong Automobile Services Co., Ltd. (廈門正通圓融汽車服務有限公司)		The PRC 12 May 2023 Limited liability company	RMB20,000,000	–	51%	Second hand automobile trader

(i) These entities are incorporated in the PRC as wholly foreign-owned enterprises by Rising Wave Development Limited.

(ii) This entity is incorporated in the PRC as a wholly foreign-owned enterprise by Wealth Fame Holdings Limited.

(iii) Except for Big Glory International Limited, Rising Wave Development Limited, Tongda Group (China) Co., Ltd., Silver Journey Global Limited, Acme Joy Group Limited, Chang Jun Limited, Top Globe Limited, Wealth Fame Holdings Limited, Hong Kong Nettime Investment Co., Ltd., and Hong Kong Newspeed Technology Co., Ltd., the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(iv) Shares of this entity have been pledged for certain borrowings from bank with pledged value capped to the borrowing amount of approximately RMB494,000,000 as at 31 December 2023.

The directors of the Company are of the view that the Group had no individually material non-controlling interest as at 31 December 2023.

17 INTERESTS IN ASSOCIATES

Associates are accounted for using the equity method in the consolidated financial statements. Information of the associates that are not individually material:

	At 31 December	
	2023 RMB'000	2022 RMB'000
Amounts of the Group's share of the associates — Loss for the year	**(500)**	(790)
Total comprehensive income	**(500)**	(790)
Carrying amount of individually immaterial associates in the consolidated financial statements	**15,191**	15,341
Total carrying amount of interest in associates	**15,191**	15,341

18 INTEREST IN A JOINT VENTURE

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

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shanghai Yige Science & Technology Trading Co., Ltd. ("**Shanghai Yige**")	Incorporated	Mainland China	Registered capital RMB15,000,000	50%	—	50%	Sales of lubricant oil (i)

(i) Shanghai Yige, principally engaged in sales of lubricant oil, was previously treated as a subsidiary of the Group because the Group has rights to variable returns from its involvement with the entity and has the ability to affect those returns by virtue of an agreement signed with the other equity shareholder which holds 50% interest in this entity, that result in the Group has the power to appoint the sole director of the entity.

To focus on its core 4S dealership business based on the Group's 2021–2025 development strategy plan, the Group decided to cease its control over Shanghai Yige within 2023. After several rounds of discussion, a new written agreement has been reached between the Group and the other equity shareholder of Shanghai Yige in December 2023, pursuant to which the financial and operating policies of Shanghai Yige should be co-determined by the other equity shareholder and the Group, and the other equity shareholder has the right to appoint the sole director. Since then, the Group has lost its control over but still retains joint control in Shanghai Yige. Therefore, the Group has ceased to consolidate the assets, liabilities and transactions of Shanghai Yige and has recognised its interests in Shanghai Yige as a joint venture by remeasuring at fair value at the date of loss of control and adopting the equity method of accounting for Shanghai Yige afterwards.

18 INTEREST IN A JOINT VENTURE (Continued)

(i) (Continued)

In accordance with the valuation report issued by an external valuer on 22 March 2024, the fair value of the equity interests held by the Group in Shanghai Yige as a whole at the date of loss of control was RMB26,798,000. Accordingly, upon the loss of control the Group has recognised a remeasurement gain of RMB23,388,000 in "Other income" for the year ended 31 December 2023, representing the difference between the fair value of the retained interest and the Group's share of the carrying amounts of the underlying assets and liabilities of Shanghai Yige.

The loss of control over Shanghai Yige had the following effect on the Group's assets and liabilities upon the date when control was lost:

	Note	**At the date of loss of control** RMB'000
Net assets/(liabilities) of Shanghai Yige immediately before loss of control		
Assets		103,761
Liabilities		(91,209)
		12,552
Gain on deconsolidation of subsidiary:		
Fair value of interest in Shanghai Yige held by the Group		26,798
Add: non-controlling interest derecognised		9,546
Less: net assets derecognised		(12,552)
Account payables due to related parties		(404)
Gain on deconsolidation of a subsidiary	4	23,388

An analysis of the net outflow of cash and cash equivalents as at the date of loss of control over Shanghai Yige is as follows:

	RMB'000
Cash considerations:	—
Less: Cash and cash equivalent held by Shanghai Yige	(1,563)
Net outflow of cash and cash equivalents as at the date of loss of control over Shanghai Yige	(1,563)

Information of the only joint venture that is not individually material:

	For the period from the date of loss of control to 31 December 2023 **RMB'000**
Amounts of the Group's share of a joint venture	
— Profit for the period	**—**
Total comprehensive income	**—**
Carrying amount of an individually immaterial joint venture in the consolidated financial statements as at 31 December 2023	**26,798**
Total carrying amount of interest in a joint venture	**26,798**

19 INVENTORIES

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

	At 31 December 2023 RMB'000	2022 RMB'000
4S dealership business		
Motor vehicles	2,734,186	3,044,340
Automobile spare parts	309,238	313,179
Others	49,339	46,166
	3,092,763	3,403,685
Comprehensive properties business		
Properties under development for sale	679,139	660,585
	3,771,902	4,064,270

Inventories with carrying amount of RMB1,189,522,000 have been pledged as security for the bills payable as at 31 December 2023 (2022: RMB1,048,425,000).

Inventories with carrying amount of RMB1,212,183,000 have been pledged as security for loans and borrowings from banks and other financial institutions (note 25) as at 31 December 2023 (2022: RMB1,121,577,000).

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

	Note	For the year ended 31 December 2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold		22,515,445	20,426,938
Write-down of inventories		48,764	54,386
Reversal of write-down of inventories	(i)	(5,283)	(26,361)
		22,558,926	20,454,963

(i) The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain motor vehicles as a result of a change in consumer preferences.

20 TRADE AND BILLS RECEIVABLES

	At 31 December 2023 RMB'000	2022 RMB'000
Trade receivables	**941,949**	907,123
Bills receivable	**—**	319
	941,949	907,442

All of the trade and bills receivables are expected to be recovered within one year. Details of the Group's credit policy are set out in note 32(a).

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

	At 31 December 2023 RMB'000	2022 RMB'000
Within 3 months	**932,958**	900,002
More than 3 months but within 1 year	**5,193**	2,178
Over 1 year	**3,798**	5,262
	941,949	907,442

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Prepayments		**407,382**	402,403
Deposits		**387,351**	399,940
Other receivables	(i)	**4,146,415**	3,261,174
		4,941,148	4,063,517

(i) Other receivables include vendor rebates receivables of RMB3,700,997,000 (2022: RMB2,848,570,000) from automobile manufacturers. The Group earns vendor rebates under various and differing arrangements with automobile manufacturers. Rebates based on purchase or sales volumes are granted by vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with the vendors' comprehensive assessment of the Group's business performance.

All of the prepayments, deposits and other receivables are excepted to be recovered within one year.

22 OTHER FINANCIAL ASSETS/LIABILITIES

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Other financial assets carried at FVPL			
Current			
Wealth management products	(i)	**84,285**	89,969
Forward contracts	(ii)	**7,585**	13,592
Option contracts	(iii)	**34,474**	—
		126,344	103,561
Non-current			
Equity investment in Dongfeng Logistics	(iv)	**829,028**	944,947
		955,372	1,048,508
Other financial liabilities carried at FVPL			
Current			
Forward contracts	(ii)	**—**	(91,516)
Option contracts	(iii)	**(22,177)**	—
		(22,177)	(91,516)
Non-current			
Option contracts	(iii)	**(11,723)**	—
Swap contracts	(v)	**(12,809)**	—
		(46,709)	(91,516)

(i) Wealth management products included investment in wealth management products purchased from Western Trust Co., Ltd. ("**Western Trust**") and investments with banks in the PRC.

The underlying assets of wealth management products purchased from Western Trust are a wide range of government and corporate bonds, bank deposits as well as money market funds, etc. During the year ended 31 December 2023, the Group redeemed part of these wealth management products with proceeds of RMB850,000 (2022: RMB37,220,000). An unrealised loss for the investment of RMB5,181,000 was recognised as a loss in other income for the year ended 31 December 2023 (2022: a gain of RMB4,600,000).

The remaining wealth management products represented the investments with banks. These investments with no guarantee of principal and interest were classified as FVPL. During the year ended 31 December 2023, the net realized/unrealized gain for these investments of RMB411,000 was recognized as a gain in other income in the consolidated statement of profit or loss (2022: nil).

(ii) Forward contracts are used to mitigate the effect of the Group's foreign currency exposure arising from the loans and borrowings. A financial asset or a financial liability is recognised for each unsettled forward contract as at 31 December 2023 and cannot be offset in the financial position, as the Group do not have a legally enforceable right to net off the amounts among different forward contracts. The fair value of the forward contracts was determined with a method shown in note 32(e).

During the year ended 31 December 2023, net realised/unrealised loss of RMB39,771,000 from the forward contracts (2022: a gain of RMB228,208,000) was recognised as a loss in other income in the consolidated statement of profit or loss.

22 OTHER FINANCIAL ASSETS/LIABILITIES (Continued)

(iii) The Group entered into several USD/RMB foreign currency option contracts with PRC banks in order to manage the Group's foreign currency risk. The Group is required to transact with banks for designated notional amount on each of the valuation dates specified within the respective contracts ("**Valuation Date**").

At the Valuation Date, the reference rate, which represents the spot rate as specified within the respective contracts, shall be compared against the strike rates (upper and lower)/barrier rate as specified within the respective contracts, and the Group may receive from/pay to the banks an amount as specified in the contracts if certain conditions specified within the respective contracts are met. The fair value of the option contracts was determined with a method as disclosed in note 32(e).

During the year ended 31 December 2023, net realised/unrealised gain of RMB101,005,000 (2022: nil) from the option contracts was recognised in other income in the consolidated statement of profit or loss.

(iv) Equity investment in Dongfeng Logistics

Dongfeng Logistics is an unlisted entity incorporated in the PRC and is principally engaged in the provision of logistics services. Since 16 January 2020, the Company has indirectly held 14.43% equity interest in Dongfeng Logistics and had been equity-accounting for the interest as an interest in an associate. As the Group lost significant influence over Dongfeng Logistics in December 2022, the Group has ceased the use of the equity method of accounting in respect of its investment in Dongfeng Logistics since then and has recognised its interests in Dongfeng Logistics as a financial asset at fair value through profit or loss.

On 18 December 2023, the Group has entered into a share transfer agreement with Xiamen Xindeco Co., Ltd., a fellow subsidiary of the Company (the "**Purchaser**"), pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire 5.77% of the entire issued share of Dongfeng Logistics held by the Group, for a total consideration of RMB331,496,300 which is payable in cash (the "**Share Transfer Transaction**"). Upon completion, the Group will continue to hold 8.66% equity interest in Dongfeng Logistics which continues to be recognized as a financial asset at FVPL. As of 31 December 2023, the Share Transfer Transaction has not been completed.

As at 31 December 2023, considering that i) the sales of 5.77% equity interest in Dongfeng Logistics held by the Group needs to be approved by the extraordinary general meeting of the Company, the result of which is uncertain at that time; and that ii) no binding sales and purchase agreements had been entered into with any potential purchasers for the remaining 8.66% equity interest, therefore the whole 14.43% equity interest in Dongfeng Logistics held by the Group was still retained as a financial assets at FVPL.

In accordance with the valuation report issued by an external valuer on 22 March 2024, which has taken the agreed consideration of the Share Transfer Transaction into consideration, the fair value of the 14.43% equity interest held by the Group in Dongfeng Logistics at 31 December 2023 was RMB829,028,000 (2022: RMB944,947,000), the valuation methods and inputs used in the fair value measurements are set out in note 32(e). Accordingly, the Group has recognised a loss in fair value change of RMB115,919,000 (2022: a gain of RMB424,271,000) in the "Other income" for the year ended 31 December 2023. A corresponding deferred tax expense amounting to RMB56,849,000 was reversed due to the fair value change and changes in applicable income tax rate.

Besides, a dividend income of RMB39,538,000 was received from this investment during the year ended 31 December 2023 and was recognised in the "Other income".

Up to date of this report, the Share Transfer Transaction has been completed.

22 OTHER FINANCIAL ASSETS/LIABILITIES (Continued)

(v) Swap contracts are used to mitigate the effect of the Group's variable interest rate risk exposure arising from the loans and borrowings denominated in the USD. A financial asset or a financial liability is recognised for each unsettled swap contract as at 31 December 2023 and cannot be offset in the financial position, as the Group do not have a legally enforceable right to net off the amounts among different swap contracts. The fair value of the swap contracts was determined with a method shown in note 32(e).

During year ended 31 December 2023, net realised/unrealised loss of RMB10,879,000 from the swap contracts (2022: Nil) was recognised as a loss in other income in the consolidated statement of profit or loss.

The Group did not formally designate or document the hedging transactions with respect to the forward contracts, option contracts and swap contracts. Therefore, those transactions were not designated for hedge accounting.

23 PLEDGED BANK DEPOSITS

Bank deposits are pledged to banks as securities for the bank loans and the issuance of bills payables as follows:

		At 31 December	
	Note	**2023**	2022
		RMB'000	RMB'000
Current			
Bank loans (note 25)	(i)	**2,157,660**	2,543,328
Bills payable (note 27)	(i)	**1,742,422**	1,413,887
		3,900,082	3,957,215
Non-current			
Bank loans (note 25)	(i)	**975,420**	—
		4,875,502	3,957,215

(i) The bank deposits pledged for banks loans and bills payable will be released upon the settlement of relevant bank loans and bills payable.

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at banks and on hand	**744,855**	734,086

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

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

	Note	For the year ended 31 December 2023 RMB'000	2022 RMB'000
Loss for the year		**(820,480)**	(297,421)
Add back: Income tax		**(66,120)**	167,079
Adjustments for:			
— Depreciation of owned property, plant and equipment	5(c)	**336,860**	306,469
— Depreciation of right-of-use assets	5(c)	**321,757**	342,546
— Depreciation of investment properties	5(c)	**20,103**	3,955
— Amortisation of intangible assets	5(c)	**165,036**	160,999
— Net gain on disposal of property, plant and equipment		**(24,862)**	(100,728)
— Net gain on disposal of right-of-use assets		**(43,114)**	(17,367)
— Finance costs	5(a)	**1,054,301**	1,006,998
— Share of loss/(profit) of associates		**500**	(43,055)
— Interest income from bank deposits	4	**(57,273)**	(37,443)
— Compensation income	4	**(54,509)**	—
— Equity settled share-based transactions	5(b)	**1,082**	1,867
— Write-down of inventories, net of reversal	19(b)	**43,481**	28,025
— Realised/unrealised gain of financial instruments		**(45,586)**	(232,808)
— Realised gain on disposal of a former subsidiary		**—**	(9,846)
— Dividend income	4	**(39,538)**	—
— Fair value change related to interest in Dongfeng Logistics	4	**115,919**	(424,271)
— Foreign exchange loss	5(c)	**100,474**	398,206
— Reversal of impairment losses on intangible asset	14	**—**	(232,426)
— Reversal of impairment losses on property, plant and equipment	11	**—**	(21,239)
— Remeasurement gain in relation to loss of control in a subsidiary	18	**(23,388)**	—
Cash generated from operations		**984,643**	999,540
Changes in working capital:			
— Decrease/(increase) in inventories		**267,441**	(1,374,218)
— (Increase)/decrease in trade and bills receivables		**(34,507)**	97,624
— (Increase)/decrease in prepayments, deposits and other receivables		**(928,843)**	363,859
— (Increase)/decrease in pledged bank deposits		**(328,535)**	206,878
— Increase/(decrease) in trade and other payables		**128,388**	(41,331)
Cash generated from operations		**88,587**	252,352

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank loans and borrowings RMB'000 (note 25)	Interest payables RMB'000 (i)	Derivative financial liabilities RMB'000 (note 22)	Lease liabilities RMB'000 (note 26)	Total RMB'000
At 31 December 2022, and 1 January 2023	18,673,887	46,363	91,516	1,344,566	20,156,332
Changes from financing cash flows:					
Proceeds from new bank loans	36,081,546	—	—	—	36,081,546
Repayment of bank loans	(34,068,925)	—	—	—	(34,068,925)
Capital element of lease rentals paid	—	—	—	(339,474)	(339,474)
Interest element of lease rentals paid	—	—	—	(74,307)	(74,307)
Interest paid	—	(1,103,371)	—	—	(1,103,371)
Payment in relation to settlement of derivative financial liabilities	—	—	(158,320)	—	(158,320)
Proceeds in relation to settlement of derivative financial liabilities	—	—	96,903	—	96,903
Total changes from financing cash flows	2,012,621	(1,103,371)	(61,417)	(413,781)	434,052
Exchange adjustments	100,474	—	—	—	100,474
Changes in fair value	—	—	16,610	—	16,610
Converted to perpetual bonds being treated as equity instrument	(1,010,921)	—	—	—	(1,010,921)
Changes due to loss of control in a subsidiary	(15,000)	—	—	(139)	(15,139)
Increase in lease liabilities from entering into new leases during the year	—	—	—	434,885	434,885
Interest expenses	—	979,994	—	74,307	1,054,301
Capitalised borrowing costs (note 5(a))	—	80,739	—	—	80,739
Effect of early termination of lease contracts	—	—	—	(159,888)	(159,888)
Total other changes	(1,025,921)	1,060,733	—	349,165	383,977
At 31 December 2023	19,761,061	3,725	46,709	1,279,950	21,091,445

(i) Interest payables is recorded in trade and other payables.

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and borrowings RMB'000 (note 25)	Bonds payable RMB'000	Interest payables RMB'000 (i)	Derivative financial liabilities RMB'000 (note 22)	Lease liabilities RMB'000 (note 26)	Total RMB'000
At 31 December 2021, and 1 January 2022	16,295,984	365,936	49,627	—	1,478,811	18,190,358
Changes from financing cash flows:						
Proceeds from loans and borrowings	28,531,553	—	—	—	—	28,531,553
Repayment of loans and borrowings	(26,552,141)	(367,294)	—	—	—	(26,919,435)
Capital element of lease rentals paid	—	—	—	—	(305,467)	(305,467)
Interest element of lease rentals paid	—	—	—	—	(90,556)	(90,556)
Interest paid	—	(26,538)	(964,432)	—	—	(990,970)
Total changes from financing cash flows	1,979,412	(393,832)	(964,432)	—	(396,023)	225,125
Exchange adjustments	398,491	(285)	—	—	—	398,206
Changes in fair value	—	—	—	91,516	—	91,516
Increase in lease liabilities from entering into new leases during the year	—	—	—	—	283,984	283,984
Interest expenses	—	28,181	888,261	—	90,556	1,006,998
Capitalised borrowing costs (note 5(a))	—	—	72,907	—	—	72,907
Effect of early termination of lease contracts	—	—	—	—	(112,762)	(112,762)
Total other changes	—	28,181	961,168	—	261,778	1,251,127
At 31 December 2022	18,673,887	—	46,363	91,516	1,344,566	20,156,332

(i) Interest payables is recorded in trade and other payables.

(d) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**7,349**	6,878
Within financing cash flows	**413,781**	396,023
	421,130	402,901

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rentals paid	**421,130**	402,901

25 LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Current			
Unsecured bank loans	(i)	**5,451,538**	2,421,475
Current portion of unsecured long-term bank loans	(i)	**1,437,297**	947,899
Unsecured interest-bearing borrowings from other financial institution	(ii)	**1,832,854**	647,900
Unsecured interest-bearing borrowings due to related parties	35	**2,177,237**	1,566,849
Secured bank loans	(iii)	**3,710,664**	4,093,049
Current portion of secured long-term bank loans	(iii)	**657,835**	271,355
Secured interest-bearing borrowings from other financial institutions	(iv)	**1,005,495**	2,285,503
Sub-total		**16,272,920**	12,234,030
Non-current			
Unsecured bank loans	(v)	**248,937**	1,452,792
Unsecured interest-bearing borrowings from other financial institutions	(vi)	**303,110**	510,300
Unsecured interest-bearing borrowings due to related parties	35	**2,034,710**	3,194,941
Secured bank loans	(vii)	**605,169**	713,950
Secured interest-bearing borrowings from other financial institutions	(viii)	**296,215**	567,874
Sub-total		**3,488,141**	6,439,857
Total		**19,761,061**	18,673,887

(i) Current unsecured bank loans and current portion of unsecured long-term bank loans carried interest at annual rates ranging from 3.15% to 9.60% as at 31 December 2023 (2022: from 3.70% to 8.72%).

(ii) Unsecured interest-bearing borrowings from other financial institution carried interest at annual rates ranging from 4.20% to 9.00% as at 31 December 2023 (2022: 8.80% to 11.00%).

(iii) Current secured bank loans and current portion of secured long-term bank loans carried interest at annual rates ranging from 3.00% to 6.50% as at 31 December 2023 (2022: from 1.10% to 8.40%).

(iv) Secured interest-bearing borrowings from other financial institutions carried interest at annual rates ranging from 0.00% to 10.00% as at 31 December 2023 (2022: from 4.26% to 15.00%).

(v) The non-current unsecured bank loans bearing interest rate ranging from 5.50% to 7.42% per annum as at 31 December 2023 (2022: 5.20% to 8.72%) will mature on 21 November 2025, 12 July 2026 and 25 December 2026, respectively.

25 LOANS AND BORROWINGS (Continued)

(vi) The non-current unsecured borrowings from other financial institution bearing interest rate ranging from 5.30% to 6.30% per annum as at 31 December 2023 (2022: 6.50% to 8.80%) will mature on 12 September 2025, 13 January 2026 and 3 February 2026, respectively.

(vii) The non-current secured bank loans bearing interest rate ranging from 4.05% to 5.62% per annum as at 31 December 2023 (2022: 4.05% to 6.50%) will mature 12 July 2026 and 16 November 2031, respectively.

(viii) The non-current secured borrowings from other financial institution bearing interest rate ranging from 1.99% to 8.18% per annum as at 31 December 2023 (2022: 4.00% to 8.00%) will mature on 15 February 2025, 13 December 2025 and 17 August 2026, respectively.

As at 31 December 2023, the following assets of the Group had been pledged, together with certain intra-group guarantees, to secure for the Group's banking facilities totaling RMB24,791,243,000 (2022: RMB20,975,565,000).

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Inventories	**1,212,183**	1,121,577
Pledged bank deposits	**3,133,080**	2,543,328
Property, plant and equipment	**1,020,397**	730,344
Right-of-use assets — land use rights	**681,328**	406,110
Equity of subsidiaries	**494,000**	739,394
Total	**6,540,988**	5,540,753

As of 31 December 2023, the above banking facilities were utilised to the extent of RMB16,027,196,000 (2022: RMB13,912,097,000) and RMB1,640,358,000 (2022: RMB574,162,000) out of the remaining available facilities can be drawn down at the Group's discretion without designated purposes.

Certain borrowings from bank were borrowed with pledge of equity in certain subsidiaries of the Group, with pledged value capped to the borrowing amount of approximately RMB494,000,000 as at 31 December 2023 (2022: RMB739,394,000), see note 16(iv).

Certain banking facilities of the Group's subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 December 2023, none of the covenants relating to drawn down facilities had been breached (2022: None).

As at 31 December 2023, unsecured loans and borrowings from banks and other financial institutions of RMB5,955,000,000 were guaranteed by ITG Holding (31 December 2022: RMB4,052,000,000).

26 LEASE LIABILITIES

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

	At December 31 2023 RMB'000	2022 RMB'000
Within 1 year	**319,641**	363,493
After 1 year but within 2 years	**220,601**	300,212
After 2 years but within 5 years	**447,615**	459,336
After 5 years	**292,093**	221,525
	960,309	981,073
	1,279,950	1,344,566

27 TRADE AND OTHER PAYABLES

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Current			
Trade payables		**396,378**	358,737
Bills payable	(i)	**3,713,965**	3,481,434
		4,110,343	3,840,171
Contract liabilities	(ii)	**935,900**	1,215,170
Other payables and accruals		**573,406**	771,927
Payables due to related parties	35(b)	**18,832**	507
		5,638,481	5,827,775
Non-current			
Long-term payables		**139,567**	186,648
		5,778,048	6,014,423

(i) Bills payable of RMB2,847,070,000 as at 31 December 2023 (2022: RMB2,574,097,000) were secured by pledged bank deposits amounting to RMB1,742,422,000 (2022: RMB1,413,887,000) (note 23).

Bills payable of RMB3,609,422,000 as at 31 December 2023 (2022: RMB3,481,434,000) were secured by inventories amounting to RMB1,189,522,000 (2022: RMB1,048,425,000) (note 19).

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

	At 31 December 2023 RMB'000	2022 RMB'000
Within 3 months	**3,413,579**	3,379,485
Over 3 months but within 6 months	**686,253**	454,091
Over 6 months but within 12 months	**10,511**	6,595
	4,110,343	3,840,171

(ii) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB1,193,568,000 (2022: RMB1,129,473,000).

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the restricted shares award scheme ("**Share Award Scheme**") on 12 June 2020 ("**Grant Date**"), 47,100,000 restricted shares of the Company ("**Restricted Shares**") were approved for granting to core employees of the Group. The fair value of the Restricted Shares granted under the respective grant dates is RMB1.13 per share, as determined based on the average market price at the Grant Date and the subscription price is nil.

The Restricted Shares are subject to various lock-up period (The "**Lock-Up period**") of 1 year, 2 years, 3 years and 4 years, respectively, immediately from the Grant Date. During the Lock-Up Period, these shares are not transferrable, nor subject to any guarantee or indemnity.

Subject to fulfilment of all service and performance conditions under the Share Award Scheme which include participants' individual performance appraisal (referred to as "**vesting conditions**"), the restriction over the Restricted Shares will be removed after the expiry of the corresponding lock-up period for each tranche and the participants will be fully entitled to these incentive shares. If the vesting conditions are not fulfilled and hence the Restricted Shares cannot be unlocked, all the unvested or outstanding Restricted Shares not yet vested shall be immediately forfeited.

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

	Number of restricted shares	Vesting conditions
Restricted shares granted to employee work less than 5 years		
— on 12 June 2020	5,580,000	Two years from the date grant
— on 12 June 2020	5,580,000	Three years from the date grant
— on 12 June 2020	5,580,000	Four years from the date grant
Restricted shares granted to employee work more than 5 years, within 10 years		
— on 12 June 2020	5,320,000	One year from the date grant
— on 12 June 2020	5,320,000	Two years from the date grant
— on 12 June 2020	5,320,000	Three years from the date grant
Restricted shares granted to employee work more than 10 years		
— on 12 June 2020	14,400,000	One year from the date grant
Total restricted shares granted	47,100,000	

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of restricted shares are as follows:

	2023 Weighted average exercise price	2023 Number of restricted shares	2022 Weighted average exercise price	2022 Number of restricted shares
Outstanding at the beginning of the year	**RMB0**	**6,960,000**	RMB0	17,480,000
Vested during the year	**RMB0**	**(5,180,000)**	RMB0	(6,020,000)
Forfeited during the year	**RMB0**	**(240,000)**	RMB0	(4,500,000)
Outstanding at the end of the year	**RMB0**	**1,540,000**	RMB0	6,960,000

Total expenses of RMB1,082,000 were recognised as personnel expenses during the year ended 31 December 2023 (2022: RMB1,867,000).

29 DEFERRED TAX ASSETS AND LIABILITIES

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

	Fair value adjustment arising from business combination RMB'000	Depreciation allowances in excess of depreciation charges RMB'000	Future benefits of tax losses RMB'000	Fair value change of financial instruments and other fair value remeasurement RMB'000	Deferred revenue and rebate receivable RMB'000	Inventory provision, and impairment of property, plant and machinery RMB'000	Capitalisation of interest RMB'000	Charge of right-of-use assets RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
Deferred tax (liabilities)/assets arising from:											
At 1 January 2022	(601,656)	(3,432)	1,122,426	(3,143)	(681,724)	30,418	(114,504)	28,635	–	–	(222,980)
(Charged)/credited to profit or loss (note 6)	(19,448)	(318)	10,591	(128,179)	56,741	(2,065)	(17,832)	7,280	–	–	(93,230)
At 31 December 2022, and 1 January 2023 (as previously reported)	(621,104)	(3,750)	1,133,017	(131,322)	(624,983)	28,353	(132,336)	35,915	–	–	(316,210)
Effect of the initial application of Amendments to HKAS12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (note 2(c))	–	–	–	–	–	–	–	(35,915)	(263,575)	299,490	–
At 31 December 2022, and 1 January 2023 (as restated)	(621,104)	(3,750)	1,133,017	(131,322)	(624,983)	28,353	(132,336)	–	(263,575)	299,490	(316,210)
(Charged)/credited to profit or loss (note 6)	39,638	323	177,650	79,095	(174,500)	(434)	(19,772)	–	(9,303)	10,726	103,423
At 31 December 2023	(581,466)	(3,427)	1,310,667	(52,227)	(799,483)	27,919	(152,108)	–	(272,878)	310,216	(212,787)

29 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Representing:		
Net deferred tax assets in the consolidated statement of financial position	**758,013**	673,051
Net deferred tax liabilities in the consolidated statement of financial position	**(970,800)**	(989,261)
	(212,787)	(316,210)

Deferred tax assets not recognized:

In accordance with the accounting policy set out in note 2(v), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB2,955,426,000 (2022: RMB2,753,256,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax liabilities not recognized:

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2023 in respect of undistributed earnings of PRC subsidiaries of RMB5,520,666,000 (2022: RMB5,678,464,000) as the Company controls the dividend policy of the subsidiaries and it has determined that these profit will not be distributable in the foreseeable future.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in component of equity

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

	The Company					
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Perpetual bond RMB'000	Total RMB'000
Balance at 1 January 2022	235,203	6,347,149	87,451	(7,069,894)	—	(400,091)
Loss and total comprehensive income for the year	—	—	—	(787,766)	—	(787,766)
Equity settled share-based transactions	—	6,922	(5,055)	—	—	1,867
Balance at 31 December 2022, and 1 January 2023	235,203	6,354,071	82,396	(7,857,660)	—	(1,185,990)
Loss and total comprehensive income for the year	—	—	—	(503,125)	41,708	(461,417)
Issue of ordinary shares by placement	11,191	39,875	—	—	—	51,066
Issue of perpetual bond	—	—	—	—	1,010,921	1,010,921
Distribution to holder of perpetual bond	—	—	—	—	(41,708)	(41,708)
Equity settled share-based transactions	—	5,416	(4,334)	—	—	1,082
Balance at 31 December 2023	246,394	6,399,362	78,062	(8,360,785)	1,010,921	(626,046)

(b) Dividends

(i) No final dividend was proposed or paid after the end of reporting periods of years ended 31 December 2023 and 2022.

(ii) No dividend was proposed in respect of the previous financial years, approved and paid during the years ended 31 December 2023 and 2022.

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

Movements in the authorised share capital of the Company during the year are as follows:

	2023		2022	
	Number of shares (thousand)	**Amount HK$('000)**	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, authorised:				
Ordinary shares of HK$0.10 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,744,542**	**274,454**	2,744,542	274,454
Issue of ordinary shares by placement	**122,560**	**12,256**	—	—
At 31 December	**2,867,102**	**286,710**	2,744,542	274,454
RMB equivalent ('000)		**246,394**		235,203

(i) Pursuant to a share placing agreement dated on 7 June 2023, the Company completed a share placing by issuing 122,560,000 ordinary shares at a price of HKD0.48 per share on 15 June 2023. The gross proceeds of HKD58,829,000 (equivalent to RMB53,718,000), net of direct share placement expenses of HKD2,904,000 (equivalent to RMB2,652,000), were raised, of which RMB11,191,000 and RMB39,875,000 was credited to share capital and share premium account, respectively.

(d) Nature and purpose of reserves

(i) PRC statutory reserve

PRC Statutory reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserve were approved by the respective board of directors' meetings.

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

(ii) Exchange reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(z).

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital risk management

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing loans and borrowings, obligations under leases arrangements, bills payable, less cash and cash equivalents and pledged bank deposits, and capital is defined as the total equity.

The adjusted net debt-to-capital ratios at 31 December 2023 and 2022 were as follows:

		At 31 December	
	Note	**2023**	2022
		RMB'000	RMB'000
Loans and borrowings	25	**19,761,061**	18,673,887
Bills payable	27	**3,713,965**	3,481,434
Lease liabilities	26	**1,279,950**	1,344,566
Total borrowings		**24,754,976**	23,499,887
Less: Pledged bank deposits	23	**(4,875,502)**	(3,957,215)
Cash and cash equivalents	24	**(744,855)**	(734,086)
Adjusted net debt		**19,134,619**	18,808,586
Total equity		**1,287,060**	224,444
Adjusted net debt-to-capital ratio		**14.87**	83.80

The Group is subject to capital requirements imposed by certain banks.

31 PERPETUAL BONDS

Perpetual Bond 1

On 28 February 2023, Wuhan Zhengtong United Industrial Investment Group Co., Ltd. ("**Wuhan Zhengtong**"), an indirect wholly-owned subsidiary of the Company, issued perpetual bonds to a third party with a principal amount of RMB200 million at an initial interest rate of 8.5% per annum ("**Perpetual Bond 1**"). The proceeds from issuance of the Perpetual Bond 1 were RMB200 million. Coupon interest of 8.5% per annum are expected to be paid quarterly with the payment date being the 20th of the last month in each quarter in arrears and may be deferred at the discretion of Wuhan Zhengtong.

The Perpetual Bond 1 has no fixed maturity and is callable at Wuhan Zhengtong's option at its principal amount together with any accrued, unpaid or deferred coupon interest payments ("**Call Option 1**"). The coupon rate will be 1) increased by a margin of 150 basis points (i.e., 1.5%) per annum and applied prospectively but with an annual interest cap of 10% if the Call Option 1 is not exercised by Wuhan Zhengtong after two years of issuance, or 2) adjusted to increase by 10% a time and applied prospectively once Wuhan Zhengtong elects to defer coupon interest payments at each payment date but with an annual interest cap of 10%. While any coupon interest is unpaid or deferred, Wuhan Zhengtong cannot declare or pay dividends or reduce registered capital. Pursuant to the terms of Perpetual Bond 1, Wuhan Zhengtong has no contractual obligations to repay the principal or to pay any coupon interest.

Perpetual Bond 2

On 14 April 2023 and 12 June 2023, Wuhan Zhengtong issued perpetual bonds to a third party with a principal amount of RMB100 million and RMB100 million at an initial interest rate of 8.5% and 8.0% per annum, respectively ("**Perpetual Bond 2**"). The total proceeds from issuance of the Perpetual Bond 2 were RMB200 million. Coupon interest of 8.5% and 8.0% per annum are expected to be paid quarterly with the payment date being the 20th of the last month in each quarter in arrears and may be deferred at the discretion of Wuhan Zhengtong.

The Perpetual Bond 2 has no fixed maturity and is callable at Wuhan Zhengtong's option at its principal amount together with any accrued, unpaid or deferred coupon interest payments ("**Call Option 2**"). The coupon rate will be 1) increased by a margin of 150 basis points (i.e., 1.5%) per annum and applied prospectively but with an annual interest cap of 10% and 9.5%, respectively, if the Call Option 2 is not exercised by Wuhan Zhengtong after two years of issuance, or 2) adjusted to increase by 10% a time and applied prospectively once Wuhan Zhengtong elects to defer coupon interest payments at each payment date but with an annual interest cap of 10% and 9.5%, respectively. While any coupon interest is unpaid or deferred, Wuhan Zhengtong cannot declare or pay dividends or reduce registered capital. Pursuant to the terms of Perpetual Bond 2, Wuhan Zhengtong has no contractual obligations to repay the principal or to pay any coupon interest.

Perpetual Bond 3

On 30 June 2023 and 31 August 2023, ITG Holding Investment (HK) Limited ("**ITG HK**"), a fellow subsidiary controlled by the controlling shareholder of the Company, entered into written agreements and a written supplemental agreement with the Company, pursuant to which the existing unsecured short-term interest-bearing borrowing provided by ITG HK to the Company with a principal amount of USD140,000,000 (equivalent to RMB1,010,921,000) was converted into a debt with no fixed maturity ("**Perpetual Bond 3**") and is callable at the Company's option. Coupon interest of 8.5% per annum are paid annually in arrears and may be deferred at the discretion of the Company.

Pursuant to the terms of Perpetual Bond 3, the Company has no contractual obligation to repay the principal or to pay any coupon interest.

31 PERPETUAL BONDS (Continued)

Perpetual Bond 4

On 11 November 2023 and 26 December 2023, Xiamen ZhengTong Automobile Group Co., Ltd. ("**Xiamen Zhengtong**"), an indirect wholly-owned subsidiary of the Company, issued perpetual bonds to a third party with a principal amount of RMB350 million and RMB150 million at an initial interest rate of 7.2% and 7.0% per annum, respectively ("**Perpetual Bond 4**"). The total proceeds from issuance of the Perpetual Bond 4 were RMB500 million. Coupon interest of 7.2% and 7.0% per annum are expected to be paid quarterly with the payment date being the 20th of the last month in each quarter in arrears and may be deferred at the discretion of Xiamen Zhengtong.

The Perpetual Bond 4 has no fixed maturity and is callable at Xiamen Zhengtong's option at its principal amount together with any accrued, unpaid or deferred coupon interest payments ("**Call Option 3**"). The coupon rate will be 1) increased by a margin of 150 basis points (i.e., 1.5%) per annum and applied prospectively but with an annual interest cap of 8.7% and 8.5%, respectively, if the Call Option 3 is not exercised by Xiamen Zhengtong after two years of issuance, or 2) adjusted to increase by 10% a time and applied prospectively once Xiamen Zhengtong elects to defer coupon interest payments at each payment date but with an annual interest cap of 8.7% and 8.5%, respectively. While any coupon interest is unpaid or deferred, Xiamen Zhengtong cannot declare or pay dividends or reduce registered capital. Pursuant to the terms of Perpetual Bond 4, Xiamen Zhengtong has no contractual obligations to repay the principal or to pay any coupon interest.

As the Perpetual Bonds 1 to 4 only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, and therefore do not meet the definition of a financial liability in accordance with HKAS 32 *Financial Instruments: Presentation*. As a result, Perpetual Bonds 1 to 4 are classified as equity and distributions, if and when declared, are treated as equity dividends.

As Perpetual Bonds 1, 2 and 4 were issued by Wuhan Zhengtong and Xiamen Zhengtong, indirect wholly-owned subsidiaries of the Company, respectively, to external third parties, and could not be treated as equity attributable directly or indirectly to the equity shareholders of the Company, therefore, they are recorded in the non-controlling interests in the consolidated statement of financial position according to HKFRS 10, *Consolidated Financial Statements*. During the year ended 31 December 2023, the profit attributable to the bond holders of Perpetual Bonds 1, 2 and 4, based on the applicable coupon interest rate, amounted to RMB27,808,000 (2022: Nil), out of which RMB26,061,000 has been distributed to the relevant bond holders (2022: Nil).

Perpetual Bond 3 was recorded directly in equity attributable to equity shareholders of the Company. During the year ended 31 December 2023, based on the applicable coupon interest rate, amounted to RMB41,708,000 (2022: Nil), out of which RMB41,708,000 has been distributed to the relevant bond holders (2022: Nil).

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

Trade receivables

Credit risk in respect of trade and bills receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent receivables from individual customers, who obtain mortgages from their financial institutions and used the drawn-down mortgage principal to settle the Group's trade receivables within one month when the mortgages were granted by their financial institutions, and warranty receivables from automobile manufacturers. For the receivables from automobile manufacturers, risk of default is considered low, as these are companies with good credit rating.

At 31 December 2023, 3.45% (2022: 3.68%) and 1.85% (2022: 1.45%) of the total trade and bills receivables were due from the Group's five largest customers and the largest single customer, respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Based on historical loss ratios and forward looking information, The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2023.

Other receivables

Credit risk in respect of other receivables is limited since the counterparties are of good reputation and their receivables are settled on a regular basis.

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

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Deposits and long-term receivables

Credit risk in respect of deposits and long-term receivables is limited since the counterparties are mainly certain landlords and their receivables are settled on a regular basis.

The Group measures loss allowances for deposits and long-term receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

(b) Liquidity risk

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

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

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Note 2(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

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

	At 31 December 2023					At 31 December 2022				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	16,636,498	3,835,327	13,879	20,485,704	19,761,061	12,260,131	6,889,521	22,095	19,171,747	18,673,887
Lease liabilities	385,886	762,301	439,887	1,588,074	1,279,950	369,019	939,532	394,460	1,703,011	1,344,566
Other financial liabilities	22,177	24,921	–	47,098	46,709	91,578	–	–	91,578	91,516
Trade and other payables	4,702,581	200,575	–	4,903,156	4,842,148	4,612,605	355,000	–	4,967,605	4,799,253
Total liquidity exposure other than the financial guarantees issued	21,747,142	4,823,124	453,766	27,024,032	25,929,868	17,333,333	8,184,053	416,555	25,933,941	24,909,222

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

Financial guarantees issued

In March 2016, Wuhan Zhengtong United Industrial Investment Group Co., Ltd. ("**Wuhan Zhengtong**"), an indirect wholly-owned subsidiary of the Company, had entered into an undertaking (the "**2016 Undertaking**") to provide financial guarantees for Beijing Guangze Real Estate Development Co., Ltd. ("**Beijing Guangze**")'s obligations to: 1) pay the redemption price for the equity investment made by Ningbo Yuchen Fengze Equity Investment Partnership (Limited Partnership) ("**Yuchen Fengze**") in Beijing Zunbaocheng Real Estate Co., Ltd. ("**Beijing Zunbaocheng**") and Beijing Baoze Automobile Technology Development Co., Ltd. ("**Beijing Baoze**") ("**Equity Investment Redemption Obligation**"); and 2) repay the outstanding loan balance owed by Beijing Guangze to Yuchen Fengze ("**Unsettled Loan Balance**"). In March 2020, Wuhan Zhengtong renewed the 2016 Undertaking as certain shortfall agreements ("**2020 Shortfall Agreements**") to further provide financial guarantees for the Equity Investment Redemption Price and the Unsettled Loan Balance.

Beijing Guangze is a company indirectly controlled by a family member of Mr. Wang Muqing. Wang Muqing and Wang Muqing's family member had been the controlling shareholder of the Group when the 2020 Shortfall Agreements were entered into and until 31 August 2021, and ceased to be a related party of the Group from 23 June 2022. Beijing Guangze holds 8.6758% and 4.3478% equity interest in Beijing Zunbaocheng and Beijing Baoze, respectively.

Other than by the financial guarantees provided by Wuhan Zhengtong as mentioned above, the Equity Investment Redemption Obligation and Unsettled Loan Balance were also secured by, among other things, certain land use rights and properties located in Beijing, belonging to Beijing Zunbaocheng and Beijing Baoze (the "**Pledged Assets**") since 2016.

On 17 December 2021, the Company was notified that a court judgement had been granted by the Ningbo Intermediate People's Court in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong.

On 28 December 2021, the Company was notified that another court judgement had been granted in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong by the Yangzhou Intermediate People's Court (together with the aforementioned court judgement being notified on 17 December 2021, as "**First Instance Judgement**").

Pursuant to the First Instance Judgement, Beijing Guangze shall:

— pay to Yuchen Fengze a principal amount of RMB420 million together with interest, comprising, among others, the redemption price for the equity investment made by Yuchen Fengze in Beijing Zunbaocheng and Beijing Baoze. Wuhan Zhengtong was held jointly and severally liable for the same amount (the "**Equity Investment First Instance Judgement**");

— pay to Yuchen Fengze approximately RMB1.41 billion (comprising the loan principal of RMB1.35 billion, accrued interest, default interest and compound interest) and late payment interest, the actual amount of which will increase with time and relevant costs. Wuhan Zhengtong was held jointly and severally liable for the same amount (the "**Loan First Instance Judgement**").

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

Financial guarantees issued (Continued)

Wuhan Zhengtong filed appeals against the First Instance Judgement through Zhejiang, Jiangsu Higher People's Court, respectively (the "**Appeals**").

The Company received the second instance judgement in respect of the Equity Investment First Instance Judgement from Zhejiang Higher People's Court on 23 June 2022, pursuant to which, Zhejiang Higher People's Court disagreed with and overturned the first instance judgement that Wuhan Zhengtong was jointly and severally liable for the amounts involved. Pursuant to the second instance judgement, Wuhan Zhengtong was the guarantor but not an obligor who was jointly and severally liable for the amounts owed by Beijing Guangze (i.e. Wuhan Zhengtong was responsible for only the shortfalls if Beijing Guangze fails to fulfill its repayment obligations), and after paying Yuchen Fengze under its guarantee obligations, Wuhan Zhengtong shall be entitled to claim a repayment from Beijing Guangze to the extent of the guarantee obligation it has performed.

On 12 January 2023, Wuhan Zhengtong and Yuchen Fengze entered into a settlement agreement (the "**Settlement Agreement**"), pursuant to which Wuhan Zhengtong withdrew its appeal against the Loan First Instance Judgement and Yuchen Fengze agreed to facilitate the disposal of the collateral assets, including the Pledged Assets, in satisfaction of the debt owed to it.

According to the PRC legal opinion issued by an external legal advisor, the Group is only obliged to pay the shortfall based on the 2020 Shortfall Agreements and the Settlement Agreement, if any, when Yuchen Fengze has shortfalls to recover the debt owed to it, by collecting the proceeds of disposal of the collateral assets.

Accordingly, cash shortfalls for the Group are the expected payments to reimburse Yuchen Fengze for any shortfall after Yuchen Fengze has collected the proceeds of the disposal of the collateral assets to recover the debt owed to it.

The maximum amount guaranteed by Wuhan Zhengtong with the 2020 Shortfall Agreements was RMB1.93 billion as at 31 December 2023 (31 December 2022: RMB1.93 billion). Both the Equity Investment Redemption Obligation and the Unsettled Loan Balance were collateralised by the Pledged Assets.

The fair value of the Pledged Assets and the estimated net realisable amount calculated as fair value less cost to sell were RMB2.72 billion and RMB1.93 billion as at 31 December 2023 (31 December 2022: RMB2.79 billion and RMB1.97 billion), respectively, according to the valuation reports issued by an external valuer on 22 March 2024.

The initial fair value of the financial guarantees was measured for the future net cash outflow based on the credit spread (after considering macroeconomic and industry factors) of Beijing Guangze, the maximum exposure and value of the Pledged Assets, as well as a discount factor. Subsequently, the financial guarantee contract was measured at the higher of the initial recognised amount, minus accumulated amortisation (which was nil accordingly), and the expected credit loss allowance. As at 31 December 2023 and 2022, the expected credit loss allowances for the financial guarantees, based on the Group's expected net cash outflows, were assessed to be immaterial based on the value of the Pledged Assets, and other factors such as the volatility of the value, and disposal expenses, of the Pledged Assets.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, pledged bank deposits, interest-bearing borrowings and lease liabilities are the major types of the Group's assets and liabilities subject to interest rate risk. Cash at bank are with floating or fixed interest rates ranging from 0.00% to 5.03% per annum as at 31 December 2023 (2022: 0.00% to 5.37%). Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 0.20% to 3.15% per annum as at 31 December 2023 (2022: 1.50% to 2.75%).

The Group's interest-bearing borrowings and interest rates as at 31 December 2023 are as follows:

	Interest rate	**At 31 December 2023 RMB'000**
Fixed rate		
— borrowings	**0.00%~10.00%**	**18,069,113**
— lease liabilities	**3.00%~8.72%**	**1,279,950**
Variable rate		
— borrowings	**3.61%~9.60%**	**1,691,948**
31 December 2023		**21,041,011**

	Interest rate	At 31 December 2022 RMB'000
Fixed rate		
— borrowings	1.10%~15.00%	15,225,757
— lease liabilities	5.92%	1,344,566
Variable rate		
— borrowings	3.00%~8.72%	3,448,130
31 December 2022		20,018,453

The Group uses interest rate swap contracts to reduce exposure to interest rate fluctuations associated with these variable rate interest-bearing borrowings.

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at 31 December 2023, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB159,426,000 (2022: RMB153,506,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2022.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk

The Group is exposed to currency risk primarily through borrowings and cash balances that are dominated in a foreign currency. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

(i) Exposure to currency risk

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

	2023			2022		
	United Sates Dollars RMB'000	**Euro RMB'000**	**Hong Kong Dollars RMB'000**	United Sates Dollars RMB'000	Euro RMB'000	Hong Kong Dollars RMB'000
Prepayments, deposits and other receivables, net off trade and other payables	**(174,616)**	**5,491**	**(5,110)**	(1,059)	—	(3,953)
Cash and cash equivalents	**31,776**	**85**	**6,364**	56,896	80	2,356
Forward contracts	**7,585**	**—**	**—**	(77,924)	—	—
Option contracts	**574**	**—**	**—**	—	—	—
Swap contracts	**(12,809)**	**—**	**—**	—	—	—
Loans and borrowings	**(1,972,957)**	**—**	**—**	(4,525,367)	—	(401,255)
Net exposure	**(2,120,447)**	**5,576**	**1,254**	(4,547,454)	80	(402,852)

The Group has entered into certain forward contracts and option contracts to mitigate the effect of its foreign currency exposure arising from the loans and borrowings denominated in USD, in which the Group agrees to buy USD at a specified exchange rate on a specified future date.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
United States Dollars	**5%**	**(104,586)**	5%	(220,777)
	(5)%	**104,586**	(5)%	220,777
Euro	**5%**	**249**	5%	4
	(5)%	**(249)**	(5)%	(4)
Hong Kong Dollars	**5%**	**89**	5%	(20,127)
	(5)%	**(89)**	(5)%	20,127

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

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

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The fair value of the Group's financial instruments are categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value measurement*. The level, into which a fair value measurement is classified, is determined with the reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

— Level 2 valuations: Fair values measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data at not available.

— Level 3 valuations: Fair values measured using significant unobservable inputs.

The following table presents the Group's assets/(liabilities) that are measured at fair value.

		Fair value measurement as at 31 December 2023 categorised into				Fair value measurement as at 31 December 2022 categorised into		
	Fair value at 31 December 2023 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	Fair value at 31 December 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
Forward contracts (note (i))	**7,585**	**—**	**7,585**	**—**	13,592	—	13,592	—
Option contracts (note (ii))	**34,474**	**—**	**—**	**34,474**	—	—	—	—
Wealth management products (note (ii))	**84,285**	**—**	**347**	**83,938**	89,969	—	—	89,969
Equity investment in Dongfeng Logistics (note (ii))	**829,028**	**—**	**—**	**829,028**	944,947	—	—	944,947
	955,372	**—**	**7,932**	**947,440**	1,048,508	—	13,592	1,034,916
Liabilities:								
Forward contracts (note (i))	**—**	**—**	**—**	**—**	(91,516)	—	(91,516)	—
Option contracts (note (ii))	**(33,900)**	**—**	**—**	**(33,900)**	—	—	—	—
Swap contracts (note (i))	**(12,809)**	**—**	**(12,809)**	**—**	—	—	—	—
	(46,709)	**—**	**(12,809)**	**(33,900)**	(91,516)	—	(91,516)	—

During the years ended 31 December 2022 and 2023, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

(i) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the forward contracts is determined by forward exchange rate and discounted cash flow method. The discount rate used is the risk-free rate.

The fair value of wealth management products of investment with banks in the PRC determined by reference to quoted prices of instruments similar to the assets being valued, adjusted for factors unique to the assets being valued.

The fair value of the swap contracts is determined by discounted-cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period). The discount rate used is the risk-free rate.

(ii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of wealth management products purchased from Western Trust is determined with reference to the net assets value report of the wealth management products as provided by the fund manager.

The fair value of equity investment in Dongfeng Logistics is determined with reference to the agreed consideration of the Share Transfer Transaction, the price/sales ratio of the comparable listed companies and adjusted for lack of marketability discount.

The fair value of the option contracts is determined by Black-Scholes model. The key parameters used include forward exchange rates (from observable forward exchange rate at the end of the reporting period), contracted exchange rates, discount rate, risk-free rate, time to maturity and volatility.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 3 fair value measurements (Continued)

Below is a summary of significant unobservable inputs to the valuation of the financial instruments together with an analysis for the relationship of unobservable inputs to the fair value measurements at the end of reporting period:

31 December 2023

Assets	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to the input
Wealth management products	Net assets value	Net assets value of the wealth management products	The fair value increase/ decrease as the net assets value of the wealth management products increase/ decrease
Equity investment in Dongfeng Logistics (note 22)	Market approach	Agreed consideration of the Share Transfer Transaction Price/sales ratio of the comparable listed companies Discounts for lack of marketability	The fair value increase/ decrease as the price/ sales ratio of the comparable listed companies increase/ decrease and discounts for lack of marketability decrease/increase
Option contracts	Black-Scholes model	Volatility of the foreign exchange rate	The fair value increase/ decrease as the volatility of the foreign exchange rate increase/decrease

31 December 2022

Assets	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to the input
Wealth management products	Net assets value	Net assets value of the wealth management products	The fair value increase/ decrease as the net assets value of the wealth management products increase/ decrease
Equity investment in Dongfeng Logistics	Market approach	Price/sales ratio of the comparable listed companies Discounts for lack of marketability	The fair value increase/ decrease as the price/ sales ratio increase/ decrease and discounts for lack of marketability decrease/increase

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 3 fair value measurements (Continued)

The movements during the year in the balance of these Level 3 fair value measurements were as follows:

	2023 RMB'000	2022 RMB'000
Wealth management products:		
At 1 January	89,969	122,589
Redemption of investment	(850)	(37,220)
Fair value change	(5,181)	4,600
At 31 December	83,938	89,969
Equity investment in Dongfeng Logistics:		
At 1 January	944,947	—
Addition due to loss of significant influence over Dongfeng Logistics	—	944,947
Fair value change	(115,919)	—
At 31 December	829,028	944,947
Option contracts:		
At 1 January	—	—
Net realised gain during the year	100,431	—
Proceeds in relation to settlement	(100,431)	—
Fair value change	574	—
At 31 December	574	—
Total (loss)/gains for the year included in profit or loss for assets held at the end of the year	(20,095)	14,446

Any gain or loss arising from the remeasurement of the wealth management products, equity investment in Dongfeng Logistics and option contracts are presented in the "Other income" line item in the consolidated statement of profit or loss.

33 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Contracted for	**782,229**	1,348,320

34 CONTINGENT LIABILITIES

(a) In 2018, Wuhan Zhengtong, a subsidiary of the Company, and Beijing Guangze entered into a general contract agreement (the "**General Contractor Agreement**") pursuant to which Wuhan Zhengtong engaged Beijing Guangze to undertake the development, establishment, re-establishment and expansion of 4S stores and relevant commercial projects owned by the Group. The contract consideration shall be utilized by Beijing Guangze as the general contractor for such costs as consultant fees for hiring professional service companies, approval and construction application fees, construction and installation fees and ancillary facilities fees. Details of the General Contractor Agreement had been disclosed in the Company's announcement dated 13 March 2018.

In July 2022, the Group received a payment request of RMB6 million from one of the sub-contractors that had been involved in certain 4S Stores and commercial projects (the "**Subcontractor**"), as Beijing Guangze failed to fulfil its obligations under the General Contractor Agreement.

In accordance with the PRC legal opinion obtained by the Company from an external legal advisor, Beijing Guangze is the primary obligor for the relevant construction payments taking into account such facts and circumstances among others (i) Beijing Guangze had undertaken its general contractor role for the projects since the establishment of relevant contracts in prior years and the Group had entrusted Beijing Guangze with the projects and (ii) the Group had already fulfilled its obligations including the payment made to Beijing Guangze in accordance with the General Contractor Agreement. The historical payments to Beijing Guangze in relation to the Subcontractor is assessed to be approximately RMB236 million.

While the Subcontractor has not initiated any formal legal proceedings against the Group in this connection and the future development cannot be estimated with certainty, the directors of the Company, having given due consideration to the legal advice and the relevant facts and circumstances, are of the opinion that it is not probable that the Group will be sued by the Subcontractor and will need to make payments to the Subcontractor. Therefore, no provision has been made in respect of this matter as at 31 December 2023 (31 December 2022: nil).

34 CONTINGENT LIABILITIES (Continued)

(b) In 2023, the Group was informed by receipt of two civil complaints that Wuhan Zhengtong has entered into certain agreements in 2016 to provide guarantees (the "**Guarantee Contracts**") against two fixed assets mortgage loan contracts (the "**Fixed Assets Loan Contracts**") entered into by Wuhan Economic and Technological Development Zone Branch of Hubei Bank Co., Ltd. (the "**Hubei Bank**") with Beijing Guangze and Inner Mongolia Shengze Dingjie Automobile Trading Company Limited (the "**Inner Mongolia Shengze**"), respectively.

In March 2024, Wuhan Zhengtong received judgments in relation to aforementioned two civil lawsuits (the "**First Instance Judgment**") from the Wuhan Intermediate People's Court, pursuant to which i) the Guarantee Contracts were executed but are of no legal effect; and ii) Wuhan Zhengtong shall only bear half of the compensation liability for the failure of Beijing Guangze and Inner Mongolia Shengze to repay the debts.

In accordance with a PRC legal opinion obtained by the Company from an external legal advisor, the First Instance Judgment confirmed that Wuhan Zhengtong ranks lower in the order of priority in meeting payment commitments, with the existence of several collateral and there are other defendants who are also guarantors, the directors of the Company having given due consideration of the legal advice and the relevant facts and circumstances including their understanding of the value of the collateral, are of the opinion that it is not probable that the Company will be required to make any payments. Therefore, no provision has been made in respect of this matter as at 31 December 2023.

As at 31 December 2023, except for the aforementioned contingencies, the Group did not have any other material contingent liabilities.

35 MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
ITG Holding 廈門國貿控股集團有限公司	Controlling Shareholder
ITG HK 國貿控股投資(香港)有限公司	Controlled by Controlling Shareholder
Xiamen Xindeco Co., Ltd. ("**Xindeco**") 廈門信達股份有限公司	Controlled by Controlling Shareholder
International Trade Yingtai Financial Leasing (Xiamen) Co., Ltd. ("**IT Yingtai**") 國貿盈泰融資租賃(廈門)有限公司	Controlled by Controlling Shareholder
Tianxiada Finance Leasing (Xiamen) Co., Ltd. ("**Tianxiada**") 天下達融資租賃(廈門)有限公司	Controlled by Controlling Shareholder
Xiamen International Trade Development Co., Ltd. ("**IT Development**") 廈門國貿發展有限公司	Controlled by Controlling Shareholder
Xiamen ITG Holding Group Finance Co., Ltd. ("**ITG Finance**") 廈門國貿控股集團財務有限公司	Controlled by Controlling Shareholder
Xiamen ITG Capital Group Co., Ltd. ("**ITG Capital**") 廈門國貿資本集團有限公司	Controlled by Controlling Shareholder
Shandong Xindeco IOT Application Technology Co., Ltd. ("**Shandong Xindeco**") 山東信達物聯應用技術有限公司	Controlled by Controlling Shareholder
Xiamen Gaoxin Yundao Technology Co., Ltd. ("**Xiamen Gaoxin Yundao**") 廈門高新雲道科技有限公司	Controlled by Controlling Shareholder
Shanghai Yige 上海繹格科工貿有限公司	Joint venture since December 2023

Note: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Technical support and construction design services received:		
Shandong Xindeco	**5,781**	1,211
Other financial services received:		
ITG Finance	**240**	—
Interest received:		
ITG Finance	**4**	—
Technical and sales promotional service received:		
Xiamen Gaoxin Yundao	**35,731**	—
Interest-bearing borrowings — proceeds from/ (repayments to) related parties, net effect:		
ITG Holding	**(2,405,200)**	(1,445,725)
IT Development	**57,669**	341,041
Tianxiada	**—**	(300,000)
IT Yingtai	**(300,000)**	300,000
ITG HK	**93,849**	100,351
ITG Finance	**2,714,760**	—
ITG Capital	**300,000**	—
	461,078	(1,004,333)

As at 31 December 2023, the Group have obtained financial guarantees from ITG Holding for banking facilities and bank loans and borrowings of RMB6,596 million (2022: RMB5,736 million).

During the year ended 31 December 2023, total interest expenses generated from the interest-bearing borrowings due to related parties was RMB196,804,000 (2022: RMB182,765,000).

During the year ended 31 December 2023, the Group's transaction with a fellow subsidiary in relation to the issuance of perpetual bonds is disclosed in note 31.

In addition to the recurring transactions above, the Group has entered into a share transfer agreement with Xindeco on 18 December 2023 regarding the sales and purchase of 5.77% equity interest in Dongfeng logistics held by the Group, which is disclosed in note 22.

Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of technical support and construction design services, financial services and technical and sales promotional service above constituted non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	At 31 December	
	2023 **RMB'000**	2022 RMB'000
Cash deposits in:		
ITG Finance	**690**	—
Amounts due from related parties:		
Xindeco	**470**	—
Prepayments:		
Xiamen Gaoxin Yundao	**802**	—
Accounts payable due to related parties:		
Shanghai Yige	**404**	—
Other payables due to related parties:		
ITG Holding	**50**	—
Xindeco	**88**	84
Shandong Xindeco	**4,715**	423
Xiamen Gaoxin Yundao	**8,132**	—
IT Development	**5,443**	—
	18,428	507
Interest-bearing borrowings due to related parties:		
Current		
ITG Finance	**1,377,760**	—
IT Yingtai	**—**	300,000
ITG HK	**349,777**	1,266,849
ITG Holding	**448,700**	—
ITG Capital	**1,000**	—
Sub-total	**2,177,237**	1,566,849
Non-current		
ITG Holding	**—**	2,853,900
IT Development	**398,710**	341,041
ITG Finance	**1,337,000**	—
ITG Capital	**299,000**	—
Sub-total	**2,034,710**	3,194,941
Total	**4,211,947**	4,761,790

(c) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 7 and note 8.

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**25**	5,627
Right-of-use assets	**294**	441
Interests in subsidiaries	**3,846,392**	4,170,763
	3,846,711	4,176,831
Current assets		
Prepayments, deposits and other receivables	**21,727**	40,768
Other financial assets	**—**	5,920
Cash and cash equivalents	**41,375**	56,481
	63,102	103,169
Current liabilities		
Loans and borrowings	**3,853,526**	5,279,939
Trade and other payables	**43,513**	84,939
Lease liabilities	**156**	156
Other financial liabilities	**4,650**	—
	3,901,845	5,365,034
Net current liabilities	**(3,838,743)**	(5,261,865)
Total assets less current liabilities	**7,968**	(1,085,034)
Non-current liabilities		
Loans and borrowings	**633,867**	100,671
Lease liabilities	**147**	285
	634,014	100,956
NET DEFICITS	**(626,046)**	(1,185,990)
Equity		
Share capital	**246,394**	235,203
Reserves	**(1,883,361)**	(1,421,193)
Perpetual bonds (note 31)	**1,010,921**	—
TOTAL DEFICITS	**(626,046)**	(1,185,990)

37 ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors of the Company consider the ultimate controlling party of the Group to be ITG Holding, which is incorporated in the PRC.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("**2020 amendments**")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("**2022 amendments**")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing these consolidated financial statements. The Material accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(c) Provision for inventories

The Group reviews the carrying amounts of the inventories at the respective balance sheet dates to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

(d) Impairment of goodwill and intangible assets — car dealerships

The Group determines whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which include the relevant goodwill and intangible assets. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in notes 14 and 15.

(e) Impairment of intangible assets — trademark

The Group determines whether intangible assets-trademark with indefinite useful life are impaired requires an estimation of the fair value of the trademark by using the relief from royalty method. Details of impairment testing of trademark with indefinite useful life is disclosed in note 14.

(f) Accrual of vendor rebate

The Group manually calculates rebates and recognises them to the extent that the management estimates it is probable that the associated conditions will be met and the amount can be estimated reliably.

Specific factors management considered included the recent historical sales volume patterns, the rebate rates applied, overriding and ongoing performance metrics and any other available information concerning the credit worthiness of suppliers.

(g) Useful lives of intangible assets

The intangible assets are depreciated on a straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition.

40 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Junfeng *(Chairman)*
(appointed as an executive Director on 31 July 2023, and as the Chairman of the Board on 10 April 2024)
Mr. Zeng Tingyi *(resigned on 31 July 2023 and re-appointed on 10 April 2024)*
Mr. Wang Mingcheng *(resigned as the Chairman of the Board on 10 April 2024)*
Mr. Chen Hong *(appointed on 10 April 2024)*
Mr. Li Zhihuang *(resigned on 10 April 2024)*

Independent Non-executive Directors

Dr. Wong Tin Yau, Kelvin
Dr. Cao Tong *(resigned on 7 February 2024)*
Ms. Wong Tan Tan *(resigned on 7 February 2024)*
Ms. Yu Jianrong *(appointed on 7 February 2024)*
Mr. Song Tao *(appointed on 7 February 2024)*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS

4/F, Wuhan Baoze
No. Te 6 Huangpu Technological Park,
Jiangan District
Wuhan, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat C, 32/F,
Lippo Centre Tower One
89 Queensway
Hong Kong

COMPANY WEBSITE

www.zhengtongauto.com

COMPANY SECRETARY

Ms. Fung Wai Sum (ACG, HKACG)

AUTHORIZED REPRESENTATIVES

Mr. Huang Junfeng
Ms. Fung Wai Sum

AUDIT COMMITTEE

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Ms. Yu Jianrong
Mr. Song Tao

NOMINATION COMMITTEE

Mr. Huang Junfeng *(Chairman)*
Ms. Yu Jianrong
Mr. Song Tao

REMUNERATION COMMITTEE

Ms. Yu Jianrong *(Chairman)*
Mr. Zeng Tingyi
Dr. Wong Tin Yau, Kelvin

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) COMMITTEE

Mr. Wang Mingcheng *(Chairman)*
Mr. Huang Junfeng
Mr. Chen Hong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111 Cayman Islands

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Construction Bank Co., Ltd.
Bank of Communications Co., Ltd.
Industrial Bank Co., Ltd.
China CITIC Bank Corporation Limited
Ping An Bank Company Limited
Hua Xia Bank Co., Limited
China Zheshang Bank Co., Ltd.
The Bank of East Asia (China) Limited
Xiamen International Bank Co., Ltd.
Fubon Huayi Bank Co., Ltd.

AUDITORS

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

HONG KONG LEGAL COUNSEL

Reed Smith Richards Butler LLP

STOCK CODE

1728

CHINA ZHENGTONG
AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

WWW.ZHENGTONGAUTO.COM