HARMONY AUTO
和諧汽車

China Harmony Auto Holding Limited
中國和諧汽車控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3836

2024
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FENG Changge *(Chairman)*
Mr. FENG Shaolun *(Deputy Chairman)*
Mr. LIU Fenglei *(President)*
Ms. MA Lintao *(Vice-president)*
Mr. CHENG Junqiang *(Vice-president)*

Independent Non-executive Directors

Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. SUNG Ka Woon
Mr. CHAN Ying Lung *(resigned on 3 June 2024)*

AUDIT COMMITTEE

Mr. WANG Nengguang *(Chairman)*
Mr. LAU Kwok Fan
Mr. SUNG Ka Woon *(appointed on 3 June 2024)*
Mr. CHAN Ying Lung *(resigned on 3 June 2024)*

REMUNERATION COMMITTEE

Mr. SUNG Ka Woon *(Chairman)*
(appointed on 3 June 2024)
Mr. CHAN Ying Lung *(Chairman)*
(resigned on 3 June 2024)
Mr. LIU Fenglei
Mr. LAU Kwok Fan

NOMINATION COMMITTEE

Mr. FENG Changge *(Chairman)*
Mr. WANG Nengguang
Mr. SUNG Ka Woon *(appointed on 3 June 2024)*
Mr. CHAN Ying Lung *(resigned on 3 June 2024)*

COMPANY SECRETARY

Ms. WONG Wai Yee, Ella

AUTHORIZED REPRESENTATIVES

Mr. LIU Fenglei
Ms. WONG Wai Yee, Ella

LEGAL ADVISER

Haiwen & Partners LLP
Suites 1101–1104, 11/F
One Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITORS

Beijing Xinghua Caplegend CPA Limited
Certified Public Accountants and
Registered Public Interest Entity Auditors
1/F, GR8 Inno-Tech Centre
46 Tsun Yip Street
Kwun Tong
Hong Kong

PRINCIPAL BANKS

Zhongyuan Bank Zhengzhou Branch
Shanghai Pudong Development Bank, Zhengzhou Branch
China Everbright Bank, Zhengzhou Branch
Industrial Bank, Zhengzhou Branch
Industrial Bank, Hongkong Branch
Hang Seng Bank Limited

REGISTERED OFFICE

Vistra (Cayman) Limited
P.O. Box 31119
Grand Pavilion Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN THE PRC

15A, Tower A, World Trade Center Building
Shangwuneihuan Road
CBD Zhengdong New District
Zhengzhou, Henan Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1915, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Vistra (Cayman) Limited
P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

www.hexieauto.com

STOCK CODE

3836

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Harmony Auto Holding Limited (the "**Company**" or "**We**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 (the "**Reporting Period**").

In 2024, the global economy continued to recover slowly. Meanwhile, China's domestic economy maintained steady growth, with GDP growing 5.0% year-on-year. However, structural challenges remained, including weak effective domestic demand and the ongoing pressures of industrial transformation, as traditional growth engines gradually gave way to emerging sectors — posing persistent challenges for businesses across various industries. The automotive industry, in particular, is undergoing accelerated changes fueled by intelligentisation and electrification, which is profoundly reshaping the industry's competitive landscape.

Facing complex challenges from industry-wide restructuring and market realignment, we adhered to our strategic approaches:

- **Vigorously expanding overseas NEV markets**

  Recognizing the global shift towards electric vehicles, we prioritized partnerships with leading Chinese NEV brands to penetrate international markets. By establishing dealership networks abroad, we aim to replicate our domestic success while contributing to the globalization of China's automotive innovation.

- **Strengthening the leadership in China's automotive market**

  As the cornerstone of our business, we reinforced our position as the premier dealer for luxury and ultra-luxury brands in China. Our 4S stores in Mainland China will continue to deliver exceptional sales and after-sales services, empowered by our operational excellence and deep customer relationships.

- **Focusing on dominant brands**

  As a key initiative of the Group's strategic development, we are actively establishing overseas distribution networks for leading Chinese automotive brands, including BYD and DENZA, which will become core components of our brand matrix. This international presence not only enriches our business ecosystem but also positions us at the forefront of China's automotive globalization.

  By combining our expertise in luxury vehicles retail with the strengths of these innovative electric vehicle brands, we are creating a powerful synergy that bridges China's manufacturing capabilities with global market opportunities. This strategic move underscores our steadfast commitment to empowering China's automotive brands in global markets, while consistently expanding the Group's global footprint.

Appreciation

On behalf of the Board, I would like to extend my deepest gratitude to all shareholders, customers, and business partners for their enduring trust and support in the Group, and my highest respect to all employees for their dedication.

Looking ahead, we will leverage on our strategic advantages to capitalize on the unprecedented opportunities presented by the global new energy vehicle revolution, with particular focus on the international expansion of the distribution network. The Group will continue to be proactive in seeking to change and in leveraging our core competencies to propel sustainable development while delivering exceptional value to our shareholders.

China Harmony Auto Holding Limited

FENG Changge
Chairman of the Board

31 March 2025

Management Discussion and Analysis

INDUSTRY OVERVIEW AND OUTLOOK

In 2024, China's passenger car market continued its recovery from 2023 against the backdrop of adjustments in the global economic landscape and accelerated penetration of smart technologies. According to the data released by the China Passenger Cars Association ("**CPCA**"), in 2024, the cumulative retail sales of passenger cars in China were 22.89 million units, representing an increase of 5.5% year on year. Among them, the retail sales of new energy vehicles ("**NEV**") hit a remarkable record, supported by the purchase tax exemption policy, the Automobile to the Countryside Program and the popularization of charging and switching infrastructures. The annual sales volume of NEV in 2024 reached 10.9 million units, representing a year-on-year increase of 40.5%, and a penetration rate of over 47.6%.

In 2024, the luxury car market sales amounted to 2.7 million units, down 7.8% year-on-year. Among them, first-tier luxury brands BMW, Mercedes-Benz and Audi (collectively "**BBA**") still accounted for over 70% of the luxury car market. BMW remained the sales leader in China with 715,000 new vehicles delivered (including the MINI brand), but down 13.4% from the previous year; Mercedes-Benz had 714,000 vehicles delivered for the year, down 6.7% from the previous year; and Audi had 649,000 vehicles delivered for the year, down 10.9% from the previous year. Although BBA's sales volume in China dropped during the year, it was not a long-term sustained decline as BBA's sales volume rose last year. BMW currently retains its leadership position in the market, leveraging strong brand equity and a diverse product portfolio, with particularly solid performance in the premium sedan and sport utility vehicle (SUV) categories.

Capitalizing on China's scaling advantages in NEV production and fueled by global market ambitions, domestic NEV brands are accelerating international expansion, with their overseas brand recognition reaching new heights. In 2024, China's exports of NEV reached 3.2 million units, up 45% year-on-year, accounting for 38% of global exports of NEV. For the first time, China surpassed Germany to become the world's top exporter of NEV. Among them, BYD topped the list with 800,000 units exported, accounting for 25% of China's total NEV exports and becoming the most influential Chinese brand in the global NEV market.

Looking ahead to 2025, China's automobile market will enter a new cycle of "high-quality growth". Driven by macroeconomic recovery and policy support, the industry is expected to remain active overall, with passenger car retail sales estimated to reach 23.4 million units in 2025, a 2% year-on-year increase. Among them, retail sales of NEV are expected to reach 13.3 million units, representing a year-on-year growth of 20%, and raising the penetration rate to 57%. On 8 January 2025, the National Development and Reform Commission of the People's Republic of China issued a Circular on the Enhanced and Expanded Implementation of Large-Scale Equipment Renewal and Consumer Goods Trade-in Policies in 2025. This will surely promote the growth of domestic automobile consumption and fuel the growth of automobile sales in 2025.

In terms of international market, China's leading automobile enterprises, represented by BYD, are accelerating their globalization and restructuring the competition landscape of the global automobile industry. BYD's factories in Thailand and Hungary will gradually commence production, with the production capacity covering the demands of the Southeast Asian and European markets. In addition, BYD's premium models (e.g., Yangwang, DENZA, Equation Leopard) have gained recognition in developed markets, further driving brand premiums. The globalization of China's NEV has entered a new stage of "two-way empowerment" not only feeding the upgrading of the domestic industry through the scale effect and technological iteration, but also restructuring the rules of global automobile competition with ecological mode. For automobile dealers, this is not only an expansion of sales channels, but also a historic opportunity to transform from a "regional agent" to a "global service provider".

BUSINESS OVERVIEW AND OUTLOOK

In 2024, the Company achieved a total sales volume of 40,247 units, representing a year-on-year increase of 4.6%, of which 24,115 units of BMW (including MINI) were delivered throughout the year, representing a year-on-year decrease of 15.3%; 6,274 units of BYD (including DENZA) were delivered, representing a remarkable 146-fold increase from the previous year's sales volume; and 4,547 units of Lexus were delivered, representing a year-on-year increase of 6.6%.

Since late 2023, the Company has accelerated its overseas expansion strategy, collaborating with leading Chinese NEV brands, such as BYD and DENZA, to penetrate the markets of Asia Pacific and Europe. In 2024, the Company marked a milestone with the inauguration of its first European dealership showroom, solidifying its global footprint. With the continuous expansion of its dealership network, the Company's brand and services received increasing recognition around the world.

The Company has forged a strategic alliance with BYD Company Limited, with Hong Kong as the starting point for business cooperation in the Asia-Pacific and European markets. Notably, BYD's sales performance in Hong Kong has been exceptional. On 4 November 2024, the Hong Kong subsidiary of the Group acquired the assets of JC Motor Limited, a local car dealer, consolidating its position as the sole BYD distributor in the market. By virtue of the company's unwavering commitment, BYD achieved the top spot in Hong Kong's monthly private car sales rankings in January 2025, and once again took over the top position in February 2025 (according to the latest statistics from the Hong Kong Transport Department), marking a historic milestone for electric vehicle dominance in the region. To date, the Group has established 10 showrooms and 3 service centers of BYD in Hong Kong.

Building on this momentum, the Group has accelerated its global expansion strategy beyond Hong Kong in 2024. In Asia-Pacific, the Group has established service network for BYD spanning Cambodia, Thailand, the Philippines, Vietnam, Malaysia, Indonesia, Singapore, Japan, South Korea and Australia, with a total of 39 outlets opened across the region. While in Europe, the Group set up BYD service networks in the United Kingdom, France and Poland deploying 7 outlets to strengthen market penetration. This growth highlights the synergy between BYD's cutting-edge NEV technology and the Group's distribution strengths, positioning the alliance as a pivotal force driving China's NEV globalisation strategy.

Looking ahead, the Company will vigorously expand into overseas NEV markets, while maintain an unwavering commitment to consolidating its core automotive business in Mainland China. Building on the resilience of China's automobile supply chain and the rising global competitiveness of domestic NEV brands, the Company aims to accelerate the internationalization of domestic NEV brands. By deepening partnerships with these industry leaders and aligning with evolving sustainability trends, the Company seeks to position itself as a key enabler of green mobility innovation worldwide, driving both commercial success and progress toward global carbon reduction goals.

FINANCIAL OVERVIEW

Revenue

Revenue of the Group was RMB15,617.4 million for 2024, representing an decrease of 5.8% as compared with RMB16,579.2 million recorded in the corresponding period in 2023. Among them, revenue from Hong Kong and overseas operations amounted to approximately RMB1,788.5 million, representing an increase of around 108.7 times as compared with the revenue for the same period in 2023.

Revenue from sales of automobiles and others was RMB13,373.7 million, accounting for 85.6% of the total revenue in 2024 and representing a decrease of 5.9% from RMB14,209.3 million recorded in the corresponding period in 2023. Revenue from the provision of after-sales services amounted to RMB2,200.7 million, accounting for 14.1% of the total revenue in 2024 and representing a decrease of 5.1% as compared with RMB2,319.8 million in 2023.

Cost of Sales and Services

The Group's cost of sales and services was RMB14,917.7 million in 2024, representing a decrease of 4.5% from RMB15,615.2 million recorded in 2023, which was in line with the overall decrease in revenue.

The cost of sales of automobiles and others in 2024 was RMB13,456.0 million, representing a decrease of 5.1% from RMB14,177.9 million recorded in the corresponding period in 2023. Cost of after-sales services in 2024 was RMB1,461.7 million, representing an increase of 1.7% from RMB1,437.3 million recorded in the corresponding period in 2023.

Gross Profit and Gross Profit Margin

The Group's gross profit in 2024 was RMB699.7 million, representing a decrease of approximately RMB264.3 or 27.4% from RMB964.0 million in 2023. The Group's gross profit margin in 2024 was 4.5%, representing a decrease of 1.3% from 5.8% recorded in the corresponding period in 2023.

In 2024, the Group reported a gross loss of RMB82.3 million from sales of automobile and others, a sharp reversal from the RMB31.4 million gross profit recorded in the prior year period. This margin contraction stemmed from the impact of weak consumer spending amid subdued economic growth.

Gross profit from the provision of after-sales services decreased from RMB882.5 million in 2023 to RMB739.0 million in 2024.

Other Income and Gains, Net

The Group recorded other income and gains, net of RMB572.2 million (2023: RMB411.9 million), which was mainly attributable to commission income of RMB472.8 million (2023: RMB431.6 million), interest income of RMB50.5 million (2023: RMB67.0 million), sponsorship fees received from automobile manufacturers of RMB28.1 million (2023: RMB23.6 million).

Selling and Distribution Expenses and Administrative Expenses

In 2024, the Group's selling and distribution expenses amounted to RMB899.3 million, representing an increase of 4.8% as compared with that of RMB857.8 million in the same period of 2023.

In 2024, the Group's administrative expenses amounted to RMB372.6 million, representing an increase of 10.4% as compared with that of RMB337.6 million in the same period of 2023. The increase in administrative expenses is primarily attributed to the expansion of the international distribution network, including human resource allocation for new locations and travel expenses and temporary operational support costs arising from the expanded business footprint. These expenditures reflect strategic investments in foundational infrastructure during the initial phase of global market penetration.

Finance Costs

The Group's finance costs in 2024 were RMB174.6 million, representing an increase of 32.3% from RMB132.0 million in 2023, which was mainly due to the increase in lease interests resulted from the expansion of international distribution outlets and the average balance of borrowings.

Loss for the Year

The Group recorded a loss for the year of RMB285.7 million, increased by RMB44.2 million as compared to that of RMB241.5 million in 2023. Such increase in loss for the year was primarily due to the drop in gross profit and the rise in administrative expenses driven by the Group's international expansion strategy. Among them, net loss from Hong Kong and overseas operations amounted to approximately RMB194.8 million.

If the effect of the non-recurring loss was excluded, the Group's adjusted loss for the year would be RMB146.1 million. The non-recurring loss represents an expected credit loss of approximately RMB139.6 million on the advances to and interest receivable from the Independent Aftersales Company, due to the failure to receive interest on time during the Reporting Period as the Independent Aftersales Company suffered cashflow issues from the impact of the increasingly competitive business environment.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

As at 31 December 2024, cash and bank balances of the Group totaled RMB1,108.0 million (2023: RMB1,048.2 million).

In 2024, the net cash used in operating activities was RMB166.8 million, net cash used in investing activities was RMB623.8 million, and net cash generated from financing activities was RMB873.3 million.

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

Net Current Assets

As at 31 December 2024, the Group's net current assets amounted to RMB1,219.7 million, representing a decrease of 39.9% from RMB2,028.1 million as at 31 December 2023, primarily due to the increase in bank loans and other borrowings (please refer to the paragraph headed "Liquidity and Capital Resources — Bank Loans and Other Borrowings" for details).

Capital Expenditure and Investments

The Group's capital expenditure in 2024 amounted to RMB700.5 million (2023: RMB489.8 million), which was mainly used for the purchase of property, plant and equipment in relation to sales outlets. Save as disclosed in this annual report, the Group had not made any significant investments, material acquisitions or disposals of subsidiaries in 2024.

Contingent Liabilities

As at 31 December 2024, save as disclosed, the Company did not have any significant contingent liabilities and guarantees.

Inventories

The Group's average inventory turnover days in 2024 were 41 days, representing an increase of 6 days compared to 35 days in 2023. This rise was primarily driven by the Group's strategic adjustments to inventory levels in response to evolving market conditions, as well as the expansion of its overseas operations, where longer customs clearance processes in international markets contributed to higher inventory holding periods. Despite these factors, the Group's inventory turnover days remain within a healthy range, reflecting a healthy inventory control and the balanced supply chain management.

Bank Loans and Other Borrowings

As at 31 December 2024, the Group had bank loans and other borrowings in the aggregate amount of RMB3,419.0 million, representing a year-on-year increase of 56.7% as compared to RMB2,181.5 million as at 31 December 2023.

	2024 ***RMB'000***	2023 *RMB'000*
Current		
Bank loans	**1,943,783**	1,428,647
Other borrowings	**1,475,202**	752,898
	3,418,985	2,181,545

As at 31 December 2024, the Group's gearing ratio (calculated as total liabilities divided by total assets) was 57.1%, representing an increase of 9.4% compared to the 47.7% recorded as at 31 December 2023.

As at 31 December 2024, certain Group's bank loans and other borrowing were secured by mortgages over the Company's assets which include (i) land use rights situated in Mainland China in the amount of approximately RMB5.5 million (2023: RMB8.8 million); (ii) buildings in the amount of approximately RMB13.6 million (2023: RMB13.4 million); and (iii) inventories in the amount of approximately RMB799.4 million (2023: RMB454.5 million).

Pledge of Assets

For details of the pledge of assets, please refer to note 28 and 29 to the consolidated financial statements. Save as disclosed, as at 31 December 2024, none of the Group's assets were pledged.

Interest Rate Risk and Foreign Exchange Risk

The Group's bank deposits, bank loans and other borrowings mainly bear interests at fixed interest rates, therefore the Group's exposure to the risk of interest rate fluctuation is very limited. During the Reporting Period and up to the date of this annual report, the Group has not used any financial derivatives to hedge the Company's interest rate risks.

The Group's subsidiaries operate in Mainland China, Hong Kong and certain overseas countries, and they are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD and HKD. The Group considers that the business is not exposed to any significant foreign exchange risk as the financial assets and liabilities of our Group denominated in currencies other than the respective functional currencies of our operating entities are not significant. For details of the currencies in which borrowings are made and in which cash and cash equivalents are held, please refer to the section headed "Bank loans and other borrowings" and "Cash and bank balances" in the note 28 and 27 to the consolidated financial statements, respectively. The Group did not hedge against any fluctuation in foreign currency during the years ended 31 December 2024 and 2023.

Capital Structure and Treasury Policies

The Group's business activities are primarily funded through a combination of share capital, cash generated from operating activities, interest-bearing bank loans, and other borrowings.

The Group has adopted a prudent financial management approach towards its treasury policies and will revisit such policies from time to time, taking into account, among other things, the cash flows requirement and expansion of the Group. The Group maintained a healthy liquidity position in 2024.

Employees and Remuneration Policies

As at 31 December 2024, the Group had a total of 4,403 employees (2023: 3,642 employees). Total employee expenses in 2024 amounted to RMB515.2 million, compared to RMB446.2 million in 2023, reflecting a 6.8% year-over-year increase. Employees' remuneration packages are determined based on their work experience, job responsibilities and performance. The Board and the Remuneration Committee of the Company will conduct an annual review of the remuneration policy, salary plan, employee benefits with reference to market practice and employees' general performance.

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include employees of the Company and its subsidiaries. The Share Option Scheme became effective on 26 June 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date. The remaining life of the Share Option Scheme is approximately three months as of the date of this annual report. 50% of these share options were vested on 16 February 2020 and 50% were vested on 16 February 2021. As at 1 January 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's shares in issue. During the Reporting Period, no share option was granted, exercised, lapsed and cancelled under the Share Option Scheme. As at 31 December 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's shares in issue as at that date.

On 28 February 2019, the Company adopted a share award plan (the "**Share Award Plan**") under which the Company may grant existing Shares to selected participants, being all employees, directors (whether executive or non-executive directors, but excluding independent non-executive directors and Mr. FENG Changge) and officers of the Group. The Share Award Plan was adopted for the purpose of (i) motivating, recognizing and rewarding the contributions of the employees, directors (executive or non-executive directors but excluding independent non-executive directors) and officers of the Group; (ii) attracting and retaining talents for the long-term growth and development of the Group; and (iii) aligning the interests of the grantees of the Company with that of the shareholders to enhance the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan during the Reporting Period. Subject to early termination by the Board, the Share Award Plan shall be valid and effective from the date of adoption of the Share Award Plan, being 28 February 2019, and ending on 26 June 2025 (both days inclusive). The remaining life of the Share Award Plan is approximately three months as of the date of this annual report. The maximum aggregate number of Shares to be acquired by the trustee under the Share Award Plan is 60,000,000 Shares, representing 3.94% of the Shares in issue (i.e. 1,523,264,677) as at 31 December 2024. 30,000,000 shares were granted and vested under the Share Award Plan. As at 31 December 2024, the trustee appointed by the Company for the Share Award Plan has purchased 59,987,500 Shares under the Share Award Plan since its adoption. During the Reporting Period, no shares were granted, vested, lapsed and cancelled under the Share Award Plan. Details of the Share Award Plan are set out in the announcement of the Company dated 2 April 2019.

For details, please refer to the section headed "Share Option Scheme" and "Share Award Plan" in the Directors' Report.

Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. FENG Changge ("Mr. FENG"), aged 54, is an executive Director, the Chairman of the Board, the Chairman of the Nomination Committee, and a director of Eagle Seeker Company Limited, a substantial shareholder of the Company. Mr. FENG was appointed as an executive Director of the Company on 24 September 2012 and is responsible for the overall strategic and business direction of the Group. He is the founder of the Group, and has been in the automobile industry since 2005 when he founded Henan Zhongdebao Automobile Sales & Services Co., Ltd ("**Zhongdebao**"). Zhongdebao is a wholly-owned subsidiary of the Company and the first BMW dealership outlet in Henan Province. Mr. FENG graduated with a bachelor's degree in economic law from Central South Institute of Law (中南政法學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in 1992 and received a master's degree in law from the same institution in 2001. After graduation in 1992, Mr. FENG entered the judiciary in Henan Province, serving as assistant judge and judge of the Higher People's Court of Henan Province (河南省高級人民法院). In 2002, Mr. FENG left the judicial system and established a law firm, while at the same time starting various business enterprises. He became involved in real estate investment through his vehicle, Yuanda Investment, and was also involved in the auction and valuation businesses. He is also the controlling shareholder of Hexie Industrial Group, a privately owned Group headquartered in Zhengzhou Henan Province, China, with business interests focusing on branded and luxury lifestyle goods and services, including property development, golf courses and automobile sales. Save as disclosed, over the past three years, Mr. FENG has not been a director of any other listed companies and does not hold any other positions in the Company and other members of the Group. Mr. FENG is the husband of Ms. MA Lintao and father of Mr. FENG Shaolun. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")).

Mr. FENG Shaolun, aged 29, was appointed as an executive Director and Deputy Chairman of the Board on 7 December 2021. He graduated from the University of California, Irvine, majoring in Aerospace Engineering. He has won five championships of the National Junior Aerospace Model and the titles of national first class athlete and national sportsman. During his studies overseas, he established what is now California's largest Chinese integrated car repair center and racing club. Since his joining the Company, Mr. Feng Shaolun has been committed to the expansion and management of all brands of the Company, including but not limited to BMW, Lexus, Ferrari, Bentley, Rolls-Royce, Maserati, Land Rover, Lincoln, etc. Later, he joined Zhengzhou Zhongdebao Automobile Sales & Service Co., Ltd and engaged in the overall management, serving successively as salesman, sales deputy manager, deputy manager of after-sales service, deputy general manager of the store. Mr. Feng Shaolun is also the chairman of Henan Harmony Real Estate Group and chairman of Henan Jinsha Lake International Golf Club Co., Ltd.. Save as disclosed, he has not served as a director of any other companies listed on any securities market in Hong Kong or overseas and does not hold any other positions in the Company and other members of the

Group for the past three years. He is the son of Mr. Feng Changge, executive director and chairman of the Company and Ms. Ma Lintao, executive director of the Company. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Mr. LIU Fenglei ("Mr. LIU"), aged 49, was appointed as an executive Director, president and chief executive officer of the Company on 19 October 2015. He is currently a member of the Remuneration Committee of the Company. Mr. LIU is one of the founders of the Group. He has approximately 20 years' experience in China's automobile industry. He obtained a Bachelor degree of commercial English from Zhengzhou University (鄭州大學) in 1998. He joined the Group in February 2003 and worked at Henan Zhongdebao Automobile Sales & Service Co., Ltd. (河南中德寶汽車銷售服務有限公司) as the assistant to the chairman of the board of directors. From August 2006 to April 2013, he was the general manager of Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd. (鄭州遠達雷克薩斯汽車銷售服務有限公司). From April 2013 to October 2015, he was the senior vice president of the Company in charge of the Group's network development and luxury passenger vehicles' business. Save as disclosed, over the past three years, Mr. LIU has not been a director of any other listed companies and does not hold any other positions in the Company and other members of the Group. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Ms. MA Lintao ("Ms. MA"), aged 57, was appointed as an executive Director on 31 January 2013 and is currently a vice-president of the Company. Ms. MA graduated from Henan Institute of Finance and Economics (河南財經學院) (now known as Henan University of Economics and Law (河南財經政法大學) with a bachelor's degree in national economic planning and statistics in June 1992. From July 1992 to December 2003, Ms. MA worked in China Construction Bank Henan branch (中國建設銀行河南分行) in various positions such as director of the credit approval committee of the Zhengzhou branch office and vice-president of the Zhengzhou futures branch office, where she was responsible for matters such as credit assessment and approval and public and retail sales. Ms. MA joined our Group in September 2006 as the chairlady of Yuanda Lexus, our wholly-owned subsidiary. Save as disclosed, over the past three years, Ms. MA has not been a director of any other listed companies and does not hold any other positions in the Company and other members of the Group. Ms. MA is the wife of Mr. FENG Changge and the mother of Mr. FENG Shaolun. Save as disclosed, she has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Mr. CHENG Junqiang ("Mr. CHENG"), aged 45, was appointed as an executive Director on 5 January 2022 and is currently the vice-president and chief operating officer of the Company. He majored in automotive application engineering, has nearly 23 years of experience in the automotive industry since graduation. Mr. CHENG joined the Company in 2007 and served as the general manager of Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd. (鄭州遠達雷克薩斯汽車銷售服務有限公司) and the brand director of Lexus under Harmony Auto. Prior to his appointment as an executive director, Mr. CHENG served as the chief operating officer of the Company and managed all 4S stores of luxury and ultra-luxury brands under Harmony Auto. Mr. CHENG is responsible for the overall operation of the brand. He adheres to the concept of refined management, devotes himself to improving the execution capability and detailed operation level of the stores he managed, continues to deepen the development of automobile industry, and creates a 4S store operation system with the "harmony" characteristic. Save as disclosed, over the past three years, he has not been a director of any other listed companies and does not hold any other positions in the Company and other members of the Group. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Independent Non-executive Directors

Mr. WANG Nengguang ("Mr. WANG"), aged 66, was appointed as an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee of the Company on 4 February 2019. Mr. WANG graduated from Party School of the Central Committee of C.P.C. (中共中央黨校) with a master's degree in economic management in July 2001. He is qualified as a senior accountant and a certified public accountant. From August 1991 to July 1992, he served as financial manager of China Record (Shenzhen) Co., Ltd. of Ministry of Broadcasting and Television (廣電部中唱深圳公司). From April 1994 to March 2001, he served as general manager of the financial department of Lenovo Group Limited (聯想集團), a company listed on the Stock Exchange (stock code: 992). From April 2001 to December 2003, he served as managing director and chief financial officer of Legend Capital Limited (聯想投資有限公司). From January 2004 to February 2012, he served as managing director and chief financial officer of Beijing Legend Investment Advisor Co., Ltd. (北京聯想投資顧問有限公司). From September 2012 to November 2015, he served as a non-executive Director of the Company. From April 2001 to March 2018, he served as managing director and chief financial officer of Beijing Legend Capital Management Co., Ltd. (北京君聯資本管理有限公司). From April 2018, he served as a director of Beijing Legend Capital Management Co., Ltd. (北京君聯資本管理有限公司). From May 2014 to May 2020, he served as an independent director of Digital China Information Service Company Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000555.SZ). Since September 2021, he served as an independent director of Guangdong Guanhao High-Tech Co., Ltd. (listed on the Shanghai Stock Exchange (stock code: 600433)). Since February 2022, he served as an independent director of Digital China Group Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000034)). Save as disclosed, over the past three years, he has not been a director of any other listed companies and does not hold any other positions in the Company and other members of the Group. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Mr. LAU Kwok Fan ("Mr. LAU"), aged 44, was appointed as an independent non-executive Director on 14 June 2019 and is currently as the members of each of the Audit Committee and Remuneration Committee of the Company. Mr. LAU was awarded a Bachelor of Arts degree in Public Administration and Management from De Montfort University in June 2006 and a Master of Arts degree in Sociology from the Chinese University of Hong Kong in December 2010. Mr. LAU is currently a member of the Legislative Council of Hong Kong. He was appointed as a member of the board of directors of Hong Kong Cyberport Management Company Limited commencing on 1 April 2021. From 2008 to 2019, he was an elected member of North District Council and from November 2016, he was elected by the members of the Legislative Council to serve as a member of the university council of the Chinese University of Hong

Kong. Mr. LAU is also a member of the Beijing Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and a member of the Jiangmen Committee of the CPPCC. Mr. LAU served as an independent non-executive director of KNT Holdings Limited (stock code: 1025.HK), a company listed on the Stock Exchange of Hong Kong Limited from 31 January 2019 to 18 November 2024. Save as disclosed, over the past three years, he has not been a director of any other listed companies and does not hold any other positions in the Company and other members of the Group. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Mr. SUNG Ka Woon ("Mr. SUNG"), previously known as Song Li, aged 52, was appointed as an independent non-executive Director on 13 June 2023 and is currently as the Chairman of the Remuneration Committee and the members of each of the Audit Committee and the Nomination Committee of the Company since 3 June 2024. Currently, Mr. SUNG is an independent non-executive director of Simcere Pharmaceutical Group Limited (stock code: 2096.HK) since 18 January 2023, an independent non-executive director of Rongzun International Holdings Group Limited (formerly known as B & D Strategic Holdings Limited) (stock code: 1780.HK) since 4 December 2023 and an independent non-executive director of Energy International Investments Holdings Limited (stock code: 353.HK) since 23 July 2024, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. SUNG has extensive experience of social services and corporate management. He is currently the chairman of the board of directors of Century Glow (Hong Kong) Information Technology Company Limited and Oudun Industrial Group Co., Ltd. (歐鈍實業集團有限公司). Mr. SUNG has served at various social positions including a president of Hong Kong Industrial and Commercial Association Limited (香港工商總會) from February 2021 to June 2022, a member of Heung Yee Kuk New Territories of Hong Kong since May 2020, a member of the Election Committee of Hong Kong since September 2021, a member of the 12th and 13th CPPCC of Zhanjiang City, Guangdong Province from February 2014 to December 2017, and a member of the 12th CPPCC of Shandong Province from January 2018. Currently, Mr. SUNG also serves as the honorary chairman of the Guangdong Zhanjiang Overseas Friendship Association, the deputy secretary general of the Shandong Overseas Friendship Association and the honorary president of the Guangdong Zhanjiang Political Consultative Conference Association (廣東省湛江市歷屆政協聯誼會). Mr. SUNG was also appointed as non-official Justice of the Peace by the Government of Hong Kong in July 2021. Mr. SUNG obtained an executive master of business and administration degree from Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院|) in the People's Republic of China (the "**PRC**") in December 2011, completed the part-time postgraduate studies majoring in economic management from Party School of the Central Committee of CPC (中共中央黨校) in the PRC in January 1996 and obtained a bachelor's degree of machinery design and automation from Northeastern University (東北大學) (previously known as Northeastern Institute of Technology (東北工學院)) in the PRC in July 1993. Save as disclosed, over the past three years, he has not been a director of any other listed companies and does not hold any other positions in the Company and other members of the Group. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

The remuneration of the Directors is set out in note 9 to the consolidated financial statements.

Senior Management

Mr. ZHANG Lei ("Mr. ZHANG"), aged 45, graduated from Henan University of Finance and Economics majoring in financial accounting in June 2000, obtained a bachelor's degree in management from Zhongnan University of Economics and Law in December 2009, and obtained an executive master's degree in business administration from Zhengzhou University in July 2017. Mr. ZHANG has more than 20 years of experience in financial affairs in the automobile industry, and has been engaging in financial related works in the Company for 20 years. Mr. ZHANG served for Henan Zhongdebao Automobile Sales & Services Co., Ltd. from March 2005 to May 2011 as the head of accounting affairs and financial manager and the chief accountant of the Group since May 2011 and was appointed as the Chief Financial Officer of the Company since 31 August 2017. Mr. ZHANG is a qualified senior accountant. Save as disclosed, he has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Company Secretary

Ms. WONG Wai Yee Ella ("Ms. WONG"), aged 49, is a Director of Corporate Services of Tricor Services Limited. Ms. WONG has over 23 years of experience in the corporate secretarial and compliance services field. Her practice focuses on business development and professional corporate services for multinational, private, listed and offshore companies. Ms. WONG is currently the company secretary/joint company secretary for a number of listed companies on Hong Kong Stock Exchange.

Ms. WONG is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both the The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. WONG holds a Bachelor of Economics from The University of Hong Kong and a Postgraduate Diploma in Corporate Administration from the City University of Hong Kong.

CHANGE IN DIRECTOR'S BIOGRAPHICAL DETAILS UNDER RULE 13.51(B) OF THE LISTING RULES

Mr. SUNG Ka Woon was appointed as an independent non-executive Director, the chairman of the Remuneration Committee, the members of each of the Audit Committee and the Nomination Committee of the Company with effect from 3 June 2024. Mr. SUNG was also appointed as an independent non-executive director of Energy International Investments Holdings Limited (a company listed on the Stock Exchange, stock code: 353.HK) with effect from 23 July 2024.

Mr. LAU Kwok Fan resigned as an independent non-executive director of KNT Holdings Limited (a company listed on the Stock Exchange, stock code: 1025.HK) with effect from 18 November 2024.

Save as disclosed above, there is no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at 31 December 2024 and up to the date of publication of this annual report.

Directors' Report

The Directors are pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated in the Cayman Islands with limited liability where its registered office is located in the Cayman Islands. Its principal place of business and headquarter in PRC is located in Zhengzhou, Henan Province.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the major subsidiaries of the Company are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis of this report. In addition, discussions on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis, Corporate Governance Report and Environment, Social and Governance Report of this annual report. The business review forms part of this directors' report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2024 are set out in the consolidated financial statements.

As disclosed in the annual results announcement of the Company dated 31 March 2025, the Board does not recommend the payment of any dividends for the year ended 31 December 2024 (2023: HK$0.037 per share totalling HK$56.4 million (equivalent to RMB49.7 million) was paid on 9 August 2024).

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

USE OF PROCEEDS FROM THE ALLOTMENT OF NEW SHARES

(1) On 22 December 2014, the Company entered into a subscription agreement with Foxconn (Far East) Limited ("**Foxconn**"), a wholly-owned subsidiary of Hon Hai Precision Industry Co. Ltd., pursuant to which Foxconn conditionally agreed to subscribe for an aggregate of 128,734,000 Shares with a nominal value of HK$0.01 each at the subscription price of HK$4.73 per Share. The net issue price per Share of the aforesaid subscription was approximately HK$4.67. On 22 December 2014, the closing price of the Shares of the Company was HK$5.31 per Share as quoted on the Stock Exchange. The allotment of the said Shares was completed on 2 March 2015.

(2) On 9 January 2015, the Company and Eagle Seeker Company Limited ("**Eagle Seeker**") entered into separate placing agreements with each of First Shanghai Securities Limited ("**First Shanghai**") and Haitong International Securities Company Limited ("**Haitong Securities**"), respectively, pursuant to which First Shanghai and Haitong Securities as the placing agents have agreed to severally, as agents of Eagle Seeker, procure placees to purchase a total of up to 90,113,000 Shares owned by Eagle Seeker at the placing price of HK$6.08 per Share. The net issue price per the new Share was approximately HK$5.90 per Share. On 9 January 2015, the closing price of the Shares was HK$6.15 per Share as quoted on the Stock Exchange. The placing and subscription were completed on 13 January 2015 and 21 January 2015, respectively. The Company used the net proceeds for investment in the manufacturing of new energy electric vehicles.

(3) On 22 May 2015, the Company, Mr. FENG Changge and Eagle Seeker entered into a placing agreement with Credit Suisse (Hong Kong) Limited and Haitong (collectively, the "**Joint Placing Agents**"), pursuant to which the Joint Placing Agents have agreed to, as agents of Eagle Seeker, procure placees to purchase a total of up to 262,616,779 Shares owned by Eagle Seeker at the placing price of HK$8.18 per Share. The net issue price per the new Share was approximately HK$8.04 per Share. On 22 May 2015, the closing price of the Shares was HK$8.91 per Share as quoted on the Stock Exchange. The completion of the placing agreements of 22 May 2015 is subject to the entering into of the subscription agreement between the Company and Eagle Seeker which conditionally agrees to subscribe from the Company for an aggregate of up to 262,616,779 new Shares at the subscription price of HK$8.18 per subscription share. The placing and the subscription were completed on 27 May 2015 and 3 June 2015, respectively. The Company used the proceeds as follows: (1) approximately 15% in supplement working capital; (2) approximately 20% in invest in GFMC and Aiche Company; (3) approximately 35% in invest in business opportunities in the field of new energy vehicles; (4) approximately 10% in the after-sales services center of Tesla Motors, Inc.; (5) approximately 20% in online and offline after-sales service.

(4) On 20 November 2019, the Company entered into the placing agreement with RaffAello Securities (HK) Limited, pursuant to which the Company conditionally agreed to place, through RaffAello Securities (HK) Limited on a best efforts basis, up to 52,000,000 placing shares to Successful Lotus Limited at a price of HK$3.00 per placing share. The placing price of HK$3.00 per share represents (i) a premium of 9.09% over the closing price of HK$2.75 per share as quoted on the Stock Exchange on the trading date immediately preceding the last trading day; and (ii) a premium of 8.77% over the average of the closing prices per share of HK$2.758 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the last trading day. The maximum gross proceeds from the placing was approximately HK$156 million. The net proceeds, after the deduction of the placing commission and other related expenses, was approximately HK$150 million, representing a net issue price of approximately HK$2.88 per placing share. The Company intended to use the net proceeds from the placing for establishing long term partnerships with the Company's strategic partners and for the general working capital of the Company to meet running expenses. The Company considered that the placing represents a good opportunity to raise additional funds to strengthen the Company's financial position and to meet its financial obligations. It will also widen the Company's shareholder base and improve the liquidity of the shares. The placing of shares was completed on 2 December 2019. For further details, please refer to the announcement of the Company dated 20 November 2019.

    As of 31 December 2019, approximately 65% of the net proceeds had been used for the general working capital. The unused portion (approximately 35%) has been used in 2020 for the general working capital.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Detail of the movement in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, subject to the Cayman Companies Act and the Articles of Association of the Company, amounted to RMB2,163.6 million (2023: RMB2,301.9 million).

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR RISKS AND UNCERTAINTIES

(1) Macro policies

As a pillar industry of the national economy, the auto mobile sector is considerably correlated to the volatile cycles of the macro-economy in terms of timing and extent. Being a dealer of luxury and ultra-luxury vehicles, the Group's operating conditions are more associated with the macro economic environment as compared to the industry. Currently, China's auto mobile market continues to hold out strong potential for development. However, if significant fluctuations occur in the auto industry in future as a result of cyclical developments in the macro-economy, the sales of whole-vehicle 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.

(2) Industry policies

The Group must comply with policies and regulations in respect of auto mobile industry promulgated by the PRC government in its business operation. The alterations in the finance system of China, for instance, the introduction of new tax and increase in tax rate, may affect the profit of the Group. The acceleration in promotion and application of new energy automobiles by the Chinese government may also exert impact on the automobile industry. On the other hand, the limits or other measures imposed by local governments may have an influence on the sales of passenger vehicle, which in turn controls the number of the passenger vehicles in the cities where the network of the Group are located. As a result, 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.

(3) Automobile manufacturers' policies

As an automobile dealership Group, the Group maintains sound cooperation with branded automobile manufacturers. The Group generates the majority of the revenue from operation of dealership outlets, which relies on the authorization from manufacturers on operating our existing dealership outlets and establishing new outlets. 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 lead to 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.

(4) Market competition

The Group competes not only with other automobile dealers, but also players in the general express auto mobile repair service sector and the e-commerce sector, in a number of segments, such as sales, repair, maintenance and extended services. Our Group's 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.

(5) Market risks

The Group exposes 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 45 to the consolidated financial statements in this report. The Group has exercised effective control over market risks through continuous monitoring of risks and changes, timely risk warnings, appropriate application of hedge instruments and other methods.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2024, the aggregate purchases from our top five suppliers and our largest supplier accounted for approximately 78.2% and 52.3% of our total purchases, respectively.

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year ended 31 December 2024, no major customer information is presented in accordance with HKFRS 8 "Operating Segments". During the Reporting Period, the aggregate amount of turnover attributable to the Group's five largest customers was less than 30% (being the Listing Rule disclosure threshold) of total turnover of the Group.

As far as the Directors are aware, neither the Directors, their close associates, nor shareholders who own more than 5% of the Company's number of issued shares as at 31 December 2024 had any interest in any of the five largest suppliers and customers disclosed above.

RELATIONSHIP WITH CUSTOMERS

In respect of customer service, the Group listened to various demands of consumers on motor use carefully and provided them with high-quality services to constantly raise customer satisfaction. The Group proactively conducted customer satisfaction surveys, scored evaluation on sales team and customer service to fully understand the Company's shortcomings in terms of service so as to pursue improvement. In the provision of maintenance services, the Group's stores are established taking the customer's consumption experience into full consideration, which provide customers with barrier-free communication, and offers them with catering, entertainment, leisure and other activities to render services of the finest quality. At the same time, the Group places emphasis on securing customer privacy, confidentiality and filing of customer information to protect information security of customers. During the Reporting Period, no leakage of customer information has been occurred.

The Group has established a complete motor recall service system and actively took the initiative of liaising and negotiating with customers on motor quality issues to minimize the potential safety threats to motor owners caused by product quality. For recalled vehicles, recall solutions were carried out in the Group's stores according to the "Recall Emergency Plan" to ensure that the recall indicators of motor manufacturers are reached after sales, increase the contribution from warranty to output value of aftersales, and enhance smooth experience of the recall process. During the Reporting Period, the Group has not experienced any incident and complaint of motor recall due to safety and health. In response to complaints, the customer service department first classifies the complaints according to the types of complaints, and then hands over to professional technicians or account managers to offer system solutions in order to fully satisfy various demands of customers.

RELATIONSHIP WITH SUPPLIERS

The Group maintains long-term and stable cooperation with major automobile suppliers, being luxury and ultra-luxury brands such as BMW, Maserati, Lexus, Land Rover, Ferrari, etc., ensuring the sound development of the sales business of vehicles. In addition, the Group also maintains long-term and stable relationships with 106 suppliers for not originally manufactured vehicle equipment and accessories in the PRC. The Group also provides tendering opportunities for various kinds of projects on an open, fair, transparent and fair basis in order to select the most excellence. Furthermore, the Group conducts regular assessment and rating on the performance of existing suppliers to realize the performance of suppliers, promote their improvement of the supply level, while continuously cooperating with outstanding suppliers and terminating partnered suppliers with unsatisfactory performance. The Group attaches great emphasis on maintaining the relationship with suppliers and establishes long-term cooperation based on the concept of "equality and mutual benefit".

RELATIONSHIP WITH EMPLOYEES

The Group lays much stress on maintaining sound relationship with employees. The Group regards employees as the most essential asset of the Group and a very foundation of the sustainable development of the Group. Providing employees with competitive salaries and premier working environment and benefits are conducive to establish good relationship with our staff and retain our staff. The remuneration policies of the Group are determined and reviewed regularly based on the performance of employees. Discretionary bonus is granted to employees to encourage their contribution to the Group and promotion is offered to excellent employees by the Group depending on the Group's profitability and employees' performance. The Group also offers trainings to new employees and existing employees to enhance their technical knowledge. These initiatives are beneficial to the improvement of the production capacity and efficiency of the Group. Staff is recruited and treated equally by the Group regardless of gender, race and age. The Group provides staff with healthy, safe, enjoyable and harmonious working environment and pays attention to and satisfies various needs of staff, endeavoring to build the Group as a big family which is harmonious, united, healthy and pleasant.

DETAILED INFORMATION ON MAJOR CUSTOMERS AND SUPPLIERS

The Directors of the Group are of the view that the Group does not rely on any individual customer.

The largest supplier of the Group is an automobile brand manufacturer. The Group has maintained business relationship with the five largest suppliers for more than 15 years.

DIRECTORS

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

Executive Directors

Mr. FENG Changge *(Chairman)*
Mr. FENG Shaolun *(Deputy Chairman)*
Mr. LIU Fenglei *(President)*
Ms. MA Lintao *(Vice-president)*
Mr. CHENG Junqiang *(Vice-president)*

Independent Non-executive Directors

Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. SUNG Ka Woon
Mr. CHAN Ying Lung *(resigned on 3 June 2024)*

Mr. CHAN Ying Lung has tendered his resignation as an independent non-executive Director due to his decision to devote more attention and dedication to his other business commitments, with effect from 3 June 2024. For details, please refer to the announcement of the Company dated 3 June 2024.

Pursuant to Article 84 of the Company's Articles of Association, Mr. Feng Changge, Mr. Feng Shaolun and Mr. Cheng Junqiang, will retire by rotation at the forthcoming annual general meeting of the Company. Biographical details of the directors of the Company and the senior management of the Group are set out in the "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with the Company for an initial fixed period of three years commencing from their respective date of appointment unless terminated earlier. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association of the Company.

Each of our independent non-executive Directors has signed a letter of appointment with the Company for an initial fixed period of three years commencing from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed director's fee of HK$300,000 per annum. The appointments of the independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Associations of the Company.

None of the Directors proposed for re-election at the 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.

PERMITTED INDEMNITY

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout the year.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Except for the service contracts detailed above, no Director nor an entity connected with him/her had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2024.

DIRECTORS' COMPETING INTERESTS

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACT

No contracts concerning the management and distribution of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2024.

CONTRACTS WITH CONTROLLING SHAREHOLDER

Save as disclosed in this report, no contract of significance has been entered into among the Company or any of its subsidiaries and the Eagle Seeker (the controlling shareholder of the Company) or any of its associates during the year ended 31 December 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and Share Award Plan of the Company as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2024. For details of these schemes, please refer to the sections headed "Share Option Scheme" and "Share Award Plan" in this Directors' Report.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 26 June 2015, which is made pursuant to Chapter 17 of the Listing Rules, in relation to grant of share options to certain employees of the Company or its subsidiaries to subscribe for shares (the "**Shares**") of HK$0.01 each of the Company, for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The remaining life of the share option scheme is around two months as at the date of this annual report.

Eligible participants of the Share Option Scheme are any director(s) of the Group (including any Director(s)) or any employee(s) or officer(s) of any member of the Group(s) who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015, which is 157,570,067 share options, representing 10.34% of the Shares in issue (i.e. 1,523,264,677) as at the date of this annual report.

The maximum number of shares issuable under share options to each eligible participant (save for the substantial shareholders or an independent non-executive director of the Company, or any of their respective associates) in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. On the other hand, the maximum number of shares issuable under share options to the substantial shareholders or an independent non-executive director of the Company, or any of their respective associates in the Share Option Scheme within any 12-month period is limited to 0.1% of the shares of the Company in issue and an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of such grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange). Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

An share option may be exercised during a period to be notified by the Board to each grantee ("**Grantee**") which shall not be more than 10 years commencing on the date on which an offer(s) of the grant of share option(s) is/are made to the participant(s) ("**Offer Date**") and expiring on the last day of such period. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the Scheme. Details of the exercise period can be found in the table below.

Subject to such terms and conditions as the Board may determine, no performance target need to be achieved by the proposed Grantee before the Share Options can be exercised. Details of the vesting period can be found in the table below.

An offer shall be made to the proposed Grantee by letter in such form as the Board may from time to time determine requiring the proposed Grantee to undertake to hold the share option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the proposed Grantee to whom an offer is made for a period of 28 days from the offer date, provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date or after the Share Option Scheme has been terminated in accordance with its provisions.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the proposed Grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 (receipt of which shall be deemed to be acknowledged by the Company upon receipt of the duplicate letter comprising acceptance of the offer letter duly signed by the proposed Grantee) by way of consideration for the grant thereof, is received by the Company.

The exercise price is determined taking into account the highest of (i) the closing price per Share as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price per Share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of HK$0.01 per Share.

On 9 May 2017, the Board resolved to grant up to 70,000,000 new share options to the then existing grantees and certain new grantees (collectively, the "**Grantees**", each a "**Grantee**") to replace the outstanding options granted on 29 June 2015 and 2 July 2015 respectively ("**Outstanding Options**"), subject to the acceptance of each of the then existing grantees. No compensation shall be payable to them for cancellation of the Outstanding Options. New grantees are mainly senior management of the subsidiaries of the Company and general managers of its outlets.

On 17 December 2019, the Company offered to grant share options (the "**2019 Share Options**") to certain eligible employees of the Group (the "**2019 Grantees**") under the Share Option Scheme, entitling them to subscribe for a total of 20,000,000 ordinary shares of HK$0.01 each of the Company. The grant of the Share Options will be subject to the acceptance of the 2019 Grantees. Each 2019 Grantees is not a Director, chief executive or substantial shareholder of the Company or an associate (as defined under the Listing Rules) of any of them.

The Company also offered to grant share options to certain grantees under the Share Option Scheme on 29 June 2015, 2 July 2015 and 15 December 2017, and there were no outstanding share options from these grants for the year ended 31 December 2024. For details, please refer to the Company's announcements dated 29 June 2015, 2 July 2015, 9 May 2017 and 15 December 2017.

Summary of the Share Option Scheme has been set out in note 37 to the consolidated financial statements.

Details of the movements of the share options granted to subscribe for ordinary shares by the Directors, former directors and other eligible employees of the Company pursuant to the Share Option Scheme for the year ended 31 December 2024 were as follows:

					Number of Share Options				
Name of Grantees	Date granted	Vesting period	Exercise period	Exercise price per Share	Outstanding as at 1 January 2024	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2024
Directors									
Mr. FENG Changge – Executive Director and Chairman of the Board	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK$3.00	2,500,000	–	–	–	2,500,000[1]
Mr. LIU Fenglei – Executive Director and President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK$3.00	2,500,000	–	–	–	2,500,000[1]
Former Director									
Mr. HAN Yang – Former Executive Director and Vice President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK$3.00	800,000	–	–	–	800,000[1]
Former Director									
Ms. FENG Guo – Former Executive Director and Vice President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK$3.00	400,000	–	–	–	400,000[1]

Name of Grantees	Date granted	Vesting period	Exercise period	Exercise price per Share	Number of Share Options: Outstanding as at 1 January 2024	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2024
Former Director									
Mr. YANG Lei — Former Executive Director, Chief Operating Officer and Vice President	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK$3.00	1,125,000	–	–	–	1,125,000(1)
Other eligible employees	9 May 2017	1/7/2017 to 1/7/2020	1/7/2017 to 28/6/2025	HK$3.00	14,866,000	–	–	–	14,866,000(1)
	17 December 2019	16/2/2020 to 16/2/2021	16/2/2020 to 17/12/2025	HK$4.00	20,000,000	–	–	–	20,000,000(2)
Total					42,191,000	–	–	–	42,191,000

Notes:

(1) The validity period of the 70,000,000 share options is from 9 May 2017 (i.e. date of grant) till the earlier of (i) the day on which the relevant Grantee ceases to be an employee or a director of the Company and its subsidiaries on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 8(vi) of the Share Option Scheme, and (ii) 28 June 2025. 20% of these share options were vested on 1 July 2017, 30% were vested on 1 July 2018, 30% were vested on 1 July 2019 and 20% were vested on 1 July 2020. The cessation of directorship of the former Director Mr. YANG Lei and Mr. Han Yang did not involve the grounds of termination as specified in the above (i), and his share options remained valid as at 31 December 2024.

(2) The validity period of the 20,000,000 share options is from 17 December 2019 (i.e. date of grant) till the earlier of (i) the day on which the relevant 2019 Grantee ceases to be an employee of the Group, and (ii) 17 December 2025. 50% of these share options were vested on 16 February 2020 and 50% were vested on 16 February 2021.

(3) The closing price immediately before the date of grant is not applicable and no review or approval on the grant of share options were required by the remuneration committee as no share options were granted during the year ended 31 December 2024.

(4) The weighted closing price immediately before the exercise date is not applicable because no share options were exercised during the year ended 31 December 2024.

As at 1 January 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's share in issue. During the Reporting Period, no share options were granted, vested, exercised, cancelled and lapsed under the Share Option Scheme. As at 31 December 2024, the Company had 42,191,000 share options outstanding under the Share Option Scheme, which represented approximately 2.8% of the Company's share in issue as at that date.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,191,000 additional ordinary shares of the Company and additional share capital of HK$421,910 (before issue expenses). Details of the options cancelled are set out above. No options were granted, exercised or lapsed during the Reporting Period.

Save as disclosed above, none of the grantees were (i) directors, chief executive or substantial Shareholders of the Company, or any of their respective associates; (ii) participants with options granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Listing Rules.

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

As at 31 December 2024, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

		Ordinary Shares			Underlying Shares under Share Options		
		Capacity/Nature of Interest					
Name	**Position**	**Personal Interests[6]**	**Family Interests[7]**	**Other interests**	**Personal Interests**	**Total Interests**	**Approximate % of Shareholding Interest**
Mr. FENG Changge	Director	—	—	708,364,660 (L)[1]	2,500,000[4][5]	710,864,660 (L)	46.66%
Mr. FENG Shaolun	Director	—	—	708,364,660 (L)[3]	—	708,364,660 (L)	46.50%
Ms. MA Lintao	Director	—	710,864,660 (L)[2]	—	—	710,864,660 (L)	46.66%
Mr. LIU Fenglei	Director	778,587 (L)	—	—	2,500,000[4][5]	3,278,587 (L)	0.21%
Mr. WANG Nengguang	Director	40,000(L)	—	—	—	40,000 (L)	0.00%

Notes:

(1) These 708,364,660 shares in the Company are held by Eagle Seeker Company Limited ("**Eagle Seeker**"). Mr. FENG Changge is deemed to be interested in the said 708,364,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Changge is the founder of the trust.

(2) Ms. MA Lintao is Mr. FENG Changge's spouse and is therefore deemed to be interested in all the shares of the Company in which Mr. FENG Changge is interested in.

(3) These 708,364,660 shares in the Company are held by Eagle Seeker. Mr. FENG Shaolun is deemed to be interested in the said 708,364,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Shaolun is one of the beneficiaries.

(4) These interests represent options to subscribe for shares in accordance with the Share Option Scheme granted to the relevant Directors. For further details, please refer to the section headed "Share Option Scheme".

(5) These options were granted by the Company in May 2017 and accepted by the relevant grantees in May 2017.

(6) "Personal Interests" represents interests directly beneficially owned.

(7) "Family Interests" represents interests of spouse or child under 18.

(8) The letter "L" denotes the long position in the shares of the Company.

Save as disclosed above, as at 31 December 2024, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE AWARD PLAN

On 28 February 2019, the Company adopted the Share Award Plan, pursuant to which the Company may grant existing Shares to selected participants (namely all employees, directors (whether executive or non-executive, but excluding independent non-executive Directors and Mr. FENG Changge) and officers of the Group). The purpose for adopting the Share Award Plan is to (i) incentivize, recognize and reward employees, directors (whether executive or non-executive Directors, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of the selected grantees with that of the Shareholders to promote the long-term financial performance of the Company. No new Shares will be granted under the Share Award Plan during the Reporting Period. Details of the Share Award Plan are set out in the Company's announcement dated 2 April 2019.

The maximum aggregate number of Shares to be acquired by the trustee under the Share Award Plan is 60,000,000 Shares, representing approximately 3.94% of the Shares in issue (i.e.1,523,264,677) as at the date of this annual report. As at 31 December 2024, the trustee appointed by the Company for the purpose of the Share Award Plan has purchased 59,987,500 Shares according to the Share Award Plan since its adoption among of 30,000,000 Shares have been granted and vested under the Share Award Plan.

Subject to early termination by the Board, the Share Award Plan shall be valid and effective from the date of adoption of the Share Award Plan, being 28 February 2019, and ending on 26 June 2025 (both days inclusive). The remaining life of the Share Award Plan is around two months as at the date of this annual report.

As at both 1 January 2024 and 31 December 2024, there were no outstanding options and unvested Share Awards. As at 1 January 2024, 29,987,500 Share Awards were available for grant. During the Reporting Period, no Share Award has been granted, vested, lapsed or cancelled under the Share Award Plan, and accordingly as at 31 December 2024, 29,987,500 Share Awards were available for grant.

Where any offer of award is proposed to be made to any connected person of the Company, it shall not be made where the aggregate interest of the connected persons in the Share Award Plan reaches 30% or above, and in any case such offer shall be subject to all the applicable requirements under the Listing Rules. No further Shares will be awarded to a selected participants if the aggregate number of awarded shares underlying all awards (whether vested or not) granted to such selected participant under the Share Award Plan will exceed 0.5% of the Shares in issue from time to time. Save as disclosed, there is no maximum entitlement for each eligible participant under the rules of the Share Award Plan and as at the date of this directors' report, no selected grantee has been granted award shares exceeding 1% of the issued share capital of the Company.

Awarded shares and the related income shall be vested in an award holder in accordance with the vesting date(s) specified in the award upon satisfaction of the vesting criteria and conditions (if any) specified by the Board in the offer of grant of the relevant award. At any time prior to a vesting date: (a) in the event of (i) the death of an award holder; (ii) the retirement of an award holder at his normal retirement date; or (iii) the retirement of an award holder at an earlier retirement date with prior written agreement given by any member of the Group, then unless the Board otherwise determines, all the awarded shares and related income of such award holder (to the extent not already vested) shall be deemed to be vested on the day immediately prior to his death or his retirement; and (b) in the event of a general or partial offer, share repurchase offer or scheme of arrangement or other transaction in like manner which may result in a change in control of the company, unless the board determines otherwise, all unvested awarded shares and related income will immediately become vested on the date on which the offer or arrangement becomes or is declared unconditional in all respects. There is no purchase price of the shares awarded.

The trustee shall hold the awarded shares and related income on trust for the award holders until the awarded shares and related income are vested in the relevant award holders according to the rules of the Share Award Plan. Upon vesting, the trustee shall transfer the vested awarded shares and related income at no cost to such award holders. The purchase price for the awarded shares is nil.

No person shall exercise any voting rights in respect of any Shares held by the trustee under the Share Award Plan. The trustee holding unvested shares of the Share Award Plan, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given pursuant to Rule 17.05A of the Listing Rules.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company (i.e. the Share Option Scheme, and the Share Award Plan) during the Reporting Period divided by the weighted average number of the Shares in issue for the Reporting Period is 4.74%.

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

As at 31 December 2024, the following persons (other than the Directors and chief executive of the Company) had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as follows:

Name	Capacity/Nature of Interest	Number of Shares Directly or Indirectly Held[4]	Approximate % of Shareholding Interest
Eagle Seeker	Beneficial owner	708,364,660 (L)	46.50%
Eagle Pioneer Company Limited[1]	Interest of controlled corporation	708,364,660 (L)	46.50%
Cititrust Private Trust (Cayman) Limited[2]	Trustee	708,364,660 (L)	46.50%
Foxconn (Far East) Limited[3]	Beneficial owner	128,734,000 (L)	8.45%
Hon Hai Precision Industry Co. Ltd[3]	Interest of controlled corporation	128,734,000 (L)	8.45%

Notes:

(1) Eagle Seeker is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker.

(2) Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest in the 708,364,660 Shares held by Eagle Seeker (the controlling shareholder of the Company), indirectly via Eagle Pioneer Company Limited. Mr. Feng Changge, Executive Director and Chairman of the Company, is the founder of the trust of Cititrust Private Trust (Cayman) Limited.

(3) Foxconn (Far East) Limited ("**Foxconn**") is wholly owned by Hon Hai Precision Industry Co. Ltd. ("**Hon Hai**"), a company listed on the Taiwan Stock Exchange. Accordingly, Hon Hai is deemed to have interest in the 128,734,000 Shares held by Foxconn.

(4) The letter "L" denotes long position in such Shares.

Save as disclosed above, as at 31 December 2024, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Option Scheme and the Share Award Plan, at no time during the year was the Company, or any of its holding companies, 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 or debentures of the Company or any other body corporate. For details of these schemes, please refer to the sections headed "Share Option Scheme" and "Share Award Plan" in this Directors' Report.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. FENG Changge and Eagle Seeker Limited, in respect of their compliance with the terms of the non-competition undertaking as described in the prospectus of the Company dated 31 May 2013 and that they have not engaged, nor interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year of 2024.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2024 are set out in note 28 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 Company operates two incentive schemes, including (1) a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations, and (2) a share award plan, which is a replacement alternative incentive scheme to the RSU Scheme. For details, please refer to the sections headed "Share Option Scheme" and "Share Award Plan" in this report. The emoluments of the Directors and senior management of the Company are proposed by the Remuneration Committee of the Company 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. The remuneration of the Directors and chief executive are set out in note 9 to the consolidated financial statements and the remuneration of the Directors by band for the year ended 31 December 2024 is set out below:

Remuneration bands	Number of person
Nil to HK$1,000,000	6
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	1

During the year ended 31 December 2024, none of the Directors and the chief executive officer of the Company waived or agreed to waive his/her emoluments, and no emoluments were paid by the Group to any of the Directors or the chief executive officer of the Company as inducement to join or upon joining the Group, or as compensation of loss of office.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2024 is set out below:

Remuneration bands	Number of person
Nil to HK$1,000,000	1

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the year are disclosed in note 40 to the consolidated financial statements. The related party transactions disclosed in note 40 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules and the Group has complied with the requirements in Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

For the year ended 31 December 2024, the Company has adopted and complied with the applicable code provisions of the CG Code as set out in Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2024.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code throughout the year ended 31 December 2024.

SUFFICIENCY OF PUBLIC FLOAT

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

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

For the year ended 31 December 2024, there was no pledge of Shares by the controlling shareholders of the Company which is subject to disclosure under Rule 13.21 of the Listing Rules.

ADVANCE TO AN ENTITY

For the year ended 31 December 2024, the Company does not have any advance to an entity which is subject to the disclosure under Rule 13.20 of the Listing Rules.

COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

For the year ended 31 December 2024, there was no other loan agreement of the Company with covenants relating to specific performance of the controlling shareholders of the Company which is subject to disclosure under Rule 13.21 of the Listing Rules.

BREACH OF LOAN AGREEMENTS

For the year ended 31 December 2024, there was no breach of the loan agreements by the Company in which the loan involved would have a significant impact on the business operations of the Company and subject to disclosure under Rule 13.21 of the Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

For the year ended 31 December 2024, there was no financial assistance or guarantee to affiliated companies by the Company which is subject to disclosure under Rule 13.22 of the Listing Rules.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period and up to the date of this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (including sale of treasury shares) listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Group during the Reporting Period and details of the Shares issued during the Reporting Period are set out in Note 33 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events which had material effect on the Group subsequent to 31 December 2024 and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association 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 AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DONATIONS

Donations made by the Group during the year ended 31 December 2024 amounted to RMB1,600,000 (2023: RMB19,216).

AUDITOR

ZHONGHUI ANDA CPA LIMITED resigned as the auditor of the Company on 12 September 2024, and Beijing Xinghua Caplegend CPA Limited ("**Beijing Xinghua**") was appointed as the auditor of the Company on 12 September 2024 to fill up the casual vacancy so arising. For details, please refer to the announcement of the Company dated 12 September 2024. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Beijing Xinghua, who shall retire at the forthcoming annual general meeting of the Company and, being eligible to offer themselves for re-appointment. A resolution for the re-appointment of Beijing Xinghua as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in this report, the Group does not have any plan for material investments and capital assets.

By Order of the Board
CHINA HARMONY AUTO HOLDING LIMITED

FENG Changge
Chairman and Executive Director

31 March 2025

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. For the year ended 31 December 2024, the Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**Hong Kong Stock Exchange**").

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders.

The Group is committed to developing a positive and progressive culture that is built on its culture which focuses on simplicity, efficiency and happiness. More information about its culture is available on the Company's website. The Company believes that such culture can enable the Company to deliver long-term sustainable performance to the Shareholders. For details of the discussion and analysis of the Group's performance, please refer to the section headed "Management Discussion and Analysis Financial Overview" in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the year ended 31 December 2024.

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

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board of the Company comprises the following Directors:

Executive Directors
Mr. FENG Changge *(Chairman)*
Mr. FENG Shaolun *(Deputy Chairman)*
Mr. LIU Fenglei *(President)*
Ms. MA Lintao *(Vice President)*
Mr. CHENG Junqiang *(Vice President)*

Independent Non-executive Directors
Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. SUNG Ka Woon
Mr. CHAN Ying Lung *(resigned on 3 June 2024)*

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. The relationships between the members of the Board are also disclosed under that section.

Save as disclosed, each of the Directors has no other relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, senior management, substantial and controlling Shareholders (as defined in the Listing Rules).

Chairman and President

The position of Chairman is held by Mr. FENG Changge and that of President is held by Mr. LIU Fenglei. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The President focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence Evaluation

The Board seeks the development of an effective working environment for the executive and independent non-executive Directors so as to improve the quality of the decisions made by the Board without constraining the independent views of the independent non-executive Directors. The Group has established a mechanism to ensure independent views and inputs are available to the Board by including allowing the independent non-executive Directors to directly contact the Chairman of the Board or (in case of any conflict of interest) the Deputy Chairman of the Board for their views.

The Board also review the implementation and effectiveness of such mechanism(s) on an annual basis to ensure independent views and inputs are available to the Board.

Directors' Appointment and Re-election

Each of the Directors of the Company has entered into either a service agreement or a letter of appointment with the Company for a term of three years subject to retirement by rotation in accordance with the articles of association (the "**Articles of Association**") of the Company.

In accordance with the Articles of Association, at every 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) shall retire from office by rotation, all Directors are subject to retirement by rotation and re-election at the AGM at least once every three years and any Director appointed to fill a casual vacancy shall hold office until the first general meeting and any Director appointed as an addition to the Board shall hold office only until the next AGM and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board shall take decisions objectively in the interests of the Company.

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

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company the details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his or her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management. The Board also reviewed its performance regularly.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of their responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed director will receive 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 a director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and appropriate.

The Company had from time to time provided relevant reading materials including industry updates and corporate governance to all Directors for their reference and studying. This is to ensure that all the Directors are sufficiently aware of their responsibilities under the Listing Rules and other relevant regulatory requirements.

During the year ended 31 December 2024, all the Directors of the Company had participated in various trainings and/or read materials of relevant topics, including:

— Corporate strategic management/corporate operational management

— Financial strategic management

— Investment strategies

— Research on audit development strategies

The training records of the Directors for the year ended 31 December 2024 are summarized as follows:

Directors	Type of Training (Note)
Executive Directors	
Mr. FENG Changge *(Chairman)*	A&B
Mr. FENG Shaolun *(Deputy Chairman)*	A&B
Mr. LIU Fenglei *(President)*	A&B
Ms. MA Lintao *(Vice President)*	A&B
Mr. CHENG Junqiang *(Vice President)*	A&B
Independent Non-executive Directors	
Mr. WANG Nengguang	A&B
Mr. LAU Kwok Fan	A&B
Mr. SUNG Ka Woon	A&B
Mr. CHAN Ying Lung *(resigned on 3 June 2024)*	A&B

Note:

Type of Training

A: Attending training sessions, including but not limited to briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers journals, magazines and relevant publications

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed period of three years commencing from their respective date of appointment unless terminated earlier. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial fixed period of three years commencing from their respective date of appointment. For details, please refer to the section headed "Directors' Report — Directors' service Contracts" in this annual report.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Company established the Audit Committee on 20 May 2013 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and the paragraph D.3 of the CG Code and terms of reference amended on 31 August 2016 and 29 March 2019 respectively.

The Audit Committee consists of three members, namely Mr. WANG Nengguang (Chairman of Audit Committee), Mr. LAU Kwok Fan and Mr. SUNG Ka Woon, all of whom are independent non-executive Directors (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review interim and annual financial results and reports during the year ended 31 December 2024 and significant issues on changes related to the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the internal audit function, scope of work and engagement of external auditors.

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

Remuneration Committee

The Company established the Remuneration Committee on 20 May 2013 with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules and the paragraph E.1 of the CG Code.

The Remuneration Committee consists of three members, namely Mr. SUNG Ka Woon (Chairman of Remuneration Committee) and Mr. LAU Kwok Fan, both are independent non-executive Directors; and Mr. LIU Fenglei, an executive Director.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; assessing performance of executive directors and approving the terms of executive directors' service contracts; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The remuneration of the Directors and senior management by band for the year ended 31 December 2024 is set out in the section headed "Directors' Report — Emolument Policy" and note 9 to the consolidated financial statements in this annual report. For details of the remuneration policy of the Directors and senior management, please refer to the section headed "Management Discussion and Analysis — Employees and remuneration policies" in this annual report.

The Remuneration Committee held a meeting during the year ended 31 December 2024. During the meeting, the Remuneration Committee reviewed and advised on the remuneration policy and remuneration packages of the executive Directors and senior management, assessed performance of executive directors and proposed new independent non-executive executive directors and made recommendations to the Board.

Nomination Committee

The Company established the Nomination Committee on 20 May 2013 with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the paragraph B.3 of the CG Code.

The Nomination Committee consists of three members, namely Mr. FENG Changge (Chairman of Nomination Committee), an executive Director, and Mr. WANG Nengguang and Mr. SUNG Ka Woon, both are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the polices of the board diversity and the board nomination, and assessing the independence of independent non-executive Directors.

The Nomination Committee held a meeting during the year ended 31 December 2024. During the meeting, the Nomination Committee reviewed the board composition, the relevant procedures on developing and formulating on the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the polices of the board diversity and the board nomination, and assessing the independence of independent non-executive Director.

The Company firmly believes that the increasing diversity at the board level is one of essential elements in supporting the attainment of its strategic objectives and its sustainable development, therefore, the Company has adopted a Board Diversity Policy in accordance with the requirement set out in the CG Code.

Various factors in relation to diversity of the members of the Board, including but not limited to: gender, age, culture and education background, professional experience, skills, knowledge and industry and region experience and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate. The Board is currently composed of 7 male and 1 female directors. After the review and assessment, the Nomination Committee will make recommendation to the Board. The Nomination Committee also discusses and makes decision (if required) to attain the measurable targets of diversity of the members of the Board, and propose relevant recommendations to the Board. The Board will maintain at least 1 female at all time. The Nomination Committee at all times strives for identifying suitable female candidate(s) for appointment to the Board on merit against objective criteria. In order to achieve and/or maintain gender diversity, the Nomination Committee will try and propose a pipeline of potential successors to the Board to achieve gender diversity. A pipeline of potential successors can be developed by continuous accessing the existing employees of various departments and providing various trainings to equip them with the requisite management skills from time to time, where appropriate.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at 31 December 2024:

	Female	Male
Board	1	7
	12.5%	87.5%
Senior management	0	1
	0%	100%
Other employees	1,682	2,712
	38.3%	61.7%
Overall workforce	1,683	2,720
	38.2%	61.8%

The Board had targeted to achieve and had achieved at least 38% (1,673) of female employees of the Group and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report of this annual report.

During the year ended 31 December 2024, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

The Company also adopted a nomination policy setting out the procedure for selection, appointment and re-appointment of directors.

In evaluating and selecting any candidates for directorship, the Nomination Committee and/or the Board shall consider the following criteria, including, but not limited to, character and integrity, qualifications including professional qualifications, skills, knowledge and experience relevant to the Company's business and strategy, and diversity elements mentioned in the Board Diversity Policy, any measurable targets adopted for attaining diversity of the members of the Board and willingness and ability to devote adequate time to discharge duties as a member of the Board and committees under the Board. The Board also reviewed the implementation and effectiveness of the Board Diversity Policy annually.

Nomination process of directors of the Company is as follows:-

(a) Appointment of new directors

(i) The Nomination Committee and/or the Board may select candidates for directors from various channels, including but not limited to internal promotion, re-designation, referral by other members of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of directors at the general meeting of the Company.

(b) Re-election of director at general meeting

(i) The Nomination Committee and/or the Board shall review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting of the Company.

The Nomination Committee held a meeting during the year ended 31 December 2024 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, to consider the qualification of the retiring Directors standing for re-election at the AGM, and recommended the retiring Directors and the appointment of a new director to the Board.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board (i) reviewed and developed the Company's corporate governance policies and practices and made recommendations; (ii) reviewed and monitored training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developed, reviewed and monitored the compliance of the Model Code and Written Employee Guidelines; and (v) reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records of Directors and Board Committee Members

The attendance records of each Director at the Board meetings, Board committee meetings and general meeting of the Company held during the year ended 31 December 2024, are set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Meeting between Chairman of the Board and independent non-executive Directors
Mr. FENG Changge	4/4	—	—	1/1	1/1	1/1
Mr. FENG Shaolun	4/4	—	—	—	1/1	—
Mr. LIU Fenglei	4/4	—	1/1	—	1/1	—
Ms. MA Lintao	4/4	—	—	—	1/1	—
Mr. CHENG Junqiang	4/4	—	—	—	1/1	—
Mr. WANG Nengguang	4/4	3/3	—	1/1	1/1	1/1
Mr. LAU Kwok Fan	4/4	3/3	1/1	—	1/1	1/1
Mr. SUNG Ka Woon	4/4	1/1	1/1	1/1	1/1	1/1
Mr. CHAN Ying Lung *(resigned on 3 June 2024)*	2/2	2/2	—	—	—	—
Total	4	3	1	1	1	1

During the year ended 31 December 2024, the Company held the AGM on 18 June 2024, and there is no other general meeting held.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2024.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2024.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

Service Category	**Fees Paid/ Payable** *RMB'000*
Zhonghui Anda CPA Limited (resigned on 12 September 2024)	
Audit services	
— Current year	—
Non-audit services *(note)*	—
Beijing Xinghua Caplegend CPA Limited (appointed on 12 September 2024)	
Audit services	
— Current year	4,000
Non-audit services *(note)*	300
Total	4,300

Note: Non-audit services include tax advisory services provided to the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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. During the year under review, the Board oversaw its risk management and internal control systems on an ongoing basis and, through the Audit Committee, conducted an annual review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board took into account the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and its ability to respond to changes in its business and the external environment; the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers; the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) when assessing its internal control systems and the effectiveness of risk management.

Save as disclosed, no significant control failings or weaknesses have been identified during the year ended 31 December 2024. Also, while there may be some unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the financial performance or condition (for details, please refer to the section headed "Directors' Report — Major Risks and Uncertainties" of this annual report), the Company received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems and the Directors consider that the Group's existing risk management and internal control systems are overall effective and adequate, and they also accepted the improvement suggestions put forward by the Internal Control Consultant.

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major duties of internal audit department are to regulate and review the internal control and compliance related matters of the Company and conduct comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The Group's internal audit department performs regular evaluation on the effectiveness of risk control measures taken by each operating department and issues an appraisal report which shall be submitted to our Audit Committee for approval.

The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work and corporate strategies of the Company. The Company also strives to adopt the opinions of stakeholders (including shareholders, customers, employees, suppliers, regulators and the public) and protect their rights and interests through constructive communication, so as to determine the long-term development direction of the Company and maintain a close relationship with the stakeholders. For details of the concerns, please refer to the section headed "IV. Stakeholders Engagement and Materiality Assessment" in the Environmental, Social and Governance Report. Through communications with stakeholders, the Company can understand the risks they are facing in the industries, which may also be the risks the Company is facing in the same industries. Based on the assessment of the identified risks in terms of their likelihood and potential impact, the Company prioritizes and pairs each risk with a mitigation plan. Furthermore, any emergencies are required to be reported, evaluated and managed in time to mitigate the impact.

The Group has established a three-tier risk control corporate structure in implementing our internal control and risk management policies and procedures. First, the Board and the senior management oversee and manage the overall risks associated with our business operations. Second, the Audit Committee provides the Directors with an independent review of the effectiveness of the financial reporting process, internal controls, and risk management system of the Group. Third, the Group's internal audit department supervises the implementation of our risk management policy at the corporate level and organizes an annual audit progress for regularly evaluating the effectiveness of the risk management and internal control measures taken by each operating department and issues an appraisal report which shall be submitted to the Audit Committee for approval.

The Board is responsible for the management of inside information. The Group regulates the handling and dissemination of inside information according to internal procedures and policies so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders, in ways which are in compliance with the SFO and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his/her division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretary of the Company. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public.

COMPANY SECRETARY

Ms. WONG Wai Yee, Ella of Tricor Services Limited, an external service provider, was engaged by the Company as its company secretary on 24 January 2018. She has taken not less than 15 hours of relevant professional training to update her knowledge and skills during the year ended 31 December 2024 in compliance with the relevant requirements on training of Rule 3.29 of the Listing Rules.

The primary contact person of the Company is Ms. Rachel Jiang, the Board Secretary of the Company. She reports to the Board chairman and/or the chief executive officer of the Company. All Directors can have access to her advice and services to ensure that Board procedures, and all applicable laws, rules and regulations, are followed.

WHISTLE-BLOWING AND ANTI-CORRUPTION POLICIES

The Company has in place the whistleblowing policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity. The Company has also in place the anti-corruption policy to safeguard against corruption and bribery within the Company. The Group regularly issues "integrity and self-discipline commitment" circulars to the staff, requiring that the staff must select suppliers, contractors or partners objectively and openly, in order to eliminate all inappropriate behaviors in the workplace, such as soliciting bribes, accepting bribes, using power to solicit business for relatives and friends at the price of damaging the Company's interests, etc. In terms of internal policies, the Group has established a legal supervision department to supervise the integrity and self-discipline of all employees. For details, please refer to the section headed "VII. Our Business — Aspect B7: Anti-corruption" in the Environmental, Social and Governance Report.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions proposed at general meetings will be voted by poll pursuant to the Listing Rules, unless otherwise required by the Listing Rules and poll voting results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting and Proposing Resolutions at Extraordinary General Meetings by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and/or add resolutions to the agenda of a meeting for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) 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.

Shareholders should follow the requirements and procedures as set out above for proposing resolutions at extraordinary general meetings of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company normally does not deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suites 1001–1004 on Level 10, One Pacific Place, 88 Queensway, Admiralty, Hong Kong
Tel: (852) 2251 1830
Fax: (852) 2251 1823
Email: hk@hexieauto.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through the AGM and other general meetings.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee (or their delegates) will make themselves available at the AGM to meet shareholders and answer their enquiries.

The notice of the AGM will be despatched to shareholders at least 21 clear days before the AGM in accordance with the Articles of Association of the Company and the Listing Rules.

To promote effective communication, the Company maintains a website at www.hexieauto.com where up-to-date information and updates on the Company's financial information, corporate governance and other information are posted. Shareholders can also communicate their views with the contact details provided above.

The Company has reviewed the implementation and effectiveness of the shareholders' communication policy from time to time. Having considered the multiple channels of communication and engagement in place, the Board is satisfied that the shareholders' communication policy has been properly implemented during the year ended 31 December 2024 and is effective.

Amendments to Constitutional Documents

During the year ended 31 December 2024, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a dividend policy for the payment of dividends. The Company does not preset dividend payment ratio. Based on the financial situation of the Group and other conditions and factors stipulated in the dividend policy, the Directors may propose and/or declare dividends during the financial year, but the final dividend of the year must be approved by the shareholders in the Company's general meeting.

SHAREHOLDERS ENGAGEMENT

Directors' shareholding Interests

Directors' interests in the Company's securities as at 31 December 2024 are disclosed in the Directors' Report. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 December 2024 they have complied with the required standard set out in the Model Code set out in Appendix C3 of the Listing Rules.

Shareholding as at 31 December 2024

Size of Registered Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1–500	44	53.6585	9,185	0.0006
501–1,000	14	17.0731	14,000	0.0009
1,001–10,000	17	20.7317	73,500	0.0048
10,001–100,000	1	1.2195	14,000	0.0009
100,001–500,000	—	—	—	—
Above 500,001	6	7.3170	1,523,153,992	99.9927

The Listing Rules required a 25% public float, which was maintained throughout the Reporting Period and up to the date of this annual report.

Important Shareholders' Dates in 2025

The following are the key shareholder-related dates and events:

Date	Event
Monday, 31 March 2025	Publication of the annual results announcement for the year ended 31 December 2024
Tuesday, 29 April 2025	Publication of the 2024 annual report
Tuesday, 29 April 2025	Publication of the 2024 Environmental, Social and Governance Report
4:30 p.m. on Thursday, 12 June 2025	Latest time to lodge all duly completed share transfer forms accompanied by the relevant share certificates to qualify for the right to attend and vote at the 2025 AGM
Friday, 13 June 2025 to Wednesday, 18 June 2025 (both days inclusive)	Closure of register of members for ascertaining Shareholders' right to attend and vote at the 2025 AGM
Wednesday, 18 June 2025	Date of the 2025 AGM

Environmental, Social and Governance Report

BOARD'S STATEMENT

The Board of Directors of the Group (the "**Board**") is the supreme responsible and decision-making organization for environmental, social and governance ("**ESG**") issues. It has the ultimate responsibility for the Group's ESG strategy and information disclosure, and monitors ESG-related issues that may affect the Group's business or operations and that may affect the judgement and decision-making of Shareholders and other stakeholders[1]. The ESG Committee under the Board is responsible for identifying and assessing the ESG risks relating to the Group and ensuring that the Group has in place an appropriate and effective ESG risk management and internal control system, and reporting and reviewing to the Board the progress made in achieving the relevant ESG objectives. For details, please refer to "Our Commitment and Approach to ESG".

The Group attaches importance to the suggestions and opinions of each stakeholder and keeps close communication with key stakeholders through adequate communication channels to discuss and identify material ESG-related issues and possible ESG risks faced by the Group, and to continue to improve the ESG-related strategies and policies and systems. The Board has considered the major ESG-related issues for the year to ensure that the material issue matrix is referential to the actual situation of the Group. For details, please refer to "Stakeholder Engagement and Materiality Assessment".

The Group has established a management system for ESG objectives relating to carbon emissions, pollutant emissions, energy consumption, water resources management and other indicators. The Board reviews the progress of the objectives on an annual basis and examines any necessary adjustment and optimization to ensure that the Group continues to make progress in achieving its ESG objectives. Please refer to "Our Environment" for details.

The Board and all Directors warrant that the contents of this report do not contain any false or misleading statements or material omissions, and they accept responsibility for the truthfulness, accuracy and completeness of the content hereof. This report discloses in detail the progress and effectiveness of the Group's ESG efforts for the year 2024 and undertakes to make every effort to ensure that all data presented in this report are accurate and reliable and are managed through the establishment of internal controls and a formal review process. This report has been confirmed and approved by the Board on 31 March 2025.

1 "Stakeholder", also known as "interested party" or "beneficial owner", refers to a group or an individual who has a significant influence on, or is affected by, the business of an enterprise, including internally, the Board, the management, executive staff and general staff, and externally, Shareholders, business partners, customers, governmental and regulatory bodies, banks and investors, and small community groups.

I. REPORTING STANDARD, PERIOD AND SCOPE

The environmental, social and governance report (the "**ESG report**") is prepared by China Harmony Auto Holding Limited and its subsidiaries (collectively the "**Group**", "**Harmony Auto**" or "**We**") in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**"), as set out in Appendix C2 to the Listing Rules, with an aim to provide stakeholders with the Group's ESG policies, initiatives and performance.

This report describes information related to the Group's ESG management policies and strategies for the period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**"). The scope of this ESG report covers the Group's headquarters and its major distribution outlets. The total number of distribution outlets as of 31 December 2024 was 132, of which 73 (2023: 65) are included in the ESG report.

The Group adheres to the following three reporting principles for the preparation of the ESG report:

Materiality	The Group's ESG management approach is designed around areas of focus that have a significant impact on the Group. These areas of focus are detailed in the "Materiality Assessment" section.
Quantitative	Where applicable, the Group's ESG performance is presented in a measurable format, and disclosures of key performance indicators are accompanied by an explanation of the method of calculation and the source of the conversion factors used.
Balance	This ESG report presents the Group's performance during the Reporting Period in an impartial manner, avoiding any potential influence on the reader's decision-making or judgment that could be inappropriate due to the selection, omission, or reporting format.
Consistency	The Group uses a consistent ESG reporting framework and key performance indicator calculation methodology as in previous years and discloses in this report the ESG key performance for the prior and current year to enable meaningful comparisons.

II. ABOUT HARMONY AUTO

Harmony Auto is a leading automotive services group in China, representing 14 luxury and ultra-luxury brands in 40 municipalities and cities across the country. It serves 9 luxury brands such as BMW, MINI, Audi, Volvo, Land Rover, Lexus, Jaguar, Lincoln, and Alfa Romeo and 5 ultra-luxury brands such as Rolls-Royce, Bentley, Ferrari, Maserati and Lamborghini. Meanwhile, Harmony Auto maintains strategic cooperation with leading new energy vehicle brands in China, such as BYD and Denza, and actively promotes the development of new energy vehicles in China in line with China's Belt and Road Initiative.

The Group will continue to focus on the development of the main business, focus on its dominant brands, and increase its efforts in self-construction and mergers and acquisitions, so as to enhance customer retention and satisfaction, improve the Group's operational efficiency and quality, and specialize in the provision of high-quality mobility services that are highly efficient, convenient and harmonious between people and vehicles to its customers. Meanwhile, the Group will actively improve the operating efficiency of stores, strengthen the assessment indicators and management models of stores, and build excellent operating stores for major brands. We use the scientific inventory management system to achieve reasonable allocation and optimization of resources.

We will, based on the core values of "simplicity, efficiency, happiness and efforts are equal to all in", provide long-term benefits to all stakeholders in a responsible way, and maintain the sustainable development of the Group by taking into full account the social and environmental factors in addition to economic factors.

During the Reporting Period, the Group was awarded "No. 29 of the 2024 China Top 100 Automobile Dealer Group" and the "2024 Most Valuable Automobile Company Award of Zhitong Finance", which demonstrated the recognition by the industry and partners of the Group's comprehensive strength and potential for sustainable development.

III. OUR COMMITMENT AND APPROACH TO ESG

Harmony Auto's overall ESG strategy is led by the Board, which has set up the ESG Governance Committee and ESG Working Group to assist the Board in the disciplined management of ESG issues, so as to ensure that the Group's ESG strategy covers all material aspects of our business and operations and reflect the Group's core values. Under the leadership of the Board, we effectively assess and identify the risks and opportunities related to ESG issues, prioritize the importance of ESG-related issues, formulate ESG strategies and management measures in a targeted manner, rationally deploy resources and regularly review the results of our efforts to ensure that ESG-related risks and the Group's internal control system are properly and effectively operated. At the same time, through the formulation of relevant measures, we consciously convey the guiding principle of ESG to our employees, enable them to participate in sustainable development and ensure the effective implementation of the Group's ESG strategy, and continue to practice sustainable development while providing quality services to our customers.

The Group's regulatory structure and functions for ESG issues are set out as follows:

Regulating functions	**Regulating contents**
The Board	• Overall responsibility for assessing and determining the nature and extent of risks, including ESG risks, that the Group is willing to accept in achieving its strategic objectives, and establishing and maintaining appropriate and effective risk management systems and internal control systems; • Approval and confirmation of ESG-related strategies and major ESG issues.
ESG Governance Committee	• Develop and review ESG-related strategies and management approaches; • Regulate ESG issues and related risks; • Communicate regularly with other committees to ensure that the relevant committees are updated on the latest ESG issues affecting the Group; • Coordinate the implementation of ESG-related efforts; • Regularly approve and review objectives and key initiatives.

Regulating functions	Regulating contents
Senior Management	• Act as a key support to the ESG Governance Committee and provide advice on ESG strategic direction; • Assist the ESG Governance Committee in overseeing the execution and implementation of ESG-related strategies and management practices; • Assist in the coordination of ESG-related work; • Communicate ESG-related issues to responsible departments.
ESG Working Group	• Develop and implement ESG-related policies and procedures; • Monitor and track progress against established goals and initiatives; • Provide feedback to the ESG Governance Committee.

IV. STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder Engagement

Harmony Auto recognizes the importance of stakeholders' opinions to the stable operation and sustainable development of the Group. We provide various communication channels for our stakeholders and endeavor to collect suggestions and comments on the Group from different stakeholders (including shareholders, customers, employees, suppliers, regulatory bodies and the public) as far as possible under the premise of safeguarding their rights and interests, so as to ascertain the Group's direction of long-term development and to maintain close communication with our stakeholders. During the Reporting Period, the status of communication with key stakeholders of Harmony Auto is set out in the table below:

Stakeholders	Major concern	Communication channels	Measures of the Group
Shareholders/ investors	Operation strategies Sustainable and steady investment return Open and transparent information disclosure Good corporate image Compliant business operation	General meeting Information disclosure of listed company Roadshow/teleconference/ meeting Media communication mechanism Telephone/email inquiries Investor visits Information disclosure on website	To issue notice and proposals of AGM as required To fairly disclose the Group information on time To release public announcements and issue regular reports as required To provide smooth communication channels

Stakeholders	Major concern	Communication channels	Measures of the Group
Employees	Training and career development Remuneration and benefits Working environment Health and safety assurance	Direct communication Health check Staff activities Staff feedback Staff training	To provide a healthy and safe working environment To establish a fair promotion mechanism To provide a staff communication platform To organize staff activities
Consumers	Product quality Service quality Customer information protection	Customer satisfaction survey After-sales service and complaint	To carry out customer surveys After-sales service management To handle complaints promptly
Suppliers	Timely performance of contracts Long-term and stable cooperation Corporate reputation	Business conference Daily communication	To perform contracts according to the agreed terms To maintain long-term cooperation
Governmental and regulatory authorities	Compliant operation Tax payment in accordance with law Transparent governance Information disclosure and declaration materials	Compliance with laws and regulations Daily work report Information disclosure	To strictly comply with laws and regulations To accurately disclose information To pay tax in accordance with law To accept government supervision
Communities	Employment opportunities Ecological environment Community development Public welfare	Community activities Recruitment	Local staff are preferred To protect ecological environment To organize community activities
Media	Information disclosure Good media relations	Information disclosure	To maintain good communication To disclose information in time

Materiality Assessment

During the Reporting Period, the Group continued to communicate closely with stakeholders through the above means, and at the same time collected valuable opinions from various stakeholders on the Group's ESG-related issues. We categorized ESG-related issues into the major areas covered by the ESG Reporting Guide in order to define the Group's ESG material issues, and designed a targeted questionnaire to collect stakeholders' materiality ranking information on ESG issues. We coordinated and analyzed the results of the questionnaire to estimate the impact of these ESG issues on the Group and comprehensively assessed their importance, taking into account the updates of laws and regulations, market trends, ESG performance of the companies of the same kind and the actual situation of the Group. The results of the materiality assessment obtained after consideration and approval by the Board and the management are set out below:

ESG Scope and Aspect	Material ESG issues related to our business
(A) Environment	
Aspect A1: Emissions	Utilization of gasoline and diesel
Aspect A2: Use of energy and resources	Gasoline, diesel, refrigerant, and electricity consumption
Aspect A3: Environment and natural resources	Promotion of new energy
Aspect A4: Climate change	Climate change responses
(B) Society	
Aspect B1: Employment	Employment standards, workplace equality
Aspect B2: Health and safety	Employees, and safety of working place
Aspect B3: Development and training	Employee development and training
Aspect B4: Labor standards	Avoid child labor and forced labor
Aspect B5: Supply chain management	Supplier management
Aspect B6: Product responsibility	Service quality
Aspect B7: Anti-corruption	Integrity and self-discipline
Aspect B8: Social investment	Giving back to the society

Based on these results, the Group will continue to improve its ESG performance. At the same time, the Group will widely collect and solicit the opinions of stakeholders to ensure that the Group's business and sustainable development will meet the expectations of stakeholders, and at the same time proactively address the Group's exposure to ESG risks, and identify and capture ESG-related opportunities.

V. OUR ENVIRONMENT

We are China's leading luxury and ultra-luxury automobile dealer group, with distribution outlets established in more than 40 municipalities and cities nationwide. Over the years, we have been committed to becoming the largest and prominent automobile dealer in China while actively exploring overseas development opportunities. We pay close attention to and strictly abide by the requirements contained in the environmental laws and regulations of China, including but not limited to the Environmental Protection Law of the People's Republic of China, the Environmental Protection Tax Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution.

The Group's key performance indicators in emissions and waste management, as well as energy and resource utilization for the year will be presented in the following paragraphs.

Aspect A1: Emissions

Air emissions

During the Reporting Period, the air emissions of the Group were mainly generated from the combustion of gasoline and diesel used in vehicles during sales activities and business travel, as well as a small amount of natural gas combustion generated by cafeterias in certain stores. There is the fuel consumption from the engine of a vehicle when it is idling and driving and when it is moving. The emissions included nitrogen oxides, sulfur oxides and particulate matter.

Due to the rapid development of the new energy vehicle market during the year, customers are more willing to purchase new energy vehicle models, and the Group's business strategy tilted towards more environmentally friendly vehicle models such as new energy vehicles and hybrid vehicles, resulting in a decrease in the number of services related to the test-driving, sale and delivery of fuel vehicles. At the same time, we consciously reduced the use of fuel-powered buses and achieved initial results in air emission management and control measures, resulting in a decrease in the emission of sulfur oxides and particulate matter during the year as compared to the previous year. Due to the inconsistency of test-driving models, which affected the use of coefficients in the calculation of air emissions, the emission of nitrogen oxides increased as compared to the previous year.

(Unit: in kg)		**2024**		2023	
Type of air emission	**Emission source**	**Emission amount**	**Density (Note 1)**	Emission amount	Density (Note 1)
Nitrogen oxides (NO_x)	Cars	**3,705.97**	**0.84**	3,562.88	1.01
Sulfur oxides (SO_x)	Cars	**3.35**	**<0.01**	22.91	<0.01
Particulate matter (PM)	Cars	**248.87**	**0.06**	409.27	0.12

Note 1: Density is calculated by dividing the total emission amount by the number of employees at the end of the year.

The Group ensures that all vehicles use fuel complying with national standards and joins hands with authorized suppliers to ensure good fuel quality. Further, we ensure that vehicle emissions comply with national laws and regulations by periodically commissioning professional testing institutions to conduct tests on vehicle emissions. We have established ledgers for vehicle inspections, ensuring comprehensive coverage of vehicle inspections and clear documentation of inspection results.

The Group proactively takes corresponding measures to reduce vehicle fuel consumption and emissions during our daily operations. To better manage vehicle use, the Group has introduced a stringent vehicle use and management system. For business travel, we prioritize the low-emission models or new energy vehicles to increase the proportion of new energy vehicles in the Group's fleet in stages. At the same time, we regularly maintain and service vehicles to ensure they remain in optimal operating condition. We advocate rational carpooling during business travel to enhance vehicle utilization efficiency and lower trip frequency. In vehicle transportation operations, we proactively optimize transportation routes to minimize empty-load mileage and maximize transportation efficiency. In terms of employee management, we encourage our employees to use public transportation and low-carbon commuting methods, raise the awareness of environmental protection, and reduce air pollutant emissions by regularly offering them environmental protection training sessions.

Aligning with market development trends, the Group makes greater efforts in seeking its footprint in the new energy vehicle-related businesses. To make it happen, the Group partners with leading new energy vehicle manufacturers, and establishes exclusive stores in China and beyond to fuel the development and promotion of new energy mobility.

For the test-driving vehicles at the stores of the Group, we will continue the following emission reduction measures:

1. During the vehicle operation, drivers are required to maintain a steady speed as much as possible and accelerate smoothly against rapid starts and abrupt stops, and eliminate unnecessary acceleration, deceleration, and stopping that lead to increased fuel consumption;

2. To carry out regular test-driving vehicle maintenance, replace the air filter and engine oil, and check the fuel system;

3. To conduct precision calibration and meticulous maintenance of the engine to prevent engine fuel consumption; and

4. To check the tire pressure frequently to eliminate increased fuel consumption caused by under-inflated tires.

Greenhouse gas emissions

The Group's direct emission of greenhouse gases (Scope 1) was mainly generated from the lead-free gasoline and diesel consumption of vehicles, as well as the refrigerant consumption for air-conditioning and refrigeration equipment. Except for a small amount of natural gas used in the cafeteria, our operations do not directly generate any air or greenhouse gas emissions from burning stationary fuels.

The significant decrease in direct emission of greenhouse gases (Scope 1) over the previous year was mainly due to the gradual shift in customers' desire to purchase new energy vehicle models, the Group's business strategy also tilted towards more environmentally friendly vehicle models such as new energy vehicles and hybrid vehicles, and the reduction in services related to the test-driving, sale and delivery of fuel vehicles, which resulted in the decrease in fuel consumption. During the Reporting Period, the consumption of refrigerant decreased significantly, which was mainly attributable to the optimized utilization of air conditioning systems in offices and stores, coupled with the effective implementation of energy conservation and emission reduction initiatives.

The indirect emissions of greenhouse gases (Scope 2) this year were generated mainly from electricity used daily. The total indirect emissions of greenhouse gases (Scope 2) of the Group decreased compared with the previous year, while the emission intensity increased. This was primarily driven by the initial results of the Group's energy conservation measures resulting in reduced electricity consumption, coupled with a decline in employee headcount that increased the emission intensity. The Group will stay committed to its office energy conservation measures, including intensified electricity conservation efforts and enhanced daily management of all electricity-powered equipments.

(Unit: Ton of CO_2e) *(Note 1)*		2024		2023	
Greenhouse gas emission scope	**Emission source**	**Emission amount**	**Density** **(Note 2)**	Emission amount	Density (Note 2)
Scope 1 Direct emission	Consumption of lead-free gasoline, diesel and refrigerant	**976.44**	**0.22**	4,808.47	1.37
Scope 2 Indirect emission	Electricity consumption	**14,600.32**	**3.32**	15,003.49	4.26
Total		**15,576.76**	**3.54**	19,811.96	5.63

Note1: Carbon dioxide equivalent (tons) is a measure based on the greenhouse effect of each ton of carbon dioxide, which is used to measure and compare the greenhouse effect of carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O) and other greenhouse gases.

Note 2: Density is calculated by dividing the total emission amount by the number of employees at the end of the year.

For the store design and implementation, the Group not only gave full consideration to lighting, energy saving and other factors, but also adopted environmentally friendly materials and technologies to minimize the energy consumption of the buildings. For example, the exterior walls of buildings were coated with thermal insulation and high-performing heat-protecting glass, and high-performing and energy-efficient LED lighting facilities were installed and replaced, which are designed to automatically regulate the luminance according to the indoor light and personnel activities. The Group has installed solar panels to supply power for in-store equipment, while actively using renewable energy-powered devices and energy-efficient equipment where feasible.

For all offices and stores in operation, we have installed automatic sensor-activated power switches and require employees to turn off power sources daily after work; relevant departments must promptly turn off corresponding main power switches after completing operations; during summer and winter air conditioning periods, we strictly control temperature settings to reduce energy consumption, while implementing a zoned temperature regulation for air conditioning use in stores based on regional temperatures.

Furthermore, the Group has also established a strict energy management system where the administrative department carries out the monitoring management for the energy consumption data for each store every month to ensure that the Group is aware of any excessive energy consumption and other abnormal conditions in a timely manner, and takes effective countermeasures and punishment systems.

Waste

In conducting after-sales and vehicle repair services, the stores of the Group generated various hazardous wastes, such as used mineral oil, used lead batteries, used oil drums and used auto parts. The Group has established the Waste Management System to standardize the process of hazardous and non-hazardous waste management against any hazard caused by non-compliant waste dumping.

The Group strictly abides by national and regional standards to eliminate the non-compliant dumping of any hazardous waste. As for hazardous waste generated in its business operations, the Group strictly classifies hazardous waste according to their characteristics, packages and transports hazardous waste in special buckets and bags. Specialised personnel are responsible for the storage and disposal of hazardous waste, and third-party manufacturers and professional agencies are employed regularly for recycling.

During the year, used mineral oil, used lead batteries, and other hazardous waste generated by the Group's stores decreased significantly compared with the previous year, mainly due to the steady development of the Group's business, and the specific business volume of each store was different from the previous year due to changes in customer demand.

(Unit: in tons)	**2024**		2023	
Hazardous waste types	**Amount**	**Density (Note 1)**	Amount	Density (Note 1)
Used mineral oil (Note 2)	**685.24**	**0.16**	935.58	0.27
Used lead batteries	**21.34**	**<0.01**	25.98	0.01
Others (Note 3)	**48.74**	**0.01**	95.77	0.03

Note 1: Density is calculated by dividing the emission amount by the number of employees at the end of the year.

Note 2: Used mineral oil includes used oil.

Note 3: Others include waste paint drums, oil-containing waste, waste paint sludge, waste filter cartridges, filter cotton, electric batteries and waste activated carbon.

In order to reduce the amount and harm of hazardous waste, the Group's stores take the following measures, including:

1. Conducting safety training for production personnel and strengthening site cleanliness management;

2. Arranging dedicated personnel for the management of hazardous waste, sorting, packaging and transferring waste generated in a timely manner; and

3. Strengthening on-site supervision and inspection, standardizing the temporary storage of hazardous waste, and classifying storage of hazardous waste.

The work activities in daily operations of the Group will also produce certain non-hazardous wastes such as food packaging, beverage cans and bottles, waste paper products and office stationery. In accordance with the Waste Management System and the relevant regulations on the management of domestic waste in the cities where our stores are located, the Group cleans up the recyclable non-hazardous waste products and then places them at designated locations for waste separation and disposal in order to achieve waste reduction and resource recovery and reuse.

During the year, the Group's use of waste cartons, packaging boxes and paper products and domestic waste dumping significantly decreased as compared to the previous year. This was mainly due to the steady development of the Group's business and the Group's conscious effort to reduce the use of waste cartons, packaging boxes and paper products. Meanwhile, the Group proactively managed the domestic waste and advocated our employees to reduce the use of single-use products, which has achieved preliminary results.

(Unit: in tons)	**2024**		2023	
Non-hazardous waste types	**Amount**	**Density (Note 1)**	Amount	Density (Note 1)
Waste cartons, packaging boxes and paper products	**152.24**	**0.03**	107.71	0.03
Domestic waste	**187.79**	**0.04**	520.52	0.15

Note 1: Density is calculated by dividing the emission amount by the number of employees at the end of the year.

In daily business operations, we have been following the waste reduction plan and have introduced a waste classification management system. We have been implementing waste classification and collection, separately disposing of recyclables, kitchen waste, and other waste; encouraging employees to bring their own utensils to reduce the amount of disposable waste produced; strictly requiring all departments to recycle as much paper as possible to reduce paper wastage in order to reduce the generation of non-hazardous waste.

There were no significant cases of non-compliance with environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste for the Group during the Reporting Period (2023: nil).

Aspect A2: Use of energy and resources

The Group always attaches great importance to energy conservation, complies with the provisions of the Energy Conservation Law of the People's Republic of China, and encourages energy conservation and possible reuse of resources in the course of business operations, so as to protect the environment and improve operational efficiency and achieve sustainable development. The energy used by the Group is mainly gasoline, diesel and electricity, and the resources used by the Group mainly include water.

Energy

The Group is committed to the philosophy of green energy by prioritizing procurement from clean energy suppliers in its business operations. Also, for unavoidable conventional energy consumption, we have established stringent energy consumption standards and implemented lean monitoring and control mechanisms for energy usage across all departmental and regional store operations, while conducting regular inspections of energy-powered equipment to prevent energy wastage and mitigate high consumption caused by equipment obsolescence.

Electricity is the main energy consumption of the Group. The increase during the year was mainly due to the steady development of the Group's business, and the increase in the power consumption of new energy vehicle test-driving charging and delivery charging, as well as store number and operation. Consumption of gasoline and diesel mainly arose from providing test drive services and off-site delivery services for customers, and the reduction in services related to the Group's fuel vehicles during the year, resulting in a significant reduction in the consumption of gasoline and diesel.

		2024		2023	
Type of energy	**Unit**	**Consumption**	**Density (Note 1)**	Consumption	Density (Note 1)
Electricity	MWh	**26,236.82**	**8.63**	25,094.28	7.13
Gasoline(Note 2)	Liter	**222,366.49**	**50.50**	1,277,455.18	363.02
Diesel(Note 2)	Liter	**4,872.00**	**1.11**	257,856.02	73.28

Note 1: Density is calculated by dividing the total emission amount by the number of employees at the end of the year on average.

Note 2: Classified as direct non-renewable fuel.

To further reduce the adverse impact of the business on the environment, the Group has also formulated a specific energy use policy, including vehicle management regulations and air conditioning regulations to further regulate the energy use behavior of staff, in order to achieve the reasonable use of energy and resources and reduce waste. On top of that, we are advancing energy-efficient technologies to help our employees to develop good habits for energy conservation including turning off lights when leaving and reasonably setting air conditioning temperatures.

Water resources

The Group's business does not have a significant demand for water resources and therefore no problems have been identified in sourcing suitable water supplies and water that is fit for purpose. The water consumption of the stores of the Group is mainly for daily use and comes from the municipal tap water network. Domestic waste water is discharged into municipal drainage pipes and treated by municipal waste water treatment plants, and no direct discharge to water and land will be made.

During the year, the consumption of water resources of the Group decreased significantly while the density increased as compared with the previous year, mainly due to the decrease in the number of car washes and car beauty projects for the year, and the initial results of the Group's measures to improve water efficiency, but the number of employees also decreased, resulting in an increase in density.

(Unit: in tons)	**2024**	2023
Total water consumption	**180,627.51**	188,507.27
Density(Note 1)	**41.02**	53.57

Note 1: Density is calculated by dividing the total emission amount by the number of employees at the end of the year.

In order to ensure that the consumption of water resources will be more streamlined in the future, the Group has established a stringent management system for the use of water resources, formulating management measures based on the principles of "Preservation (of resources), Purification (of effluents), and Prospecting (through science)". The Group has implemented a number of water-saving measures, such as installing water conservation devices, water recycling, advocating water conservation at water faucets and implementing inspection to conduct daily water and electricity meter reading, carrying out analysis and treatment on any abnormality, strengthening the daily maintenance and management of water-using equipment, regularly checking the aging water supply pipelines, installing or replacing water-saving faucets and sanitary ware to avoid long running water, strictly investigating water running, popping, dripping, and leaking phenomena, and eliminating faults in time. We have actively implemented water recycling initiatives, including rainwater recycling infrastructure for reclaimed water utilization in landscaping irrigation, landscape water replenishment, and pavement flushing. Concurrently, we have upgraded and optimized cooling systems by adopting closed-loop cooling technology to eliminate single-pass water usage and enhance recycling efficiency. We have promoted water conservation to our employees, and strengthened their awareness of water conservation to cherish water, love water, save water, and reduce unnecessary consumption.

The Group does not manufacture or produce any finished products directly, and the cars sold are manufactured and provided by suppliers. Therefore, we do not use any packaging materials.

Aspect A3: Environment and natural resources

Although our operating business does not have a significant impact on the environment and natural resources, we are committed to building a harmonious and sustainable environment friendly enterprise, constantly pursue the coordinated development between the Group business and the ecological environment, and include the protection of the environment and natural resources in the enterprise strategic planning and policy implementation for consideration. Meanwhile, the Group is committed to vigorously promoting the development of new energy vehicle projects, in order to transmit the environmental awareness to the consumers at the business level and effectively fulfill the environmental obligations.

As the Group expands its operations, all newly opened and planned stores incorporate advanced eco-conscious materials in the design and renovation processes, specifically:

1. In material selection standards, we prioritized national-certified, low-VOC, and recyclable materials, including low-emission latex paint for wall finishes with formaldehyde levels much lower than national limits, significantly reducing indoor air pollutants; and recycled-content flooring that combines aesthetic appeal and practical needs while increasing resource utilization efficiency.

2. In our interior design specifications, we conducted comprehensive evaluations of eco-friendly materials based on cost-performance ratios, durability, and other critical factors. This ensures maximum achievement of green building standards within budget constraints, implementing the Group's sustainable development framework.

The Group regularly implements a series of measures to achieve environmental protection and energy conservation during the operation process, including:

1. Installing a new filter monitoring system for the paint room to reduce greenhouse gas emissions in the stores;

2. Encouraging employees to travel green and commute on foot or by taking public transport, in order to reduce the direct greenhouse gas equivalent emissions due to the use of private vehicles;

3. The administrative department shall supervise the use of air conditioners and refrigerant stocks in each store to ensure the reasonable use of refrigeration equipment such as air conditioners;

4. Encouraging employees to reasonably control the air-conditioning operation period according to the temperature conditions;

5. Implementing zoning of electricity consumption to reduce unnecessary lighting use;

6. The elevators of the stores of the Group are operated in accordance with a schedule. From Monday to Friday, the elevators are turned off, and they are turned on only when there are customers on weekends, so as to reduce the power consumption;

7. Arranging designated personnel to check and shut down the water dispenser, computer, printer, air conditioner and other electrical equipment after work every day. Prohibiting the use of office computers for recreational activities;

8. The Group optimized the OA system, and adopted online intelligent examination and approval to a greater extent and scope, so as to reduce paper consumption and document delivery; and

9. Applying for office supplies in the right amount according to the departmental and personal use to avoid surplus or shortage.

Aspect A4: Climate change

The Group was committed to identifying climate-related risks and developing corresponding measures to address climate change issues under the oversight of the Board. Through rigorous environmental performance management, we systematically monitored critical climate risks and implemented targeted response measures. During the Reporting Period, the Group conducted an ESG risk assessment to identify potential climate risks that could pose a threat to the Group's business and applied the results of the analysis to our climate change response strategy to enhance our climate change resilience. We will continue to optimize our climate risk management assessments and measures to minimize the impact on our business.

Climate risk identification

Risk category	Time horizon	Impact on the Group	Responses
Entity risks			
Acute risks	Short-term	Power and water outages caused by natural disasters such as typhoons, floods, droughts or extreme weather events, resulting in disruption of daily operations or the supply chain and threats to staff safety.	• The Group pays constant attention to the weather warnings issued by the meteorological bureau and asks its employees to evacuate in a timely manner in the event of natural disasters and extreme weather; • We will formulate business continuity plans to guide the implementation of disaster recovery procedures; • We will educate our employees on heatstroke prevention and adopt cooling measures in the event of high temperature weather in summer; • We will conduct regular facility inspections to identify potential safety hazards in office environments, including utilities (water/electricity) usage compliance.

Risk category	Time horizon	Impact on the Group	Responses
Chronic risks	Long-term	Global warming will lead to the melting of glaciers, rising sea levels, and other chronic changes that will affect the working environment in the future.	• We will continue to pay attention to the global warming situation and urge our office properties to inspect and update their equipment in order to improve the working environment for our employees.
Transitional risks			
Policy and regulatory risks	Medium-to-long term	Policies on tightening regulatory requirements for automotive dealerships and energy conservation and emission reduction were introduced, and more stringent emission reporting obligations and compliance requirements were formulated.	• We will maintain proactive engagement with regulatory authorities and institutions to ensure timely awareness and strict adherence to evolving compliance requirements and to safeguard operational compliance; • We will maintain continuous monitoring of national sustainability and climate change regulations and systems, with all compliance progress systematically disclosed in subsequent reports; • We will accelerate energy efficiency initiatives and greenhouse gas emission reductions.
Technology risks	Medium-term	New energy technologies in the automobile market are developing at a high speed and the Group's distribution products have been completely replaced by new technology products.	• We will focus on new market trends and the development of new technologies, transform ourselves into a new energy vehicle company, and position ourselves in the new energy market at home and abroad to promote the development and promotion of new energy vehicles.

Risk category	Time horizon	Impact on the Group	Responses
Market risks	Long-term	Changes in market preferences may reduce the competitiveness of the Group's products, while the value of resources such as electricity, fuel and water fluctuates in line with the effects of climate change.	• We will track the market environment in real time, explore green procurement, sell vehicles utilizing green technology, and provide more low-carbon services and vehicles. • We will enhance energy conservation and emission reduction through awareness campaigns and management, prioritize energy-efficient equipment and eliminate non-essential energy consumption.
Reputation risks	Long-term	Customers or the community will have a poor impression and evaluation of high-carbon-emitting companies, and therefore will not invest in or purchase the products of the company, thereby affecting the profitability and market share of the company.	• We will pay attention to the disclosure requirements related to sustainable development and climate change, and optimize the external communication channels of corporate social responsibility on the basis of ensuring compliance; • We will continuously take measures to reduce carbon emissions, disclose and publicize the Group's ESG contributions to the community, and call for carbon reduction actions. • We will actively fulfill our corporate social responsibility to elevate our brand reputation.

Indicators and targets

In response to the national goal of carbon peaking by 2030 and carbon neutrality by 2060, all employees of the Group have always been pursuing the concept of energy conservation and environmental protection to operate business. We hope to follow the national goals, and will also pay close attention to the introduction of policies and the development of the industry, and continue to implement the above-mentioned carbon reduction and environmental protection measures. After consideration by the Board, the Group will take 2021 as the base year, and target the air emissions, energy efficiency, waste efficiency and the density of water efficiency emissions in the next three years to be the same as the base year. During the year, as the automobile sales market gradually rebounded, the Group's business developed steadily and the operation of its stores gradually got back on track, energy and resource consumption, and air and waste emissions have increased or decreased to varying degrees. In the coming years, the Group will place greater emphasis on green operations to keep energy and resource consumption, and air and waste emissions within a controllable range. Please refer to the above sections for relevant indicators.

VI. OUR EMPLOYEES

Aspect B1: Employment

The Group believes that employees are an important strategic asset for its sustainable development. During the Reporting Period, the Group strictly complied with the relevant laws and regulations in the places where we operate, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Civil Code of the People's Republic of China in Mainland China and other relevant laws and regulations in Hong Kong, Macau and Taiwan, as well as relevant laws and regulations in overseas operating regions, such as Japan's Labor Standards Act, Korea's Labor Standards Act, the Philippines' Labor Code, Indonesia's Manpower Act, Malaysia's Employment Act 1955, Singapore's Employment Act, Cambodia's Labor Law, Vietnam's Labor Law, the United Kingdom's Employment Rights Bill, France's Labor Code, and Australia's Fair Work Act, etc., effectively protected the lawful rights and interests of employees, continuously improved the benefits of employees and enhanced their sense of belonging.

The Group has developed related human resources policies in accordance with legal requirements and its own operations circumstances to ensure that employees enjoy their due employment rights. We have developed and clearly communicated to all staff our policies on remuneration, dismissal, recruitment and promotion, working hours and leave applications, equal opportunities and other employee benefits to ensure that the protection of employees' rights and interests can be effectively implemented.

In addition to protecting employees' statutory employment rights and benefits, subject to prevailing business conditions, the Group also continuously optimizes its employees' benefits. For example, for employees who do not meet the conditions for purchasing social insurance, the Group will purchase commercial insurance for them to ensure their rights and interests are protected; the Group will provide holiday benefits to employees; and the Group will distribute meal allowance and assignment allowance to employees and those working in other places. In addition, the Group will organize a variety of activities to enhance the cohesion of the staff and enrich their spiritual life, such as team building, tours, and fitness activities. At present, the Group has set up an effective staff feedback and grievance mechanism, providing a smooth channel for employees to appeal and make suggestions.

We provide equal opportunities in employment, position reassignment and salary adjustments, promotions, training and education to employees of different races, origins, regions and genders. We respect and safeguard their rights, and do not tolerate any discrimination in our operations.

Employment

Details of the Group's employees during the Reporting Period are set out below:

(Unit: in person)	**2024**	2023
Total	**4,403**	3,517
The number of employees by gender		
Male	**2,720**	2,124
Female	**1,683**	1,393
The number of employees by age		
30 and below	**1,214**	1,163
31–50	**3,065**	2,326
50 and above	**124**	28
The number of employees by type		
Management	**165**	238
Middle-level employees	**334**	381
Junior employees	**3,904**	2,898
The number of employees by employment type		
Full-time	**4,403**	3,498
Part-time	**0**	19
The number of employees by region		
Mainland China	**3,312**	3,515
Hong Kong, China	**330**	2
Overseas	**761**	0

The Group provides competitive remuneration and benefits and a fairer remuneration structure for employees, adjusts salaries in accordance with the actual situation each year, and improves the compensation management system and comprehensive performance appraisal mechanism to reduce employee turnover.

There were no significant cases of non-compliance concerning labor practices relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in the Group during the Reporting Period (2023: nil).

Employee turnover

The Group has established relevant human resources policies to regulate employees' resignation, dismissal or retirement and protect the lawful rights and interests of employees. In recent years, the Group's stores have continuously optimized their personnel structure and implemented job consolidation to improve personnel efficiency, in order to cope with the impact of the market changes on the Group's operations.

During the Reporting Period, the overall employee turnover rate is 13% (Note 1), and the number and rate (Note 2) of employee turnover were as follows:

	2024	2023
Total	**2,040**	1,530
The number and rate of employee turnover by gender		
Male	**1,181 (12%)**	917 (42%)
Female	**859 (14%)**	613 (42%)
The number and rate of employee turnover by age		
30 and below	**948 (20%)**	704 (57%)
31–50	**1,052 (10%)**	809 (34%)
50 and above	**40 (13%)**	17 (45%)
The number and rate of employee turnover by region		
Mainland China	**1,537 (11%)**	1,530 (52%)
Hong Kong, China	**90 (14%)**	0 (0%)
Overseas	**413 (27%)**	0 (0%)

Note 1: Overall employee turnover rate is calculated by dividing the turnover number of employees by the average number of employees at the beginning and the end of the year.

Note 2: The employee turnover rate is calculated by dividing the number of turnover employees in that category by the average number of employees at the beginning and the end of the year in that category.

Aspect B2: Health and safety

The Group attaches great importance to the protection of employees' rights and interests, the security of the working environment and the health and safety of the employees. We are determined to provide employees with a comfortable and safe working environment, maintain and improve the welfare of the employees, and ensure that the Group is in line with the professional and workplace safety-related laws and regulations in the places where we operate, such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on Mediation and Arbitration of Labor Disputes and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases in Mainland China, as well as laws and regulations in Hong Kong, Macao, Taiwan and other overseas regions.

The Group attaches great importance to the occupational health of employees. We have provided an efficient and suitable working environment for employees, and place significant emphasis on fire safety in the workplace. At the same time, we have formulated detailed prevention and inspection plans for potential safety hazards. Some specific daily measures related to workplace safety are as follows:

Scope	Specific Measures
Physical and mental health of employees	1. We cooperate with professional medical health examination institutions to provide regular health examinations for all employees every year; 2. For positions with a relatively high risk of occupational diseases, occupational disease medical examinations are conducted for employees at the time of entry, every year of employment and before leaving; 3. We expect the visits from the local environmental protection authority and the occupational disease management center to have an annual inspection and sample tests; and 4. We provide protective tools and operation clothing for employees in key positions.

Scope	Specific Measures
Fire safety	1. We include the fire safety education and training in the annual fire protection work plan; 2. We provide funds for the fire safety education, training and drills, and organize various forms of fire safety advocacy and education; 3. Designated personnel are assigned to conduct daily fire prevention inspections to ensure that the evacuation passageways and safety exits are unblocked, and the fire control facilities for evacuation, such as fire doors, evacuation signs and fire accident lighting, are unimpaired and usable. Once any fire control facilities are found to be damaged or lost, they are repaired and replaced in time; and 4. We actively receive the annual fire training organized by the local fire department and the exercise organized by the property management company.
Investigation of potential safety hazards	1. We formulate the Management System for the Avoidance of Major Accidents, with an aim to strengthen the management of major potential accidents and prevent the occurrence of major accidents; 2. The manager of the administration department and the general manager of the subsidiary companies are responsible for strengthening the management, monitoring and control of the potential major issues in the region under their jurisdiction, get a grip on where they are and how they change dynamically, establish and improve the emergency rescue plan of emergency rescue organizations, strictly implement the safety operation procedures and safety management rules and regulations, and earnestly fulfill the safety responsibilities to prevent the potential danger; and 3. We require the subsidiary companies to conduct a risk analysis and evaluation of major accident hazards once a year, make quantitative or qualitative analysis and evaluation according to their hazard characteristics, the possibility of accidents and their severity and consequences, and submit the evaluation report to the Group's administration department. Moreover, the subsidiary company where the major accident hazards are located must formulate an accident emergency rescue plan, equip the necessary emergency equipment and tools, and conduct at least one emergency rescue drill each year to test the effectiveness and timeliness of the emergency response, and make timely modifications and additions according to the effect of the drill.

During the Reporting Period, some of the Group's stores conducted Workplace Occupational Disease Hazard Factor Testing Report, regularly tested workplaces for occupational disease hazards factors and conducted operational health checks for workers engaged in occupational disease hazard exposure operations. This further protects the occupational health and safety of employees.

During the Reporting Period, the work-related injuries of the Group were 63 (2023: 8 and 2022: 11), the total lost days due to work injury of the Group was 615 (2023: 306 and 2022: 353) days, the average lost days per capita due to work injury (calculated based on the total number of employees as at 31 December 2024) was 0.20 (2023: 0.09 and 2022: 0.09) days, there were no material incidents of work-related fatalities in the past 3 years including the Reporting Period, and the Group did not have any material non-compliance incident relating to laws and regulations on health and safety.

Aspect B3: Development and training

To improve the business ability and vocational skills of the employees, the Group has established a systematic training system called the Training Management System, in order to provide continuous and systematic career development training for the employees through knowledge, experience, ability accumulation, dissemination, application and innovation. The Group attaches great importance to talent training. We believe that systematic development and training is not only a good way to help employees grow quickly and adapt to the needs of business development, but also a good way to cultivate useful talents for social development.

According to the training content, the Group's training activities can be divided into:

➢ **New employee orientation training:** In order to help new employees integrate into the team faster and better, we provide systematic training activities for each new employee, including basic training and post training.

➢ **Competency training:** This training is organized for the purpose of updating and expanding the staff's knowledge, enhancing their abilities, preparing them for promotion and improving their work efficiency. This year's training includes product presentation, sales negotiation skills, maintenance skills training, etc.

➢ **External training:** The Group allows providing employees with the external training sessions that the Group cannot provide for the moment but are required for the work. Upon the approval of the Group, the staff can apply to participate in the training activities organized by the Group, industry, manufacturers and professional training institutions.

➢ **Advanced study in spare time:** The Group encourages employees to take part in professional learning activities in their spare time to enrich themselves and improve their functional skills and professional quality.

➢ **Anti-money laundering and anti-corruption training:** The Group organizes anti-corruption training for the management and employees with the aim of cultivating the awareness of anti-money laundering and anti-corruption among all employees of the Group, in order to ensure the effective operation of the Group's anti-corruption and integrity control system by being vigilant at all times.

Details of the training were shown in the chart below:

	2024		2023	
	Number of Employees trained	**Percentage (Note 3)**	Number of Employees trained	Percentage (Note 3)
Total number of employees trained	**1,727**	**11%**	2,117	58%
By gender				
Male	**1,151**	**12%**	1,340	63%
Female	**577**	**9%**	777	37%
By type of employees				
Management	**100**	**12%**	158	7%
Middle-level employees	**232**	**16%**	267	13%
Junior employees	**1,395**	**10%**	2,117	80%

	2024		2023	
	Hours of training	**Average training hours (Note 4)**	Hours of training	Average training hours (Note 4)
Total hours of training	**27,812**	**1.76**	29,683	8.12
By gender				
Male	**20,199**	**2.08**	21,483.5	8.64
Female	**7,613**	**1.24**	8,199.3	4.86
By type of employees				
Management	**2,084**	**2.59**	1,370.1	7.04
Middle-level employees	**4,847**	**3.39**	3,981.4	9.62
Junior employees	**20,890**	**1.54**	24,331.4	6.82

Note 3: This percentage is calculated by dividing the total number of employees who participated in training by the average number of employees at the beginning and the end of the year.

Note 4: This average training hour is calculated by dividing the total training hours by the average number of employees at the beginning and the end of the year.

Aspect B4: Labor standards

The Group strictly complies with the laws and regulations in the places where we operate such as the Labor Law of the People's Republic of China, the Provisions on the Prohibition of the Use of Child Labor, the Provisions on the Special Protection of Juvenile Workers, the Civil Code of the People's Republic of China in Mainland China, as well as the applicable laws and regulations in Hong Kong, Macao, Taiwan and overseas regions, and firmly resists and opposes forced labor and child labor. The full-time employees recruited by the Group and in service are above 18 years old, and the interns and apprentices are above 16 years old. When signing the labor contract, we will strictly check the identity documents, including checking of his or her age, so as to prevent child labor in an effective way. In the recruitment notice, during interview phase and when signing the labor contract, we clearly inform the job seekers of the nature of the relevant work, time, content and other terms, in strict accordance with the provisions of the labor law and labor contract law. Hence, all labor contracts were signed and all the labor works were performed by the employees voluntarily which ruled out any forced labor. In the event of forced labor or child labor, the Group will handle the situation in accordance with the law and will hold those responsible for violations accountable and provide rewards and punishments in accordance with the Group's system.

The Group has made reasonable arrangements for employees' working hours within the statutory standard working hours to ensure a balance between work and rest time, and provides paid leave, sick leave, maternity leave and other benefits according to the labor law, so as to prevent all forms of forced labor. The Group's employment practices (including recruitment and promotion, leave, equal opportunities, compensation and dismissal, anti-discrimination, etc.) were conducted in accordance with local labor laws and regulations. In addition, the Group conducted regular performance appraisal programs and other systems to assess the work contents and achievements of its employees, and strictly monitored the working ability and performance of employees, so as to avoid forced overtime, excessive work pressure and other forced labor behaviors.

During the Reporting Period, the Group complied with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labor and was not aware of any incidents of child labor or forced labor in any form (2023: nil).

VII. OUR BUSINESS

Aspect B5: Supply chain management

The Group has formulated the Bidding and Tendering Management Measures in accordance with the Bidding and Tendering Law of the People's Republic of China to regulate the bidding and tendering behavior for projects such as project construction and material procurement, strengthen the supervision and management of bidding activities, reasonably control the project cost and capital expenditure, and ensure the quality of the project. Based on the Management Measures, the Group has formulated the Measures for Supplier Evaluation and Management to standardize the selection behavior of suppliers, strengthen the supervision and management of suppliers, fully guarantee product quality and ensure the stability of supply chain management.

The Group maintains a long-term and stable partnership with major automotive suppliers to ensure the steady development of the automotive sales business. The major automotive suppliers include luxury and ultra-luxury brands such as BMW, Maserati, Lexus, Land Rover, Ferrari, etc., as well as BYD, a Chinese new energy vehicle brand. In addition, the Group keeps a long-term and stable cooperative relationship with 31 suppliers of replacement automotive equipment and accessories in China. During the Reporting Period, the distribution of major automotive equipment and accessories suppliers by region was as follows: 190 in Mainland China and 5 overseas.

When selecting suppliers of replacement parts, the Group not only requires them to have the essential operating qualifications and product quality, but also fully considers the environmental and social risk factors of these suppliers, such as whether the materials used in the supplier's products meet the environmental standards, the market reputation of the supplier's brand and other factors. We ensure that all our suppliers meet the above standards. Meanwhile, the Group will provide open, equal, transparent and fair bidding opportunities for various projects, so as to select the best. In addition, the Group will regularly evaluate the performance of existing suppliers to check their performance and promote them to improve their supply level. We will continue to work with excellent suppliers, but eliminate those with poor performance.

Aspect B6: Product responsibility

Quality management

The Group supplies the world-famous luxury and super luxury brand cars to the consumers, including BMW, Lexus, and Maserati, and maintains long-term stable partnerships with these manufacturers. With automobiles being end products for sale, the Group has established a comprehensive product quality management system, which covers the entire supply chain and the sales service process from release from the factory, transportation and storage until the sales to consumers, delivering high-quality automotive products in the hands of consumers in an all-round way. The automobiles have obtained the manufacturer's qualification certificate when leaving the factory, and conform to the international and national production quality standards for the nation and the industry. In addition, the quality inspection department of the Group will also review the standards of automobiles to ensure that the production quality of automobiles meets the sales requirements of the Group.

Customer service

In terms of customer service, the Group carefully listens to the demands of consumers on cars, and provides them with high-quality services, in order to continuously improve customer satisfaction. The Group will actively carry out customer satisfaction surveys and evaluate the sales team and customer service, in order to find out the deficiencies in service and make corresponding improvements. The facilities construction of our stores takes into consideration the customer experience during the provision of maintenance services, providing them with the high-quality services including barrier-free communication and activities such as catering, entertainment, and leisure. In addition, to further enhance the service awareness of the staff, the Group has provided courses related to customer service to the staff in the course of daily work and training activities.

Product recall

The Group has established a comprehensive automobile recall service system. We will actively communicate and negotiate with customers regarding the automobile quality problems, and recall vehicles in a timely manner in strict accordance with the recall message of the manufacturers so as to minimize the potential safety threats caused by product quality to the customers. For the recalled vehicles, the stores under the Group will carry out the recall plan according to the "Recall Contingency Plan" to ensure the completion of the after-sales recall indicators of the automobile manufacturers, increase the contribution of warranty to the after-sales output value, and better smooth the recall process. During the Reporting Period, the Group did not experience any product recall incidents.

Complaint handling

In response to complaints, the Group has established the Regulations on Customer Complaint Resolution Management to learn about specific problems in the service based on customer feedback, and implement improvements and preventions to increase customer satisfaction and maintain continuous improvement in service quality. The Regulations stipulate that the customer service department shall first classify the complaints according to the category of incidents and take detailed records, and then the professional and technical staff or customer managers shall provide systematic solutions to meet the needs of customers and protect the interest of consumers as much as possible. The customer manager shall pay a return visit to the customer who complained within three days, communicate with the customers by telephone, solicit opinions and understand their satisfaction degree, and ensure continuous improvement in service quality. During the Reporting Period, the Group received a total of 200 complaints, all of which were properly handled and effectively resolved.

Protection of customer privacy

In addition, the Group pays attention to the protection of customer privacy. In addition to protecting consumers' personal information in strict accordance with the Law on Protection of the Rights and Interests of Consumers and other relevant policies, we have established consumer data protection and privacy policies for our customers, stressing that employees shall not disclose or abuse any information or trade secrets related to the Group's transactions or operations for their own personal gains. We employ authorized personnel to keep all confidential information related to suppliers, contractors or customers to ensure the security of customer information. The Group has also maintained a Confidentiality and Non-Competition Agreement with employees on a long-term basis to ensure that employees keep confidential information and undertake non-competition obligations during their services and after the termination of their employment. In addition, employees are required to use confidential information properly and not to use such confidential information outside of their duties or assist any third party who is not under a duty of confidentiality in using the Group's trade secrets. If a trade secret is discovered to have been leaked or leaked through their own negligence, they shall take effective measures to prevent further expansion of the leakage and report to the Group in a timely manner. No customer information leakage occurred during the Reporting Period.

Intellectual property protection

The Group's operation does not involve self-production and research and development of products. Therefore, the Group's intellectual property protection focuses on cooperation with brand owners. The Group does not infringe, misappropriate or otherwise violate the valid and enforceable intellectual property rights of third-party manufacturers. In the daily operation, sales, provision of repair services and other business, the Group strictly controls all brand vehicles and products used for vehicle maintenance and repair, uses only brand-certified products, resists any fake and uncertified products, and is responsible to partners and customers. The Group attaches great importance to the protection of intellectual property rights, and integrates the concept of respecting wisdom and supporting genuine versions into daily operations. Employees are encouraged to actively protect intellectual property rights, learn about the brand's operating specifications, product details and brand verification in daily training, and apply them in sales activities to enhance customers' trust, favorability and loyalty to the brand. During the Reporting Period, there was no material infringement of intellectual property rights that had or might have a material adverse effect on the Group's business. The Group has complied with all applicable intellectual property laws and regulations in all material respects.

Aspect B7: Anti-corruption

The Group strictly complies with the Anti-Unfair Competition Law of the People's Republic of China, the Anti-money Laundering Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, and other relevant laws and regulations in China, and expressly requires that no employee shall engage in bribery, extortion, fraud and money laundering and other illegal and criminal acts. The Group regularly issues "integrity and self-discipline commitment" circulars to the staff, requiring that the staff should select suppliers, contractors or partners objectively and openly, in order to eliminate all inappropriate behaviors in the workplace, such as soliciting bribes, accepting bribes, using power to solicit business for relatives and friends at the price of damaging the Group's interests, among others. In terms of internal policies, the Group has established a legal supervision department to supervise the integrity and self-discipline of all employees. For accounting, cashier, information system operation and other positions prone to fraud, as well as the recruitment of middle and senior managers, we will check whether the candidate has a criminal record of illegal crime, administrative punishment, or commercial fraud, among others. In addition, in the process of daily work and training activities, the Group will also promote the employees to enhance the awareness of anti-corruption and the ability to identify corruption, and remind managers at all levels and ordinary employees to be vigilant and lead by example. During the Reporting Period, the Group's headquarters and stores held anti-corruption sessions, covering employees at all levels of the Group, and explained in detail the Group's "Ten Prohibitions for Anti-corruption" to employees to promote the actual implementation of policies.

In terms of external policies, the human resources department, financial department and audit department of the Group have set up public complaint and report e-mails, and their contact information is open to the public. Any employee of the Group or the public who finds bribery, extortion, fraud, money laundering and other illegal and criminal acts can directly report them through a variety of communication channels, which will be submitted to the relevant departments for handling according to law after verification. Those reported persons who are suspected of serious violations of laws, regulations or disciplines will be punished by the Group and compensate for the economic losses caused to the Group. Those who violate the law will be subject to legal repercussions.

During the Reporting Period, the Group complied with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, and there was no legal case regarding corruption brought against the issuer or employees of the Group (2023: nil).

VIII. OUR COMMUNITY

Aspect B8: Community investment

While creating economic benefits for shareholders, investors and the society, the Group also shoulders the social responsibility of building a harmonious society and promoting the construction and development of the community. During the Reporting Period, the Group actively participated in the livelihood of the community to understand the community needs. Each subsidiary of the Group vigorously carried out various public welfare activities, and participated in the community building through not just words but actions, with an aim to build a relationship of harmony and common prosperity between enterprises and communities.

During the Reporting Period, the Group successively carried out a number of social and charitable activities:

On 9 January 2024, the Group contributed HK$1.6 million to the China Youth Entrepreneurship and Employment Foundation to support entrepreneurial initiatives among high-potential Chinese youth.

INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

Scope and Aspect		Description	Section
A. Environmental			
Aspect A1: Emissions			
General Disclosure	A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Aspect A1: Emissions
KPI	A1.1	The types of emissions and respective emission data.	Aspect A1: Emissions
	A1.2	Direct and energy indirect greenhouse gas emission and intensity.	Aspect A1: Emissions
	A1.3	Total hazardous waste produced and intensity.	Aspect A1: Emissions
	A1.4	Total non-hazardous waste produced and intensity.	Aspect A1: Emissions
	A1.5	Description of emission target(s) set, and steps taken to achieve them.	Aspect A1: Emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of reduction target(s) set and steps taken to achieve them.	Aspect A1: Emissions
Aspect A2: Use of resources			
General Disclosure	A2	Policies on the efficient use of resources, including energy, water, and other raw materials.	Aspect A2: Use of energy and resources
KPI	A2.1	Direct and/or indirect energy consumption by type and intensity.	Aspect A2: Use of energy and resources
	A2.2	Water consumption in total and intensity.	Resource management
	A2.3	Description of energy use efficiency target(s) set, and steps taken to achieve them.	Aspect A2: Use of energy and resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	Aspect A2: Use of energy and resources
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Aspect A2: Use of energy and resources

Scope and Aspect		Description	Section
Aspect A3: Environment and natural resources			
General Disclosure	A3	Policies on minimizing the significant impacts on the environment and natural resources.	Aspect A3: Environment and natural resources
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Aspect A3: Environment and natural resources
Aspect A4: Climate change			
General Disclosure	A4	Policies on identification and mitigation of significant climate-related issues which have had and are likely to have an impact.	Aspect A4: Climate change
B. Social			
Aspect B1: Employment			
General Disclosure	B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Aspect B1: Employment
KPI	B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Aspect B1: Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	Aspect B1: Employment

Scope and Aspect		Description	Section
Aspect B2: Health and safety			
General Disclosure	B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Aspect B2: Health and safety
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years (including the reporting year).	Aspect B2: Health and safety
	B2.2	Lost days due to work injury.	Aspect B2: Health and safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Aspect B2: Health and safety
Aspect B3: Development and training			
General Disclosure	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Aspect B3: Development and training
KPI	B3.1	The percentage of employees trained by gender and employee category.	Aspect B3: Development and training
	B3.2	The average training hours completed per employee by gender and employee category.	Aspect B3: Development and training
Aspect B4: Labor standards			
General Disclosure	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Aspect B4: Labor standards
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Aspect B4: Labor standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	Aspect B4: Labor standards

Scope and Aspect		Description	Section
Aspect B5: Supply chain management			
General Disclosure	B5	Policies on managing environmental and social risks of the supply chain.	Aspect B5: Supply chain management
KPI	B5.1	Number of suppliers by geographical region.	Aspect B5: Supply chain management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Aspect B5: Supply chain management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Aspect B5: Supply chain management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Aspect B5: Supply chain management
Aspect B6: Product responsibility			
General Disclosure	B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Aspect B6: Product responsibility
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Aspect B6: Product responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with.	Aspect B6: Product responsibility
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Aspect B6: Product responsibility
	B6.4	Description of quality assurance process and recall procedures.	Aspect B6: Product responsibility
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Aspect B6: Product responsibility

Scope and Aspect		Description	Section
Aspect B7: Anti-corruption			
General Disclosure	B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Aspect B7: Anti-corruption
KPI	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Aspect B7: Anti-corruption
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Aspect B7: Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	Aspect B7: Anti-corruption
Aspect B8: Community investment			
General Disclosure	B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Aspect B8: Community investment
KPI	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture and sport).	Aspect B8: Community investment
	B8.2	Resources contributed (e.g. money or time) to the focus areas.	Aspect B8: Community investment

北京兴华
BEIJINGXINGHUA

TO THE SHAREHOLDERS OF
CHINA HARMONY AUTO HOLDING LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Harmony Auto Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 103 to 213, which comprise the consolidated statement of financial position as at 31 December 2024; the consolidated statement of profit or loss and other comprehensive income for the year then ended; the consolidated statement of changes in equity for the year then ended; the consolidated statement of cash flows for the year then ended; and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Estimation of rebates

Refer to note 23 to the consolidated financial statements.

The Group earns vendor rebates under numerous different arrangements with automobile manufacturers. Rebate arrangements vary between different automobile manufactures and in different fiscal years and principally comprise volume based purchase rebates, sales rebates for certain specific car models, performance rebates and other specific rebates.

Volume based purchase rebates and sales rebates are usually granted by the vendors if certain purchase or sales targets are met.

Performance rebates are granted by vendors in accordance with their comprehensive assessment of the Group's business performance.

In addition, other specific rebates are granted to the Group, which include, but are not limited to regional annual awards.

The Group manually calculates vendor rebates and recognises them when the associated conditions for recognition are met.

We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because manual calculation of the Group's entitlement to such rebates increases the risk that vendor rebates could be recognised before the entitlement conditions have been met.

The Group recognises volume-related vendor rebates on an accrual basis based on the terms of the supplier contracts. As at 31 December 2024, the rebate receivables recognised in the consolidated statement of financial position amounted to approximately RMB1,344,096,000. The balance of rebate receivables was significant and the process of estimating the accrual was complex.

Our audit procedures included, among others:

— obtained an understanding of the design and implementation of management’s key internal controls in relation to the recognition of vendor rebates;

— assessed the accounting treatment in respect of the recognition of vendor rebates by inspecting the terms and conditions of vendor rebate arrangements for all automobile manufacturers with reference to the requirements under prevailing accounting standards;

— selected samples of vendor rebates recognised and settled during the year and compared the recognised rebate amount with credit notes issued by the vendors or bank payment slips;

— for vendor rebate receivables at the reporting date, performed recalculations of the receivable amounts, on a sample basis, based on the terms of the underlying vendor rebate arrangements and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate arrangements;

— evaluated, 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, performed retrospective review by assessing the subsequent settlement, on a sample basis, in the current year.

We consider that the Group’s recognition of the volume-related vender rebates is supported by the available evidence.

Impairment assessment of property, plant and equipment and right-of use assets

Refer to note 12 and 13 to the consolidated financial statements

As at 31 December 2024, the Group’s net carrying amount of property, plant and equipment (“**PPE**”) and Right-of-use assets (“**ROU**”) were approximately RMB3,266,348,000 and RMB1,265,128,000 respectively. Management assesses related assets for potential impairment whenever there are indications that the carrying value of an asset or a Group of assets may not be recoverable. As at 31 December 2024, management performed impairment assessment on PPE and ROU with impairment indications at the level of cash generating unit (“**CGU**”) to which the PPE and ROU was allocated using the discounted cash flow model. The discounted cash flows model used for the impairment assessment of PPE and ROU involved significant assumptions including product prices and discount rate. Based on the impairment test, approximately RMB8,513,000 of impairment losses was recognised by management for the year ended 31 December 2024.

We focused on auditing the impairment assessment of PPE and ROU because the carrying amount of PPE and ROU as at 31 December 2024 was significant, and the estimation of recoverable amount of PPE and ROU was subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of PPE and ROU is considered significant due to the complexity of the model and subjectivity of significant assumptions used. Therefore, we identified impairment assessment of PPE and ROU as a key audit matter.

Our audit procedures included, among others:

— Obtained an understanding of the management's internal control and assessment process of recoverable amounts of PPE and ROU, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

— Evaluated and tested the key controls over the impairment assessment of PPE and ROU, including controls over the development of model and significant assumptions used in the impairment test.

— Evaluated the appropriateness of identification of CGUs at which level the impairment assessment was performed.

— Evaluated the reasonableness of the significant assumptions of the product prices applied by management by comparing the management forecast prices against the historical and present market prices, taking into account the published forecast prices.

— Evaluated the appropriateness of the model that the management used, and the reasonableness of the significant assumptions including the discount rate.

— Tested the completeness, accuracy and relevancy of the underlying data used and the mathematical accuracy of the calculations in the model.

Based on our work, we found that the result of management's impairment assessment of PPE and ROU was supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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 of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

— Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Beijing Xinghua Caplegend CPA Limited
Certified Public Accountants
Wan Ho Yuen
Practising Certificate Number P04309
Hong Kong, 31 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	**2024** **RMB'000**	2023 RMB'000
REVENUE	5	**15,617,447**	16,579,232
Cost of sales and services		**(14,917,715)**	(15,615,198)
GROSS PROFIT		**699,732**	964,034
Other income and gains, net	6	**572,174**	411,948
Impairment loss on advances to and interest receivable from Independent Aftersales Company ("**IAC**")	7	**(139,585)**	(218,201)
Selling and distribution expenses		**(899,297)**	(857,770)
Administrative expenses		**(372,592)**	(337,641)
OPERATING LOSS		**(139,568)**	(37,630)
Finance costs	7	**(174,573)**	(132,036)
Share of losses of joint ventures		**(3)**	(5,629)
Share of losses of associates		**(3)**	(3,084)
LOSS BEFORE TAX		**(314,147)**	(178,379)
Income tax credit/(expense)	8	**28,412**	(63,145)
LOSS FOR THE YEAR	7	**(285,735)**	(241,524)
Other comprehensive loss after tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of financial assets at fair value through other comprehensive income	19	**(45,000)**	—
Items that are or may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(12,976)**	(27,314)
Other comprehensive loss for the year, net of tax		**(57,976)**	(27,314)
Total comprehensive loss for the year		**(343,711)**	(268,838)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(291,070)**	(252,194)
Non-controlling interests		**5,335**	10,670
		(285,735)	(241,524)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(349,046)**	(279,508)
Non-controlling interests		**5,335**	10,670
		(343,711)	(268,838)
Loss per share attributable to owners of the Company	11		
Basic (RMB)		**(0.20)**	(0.17)
Diluted (RMB)		**(0.20)**	(0.17)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction to the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,266,348**	2,858,226
Right-of-use assets	13	**1,265,128**	839,112
Intangible assets	14	**136,196**	141,603
Goodwill	15	**195,778**	149,993
Prepayments, other receivables and other assets	23	**7,392**	142,685
Finance lease receivables	16	**184,038**	233,005
Investments in joint ventures	17	**2,140**	2,143
Investments in associates	18	**—**	3
Financial assets at fair value through other comprehensive income	19	**31,669**	45,000
Deferred tax assets	20	**135,141**	87,177
Total non-current assets		**5,223,830**	4,498,947
CURRENT ASSETS			
Finance lease receivables	16	**174,280**	209,774
Inventories	21	**1,921,892**	1,479,678
Trade receivables	22	**285,972**	253,424
Prepayments, other receivables and other assets	23	**3,203,840**	2,829,103
Financial assets at fair value through profit or loss	24	**2,957**	—
Pledged and restricted bank deposits	25	**313,845**	498,791
Cash in transit	26	**12,715**	17,256
Cash and bank balances	27	**1,107,974**	1,048,193
Total current assets		**7,023,475**	6,336,219
CURRENT LIABILITIES			
Bank loans and other borrowings	28	**3,418,985**	2,181,545
Trade and bills payables	29	**855,245**	1,029,908
Contract liabilities	30	**879,282**	504,522
Other payables and accruals	30	**444,559**	384,704
Lease liabilities	31	**195,251**	125,572
Income tax payable		**10,435**	81,871
Total current liabilities		**5,803,757**	4,308,122
NET CURRENT ASSETS		**1,219,718**	2,028,097
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,443,548**	6,527,044

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	31	**1,128,522**	806,261
Deferred tax liabilities	20	**61,790**	55,616
Total non-current liabilities		**1,190,312**	861,877
NET ASSETS		**5,253,236**	5,665,167
EQUITY			
Equity attributable to owners of the Company			
Share capital	33	**12,083**	12,097
Reserves		**5,161,643**	5,560,202
		5,173,726	5,572,299
Non-controlling interests		**79,510**	92,868
TOTAL EQUITY		**5,253,236**	5,665,167

The above consolidated statement of financial position should be read in conjunction to the accompanying notes.

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2025 and are signed on its behalf by:

Liu Fenglei
Director

Feng Shaolun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the parent												
	Share capital *RMB'000*	Shares held under share award plan and share repurchase *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Merger reserve *RMB'000*	Fair value change reserve *RMB'000*	Share option reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2023	12,293	(128,533)	2,580,476	1,635	318,572	371,200	(109,045)	98,456	35,992	2,765,777	5,946,823	79,884	6,026,707
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(252,194)	(252,194)	10,670	(241,524)
Other comprehensive loss for the year													
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	(27,314)	–	(27,314)	–	(27,314)
Total comprehensive (loss)/income for the year, net of tax	–	–	–	–	–	–	–	–	(27,314)	(252,194)	(279,508)	10,670	(268,838)
Shares repurchased and cancelled *(Note 33)*	(196)	33,502	(33,306)	–	–	–	–	–	–	–	–	–	–
Shares repurchased *(Note 33)*	–	(6,359)	–	–	–	–	–	–	–	–	(6,359)	–	(6,359)
Final 2022 dividend declared and paid	–	–	(88,657)	–	–	–	–	–	–	–	(88,657)	–	(88,657)
Dividend declared to NCI	–	–	–	–	–	–	–	–	–	–	–	(2,000)	(2,000)
Acquisition of a subsidiary *(Note 44(a))*	–	–	–	–	–	–	–	–	–	–	–	4,314	4,314
Transfer from retained profits	–	–	–	–	12,791	–	–	–	–	(12,791)	–	–	–
At 31 December 2023	12,097	(101,390)	2,458,513	1,635	331,363	371,200	(109,045)	98,456	8,678	2,500,792	5,572,299	92,868	5,665,167
At 1 January 2024	12,097	(101,390)	2,458,513	1,635	331,363	371,200	(109,045)	98,456	8,678	2,500,792	5,572,299	92,868	5,665,167
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(291,070)	(291,070)	5,335	(285,735)
Other comprehensive loss for the year													
Fair value changes of finance assets at fair value through other comprehensive income	–	–	–	–	–	–	(45,000)	–	–	–	(45,000)	–	(45,000)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	(12,976)	–	(12,976)	–	(12,976)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(45,000)	–	(12,976)	(291,070)	(349,046)	5,335	(343,711)
Shares cancelled *(Note 33)*	(14)	6,186	(5,998)	–	–	–	–	–	–	–	174	–	174
Final 2023 dividend declared and paid	–	–	(49,701)	–	–	–	–	–	–	–	(49,701)	–	(49,701)
Dividend declared to NCI	–	–	–	–	–	–	–	–	–	–	–	(18,693)	(18,693)
Transfer from retained profits	–	–	–	–	9,249	–	–	–	–	(9,249)	–	–	–
At 31 December 2024	12,083	(95,204)	2,402,814	1,635	340,612	371,200	(154,045)	98,456	(4,298)	2,200,473	5,173,726	79,510	5,253,236

The above consolidated statement of changes in equity should be read in conjunction to the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Cash flows from operating activities		
Loss before tax	**(314,147)**	(178,379)
Adjustments for:		
Finance costs	**174,573**	132,036
Share of result of joint ventures and associates	**6**	8,713
Interest income	**(50,525)**	(67,023)
Depreciation charge of property, plant and equipment	**185,217**	224,655
Depreciation charge of right-of-use assets	**192,231**	121,066
Written off of right-of-use assets	**—**	11,981
Amortisation of intangible assets	**7,487**	6,054
Gain on disposals of property, plant and equipment	**16,026**	(1,283)
Written off of property, plant and equipment	**805**	109,929
Impairment loss on property, plant and equipment	**8,513**	—
Fair value loss on investments at fair value through profit or loss	**909**	—
Provision for inventories obsolescence	**10,323**	—
Impairment loss on advances to and interest receivable from Independent Aftersales Company	**139,585**	218,201
Gain on early termination of lease	**(24,739)**	(913)
Impairment loss on prepayment	**—**	85,000
Operating cash flows before working capital changes	**346,264**	670,037
Change in pledged and restricted bank deposits	**184,946**	(278,444)
Change in cash in transit	**4,541**	6,814
Change in trade receivables	**(32,548)**	(55,397)
Change in prepayment, other receivables and other assets	**39,960**	(235,443)
Change in prepayment to suppliers	**(517,161)**	(2,008)
Change in inventories	**(409,500)**	64,098
Change in finance lease receivables	**84,461**	(985)
Change in trade and bills payables	**(174,663)**	394,773
Change in contract liabilities	**374,760**	(151,429)
Change in other payables and accruals	**79,616**	155,403
Cash (used in)/generated from operations	**(19,324)**	567,419
Income taxes paid	**(84,814)**	(160,327)
Lease interests paid	**(62,706)**	(49,738)
Net cash (used in)/generated from operating activities	**(166,844)**	357,354

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024	2023
	RMB'000	*RMB'000*
Cash flows from investing activities		
Interest received	**14,518**	21,230
Purchases of property, plant and equipment	**(610,857)**	(352,141)
Proceeds from disposal of property, plant and equipment	**146,029**	177,644
Advance and loan made to Independent Aftersales Company	**—**	(41,039)
Purchase of intangible assets	**(1,661)**	(185)
Decrease/(increase) in time deposits	**1,082**	(130,082)
Purchases of investment at fair value through profit or loss	**(3,866)**	—
Purchases of equity investment at fair value through other comprehensive income	**(31,669)**	(45,000)
Acquisition of subsidiaries	**(137,355)**	(19,924)
Net cash used in investing activities	**(623,779)**	(389,497)
Cash flows from financing activities		
Repurchase of shares	**—**	(6,359)
Bank loans and other borrowings raised	**10,113,725**	10,415,450
Repayment of bank loans and other borrowings	**(8,866,937)**	(10,318,354)
Dividends paid	**(49,701)**	(88,657)
Dividends paid to a non-controlling shareholder	**(18,693)**	(2,000)
Repayment of lease liabilities	**(193,214)**	(99,696)
Interest paid	**(111,867)**	(84,461)
Net cash generated from/(used in) financing activities	**873,313**	(184,077)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 *RMB'000*	2023 *RMB'000*
Net decrease in cash and cash equivalents	**82,690**	(216,220)
Effect of foreign exchange rate changes, net	**(21,827)**	(27,661)
Cash and cash equivalents at 1 January	**597,111**	840,992
Cash and cash equivalents at 31 December	**657,974**	597,111
Analysis of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated statement of cash flows	**657,974**	597,111
Non-pledged time deposits with original maturity of more than three months when acquired	**450,000**	451,082
Cash and bank balances as stated in the consolidated statement of financial position	**1,107,974**	1,048,193

The above consolidated statement of cash flows should be read in conjunction to the accompanying notes.

1 GENERAL INFORMATION

China Harmony Auto Holding Limited (the "**Company**") was incorporated on 24 September 2012 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 June 2013 (the "**Listing**").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the sale of automobiles and provision of after-sales services in the People's Republic of China (the "**PRC**") and certain overseas countries and regions.

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

The consolidated financial statements for the year ended 31 December 2024 were approved for issue by the board of directors on 31 March 2025.

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(i) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

— Amendments to HKAS 1, Presentation of financial statements — Classification of liabilities as current or non-current and amendments to HKAS 1, Presentation of financial statements — Non-current liabilities with covenants

— Amendments to HKFRS 16, Leases — Lease liability in a sale and leaseback

— Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial instruments: Disclosures — Supplier finance arrangements

— Hong Kong Interpretation 5 (Revised), Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(i) Changes in accounting policies (Continued)

The adoption of new or amended HKFRSs did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2024

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these consolidated 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 21, The effects of changes in foreign exchange rates — Lack of exchangeability	1 January 2025
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: disclosures — Amendments to the classification and measurement of financial instruments	1 January 2026
Annual improvements to HKFRSs — Volume 11	1 January 2026
HKFRS 18, Presentation and disclosure in financial statements	1 January 2027
HKFRS 19, Subsidiaries without public accountability: disclosures	1 January 2027
Amendments to HK-Int 5, Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of 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.

3 MATERIAL ACCOUNTING POLICIES

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 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 period reflected in these financial statements.

b. Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except certain financial assets which are measured at fair value.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

Certain comparative figures have been regrouped to conform with the current year's presentation of the consolidated financial statements.

c. 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.

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 a subsidiary is stated at cost less impairment losses (see note 3(k)), unless it is classified as held for sale (or included in a disposal Group classified as held for sale).

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

d. Associates and joint ventures

An associate is an entity in which the Group or the 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 associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 3(k)(i)).

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

In the company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see note 3(k)), unless it is classified as held for sale (or included in a disposal Group classified as held for sale).

e. Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 3(k)).

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

f. Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, 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 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 45(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments are classified as:

— 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 3(u)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as Financial assets at fair value through profit or loss ("**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 Financial assets at fair value through other comprehensive income ("**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.

g. Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

h. Property, plant and equipment

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

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

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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Category	Estimated useful lives	Estimated residual values
Buildings	20–40 years	5%
Leasehold improvements	Over the shorter of terms of the leases terms and 20 years	5%
Plant and machinery	5–10 years	5%
Furniture and fixtures	3–10 years	5%
Motor vehicles	4–10 years	5%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

h. Property, plant and equipment (Continued)

Construction in progress represents buildings, plant and machinery under construction or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

i. Intangible assets (other than goodwill)

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

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

Category	Estimated useful life
Customer relationships	15 years
Dealership agreements	40 years
Software	5 years
Others	10 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

j. Leases

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

Group as a lessee

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

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

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

Category	Estimated useful life
Leasehold land	20 to 30 years
Plant and machinery	3 to 5 years
Motor vehicles	2 to 5 years

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

j. Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

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

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

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

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

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

j. Leases (Continued)

Group as a lessor

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

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

k. Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses ("**ECL**"s) on:

— financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables; and

— finance lease receivables.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

k. Credit losses and impairment of assets (Continued)

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

Impairment of financial assets

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

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

k. Credit losses and impairment of assets (Continued)

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

Impairment of financial assets (Continued)

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

For lease receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

k. Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than 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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

l. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is attributable to specific items of inventory as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price in the ordinary course less the estimated costs to be incurred to completion and sale.

m. Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

n. Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 3(k)(i)).

Insurance reimbursement is recognised and measured in accordance with note 3(t).

o. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use. Cash and cash equivalents are assessed for ECL (see note 3(k)(i)).

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

p. Trade and other payables

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

q. 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 3(x).

r. 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.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined benefit plan obligations

The Group has the LSP under the Hong Kong Employment Ordinance.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. For LSP obligations, the estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

r. Employee benefits (Continued)

(ii) Defined benefit plan obligations (Continued)

Remeasurements arising from defined benefit plans, which comprise actuarial gains and losses, are recognised immediately in OCI. Net interest expense for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Defined contribution retirement plan

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

(iv) Share-based payments

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straightline basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

s. 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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

s. Income tax (Continued)

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;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

s. Income tax (Continued)

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

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

t. 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.

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.

u. Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, 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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

u. Revenue and other income (Continued)

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

(i) Revenue from contracts with customers

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

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

(a) Sale of goods

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

(b) Rendering of services

For the rendering of services, the control is transferred overtime and therefore, the performance obligation is satisfied and revenue is recognised over time, if one of the following criteria is met:

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

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

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

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

u. Revenue and other income (Continued)

(ii) Revenue from other sources and other income

(a) Interest income

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

(b) Commission income

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

(c) 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.

(d) 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.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

v. Vendor rebates

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

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

w. Translation of foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(b) Transactions and balances in each entity's financial statements

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

However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI are recognised in OCI.

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

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

w. Translation of foreign currencies (Continued)

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

x. 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.

y. Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

When a Group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

z. Related parties

A related party is a person or entity that is related to the Group.

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(aa) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 10 to the consolidated financial statements.

(bb) Government grants

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

4 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Recognition of income taxes and deferred tax assets

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

4 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(a) Estimated rebate receivables

As described in note 3(v), the Group receives incentive rebates from suppliers from time to time depending on the policies of the manufacturers. The amount of incentive rebates given by a manufacturer for a given period is generally determined with reference to the Group's purchase volume, sales volume, customer satisfaction and other performance indicators set by the manufacturer with respect to that period. The Group accrues incentive rebates based on management's best estimates and judgements as of the relevant reporting date while the actual amount of the incentive rebates is determined by the manufacturers after the end of the reporting period. These estimates and judgements involve, among other factors, the estimated results of assessment by the manufacturers for the Group's performance in various aspects during the reporting period. When the actual rebates received by the Group differ from the estimated amount, adjustment will be made and recognised in the period in which such event takes place.

(b) Impairment of trade and other receivables and finance lease receivables

As described in note 3(k), the Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables and finance lease receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables, finance lease receivables and doubtful debt expenses in the year in which such estimate has been changed.

4 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (Continued)

(c) Impairment of intangible assets (other than goodwill)

As described in note 3(i), the Group assesses whether there are any indicators of impairment for all intangible assets at the end of each reporting period. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

(d) Property, plant and equipment and depreciation

As described in note 3(h), the Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Impairment of goodwill

As described in note 3(e), determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately RMB 195,778,000 (2023: RMB141,791,000) that no impairment loss was recognised during 2024 and 2023.

4 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (Continued)

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

(g) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was approximately RMB135,141,000 (2023: RMB87,177,000) as at 31 December 2024. The amount of unrecognised tax losses at 31 December 2024 was approximately RMB721,895,000 (2023: RMB390,325,000). Further details are contained in note 20 to the consolidated financial statements.

5 OPERATING SEGMENT INFORMATION AND REVENUE

(a) Operating segment information

The Group's principal business is the sale of automobiles and provision of after-sales services. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services. No operating segments have been aggregated to form the above reportable operating segment.

(i) Information about geographical area

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets.

The geographical location of customers is based on the location where the goods were delivered or services were provided, while the geographical location of non-current assets is based on the physical location of the assets.

	Revenues from external customers		**Non-current assets**	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**13,828,956**	16,562,908	**4,075,953**	4,335,351
Hong Kong and Overseas	**1,788,491**	16,324	**1,147,877**	163,596
	15,617,447	16,579,232	**5,223,830**	4,498,947

(ii) Information about major customers

For the years ended 31 December 2024 and 2023, no revenue derived from transactions with a single customer represent 10% or more of the Group's total revenue.

5 OPERATING SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue

(i) Disaggregation of revenue

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

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Revenue from the sale of automobiles and others	**13,373,660**	14,209,334
— Provision of after-sales services	**2,200,713**	2,319,816
Revenue from other sources		
— Finance leasing services	**43,074**	50,082
	15,617,447	16,579,232

(ii) Revenue recognised and expected to be recognised from contracts with customers

As at 31 December 2024, the Group recognised revenue of RMB472,146,000 (2023: RMB462,049,000) that was previously included in contract liabilities at the beginning of the year. This amount comprises revenue from both the sale of automobiles and others, and after-sales services, which were initially received in advance from customers and recognised as revenue when the relevant performance obligations were satisfied during the year.

During the year, the Group received advance payments from customers and recognised new contract liabilities amounting to RMB846,906,000 (2023: RMB428,842,000), which are primarily related to new sales contracts and after-sales service agreements entered into during the year.

The Group expects to recognise the remaining contract liabilities as revenue over the next 12 to 36 months, depending on the timing of satisfaction of performance obligations.

5 OPERATING SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Revenue (Continued)

(ii) Revenue recognised and expected to be recognised from contracts with customers (Continued)

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

(iii) Disaggregation of revenue from contracts with customers：

Type of goods or services	**2024** **RMB'000**	2023 RMB'000
Sale of automobiles and others	**13,373,660**	14,209,334
Provision of after-sales services	**2,200,713**	2,319,816
Total revenue from contracts with customers	**15,574,373**	16,529,150

Timing of revenue recognition	**2024** **RMB'000**	2023 RMB'000
Goods received by the customer at a point in time	**13,373,660**	14,209,334
Services rendered at a point in time	**2,200,713**	2,319,816
Total revenue from contracts with customers	**15,574,373**	16,529,150

6 OTHER INCOME AND GAINS, NET

	2024 **RMB'000**	2023 RMB'000
Commission income	**472,772**	431,628
Interest income from advances to IAC	**33,339**	32,293
Advertisement support received from motor vehicle manufacturers	**28,143**	23,608
Interest income from loans to third parties	**2,668**	13,500
Bank interest income	**14,518**	21,230
Government grants *(note)*	**3,469**	5,937
Rental income	**3,844**	1,930
Written off of property, plant and equipment	**(805)**	(109,929)
Provision of impairment loss on property, plant and equipment	**(8,513)**	—
Impairment loss on prepayment	**—**	(85,000)
(Loss)/gain on disposals of property, plant and equipment	**(16,026)**	1,283
Foreign exchange loss	**(3,732)**	(1,254)
Penalty income	**1,083**	12,336
Sale of second hand automobiles and others	**34,892**	45,197
Fair value loss from financial assets at FVPL	**(909)**	—
Others	**7,431**	19,189
	572,174	411,948

Note:

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

7 LOSS FOR THE YEAR

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

	2024 **RMB'000**	2023 RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings	**114,593**	84,461
Leases interests	**62,706**	49,738
	177,299	134,199
Less: Interest capitalised	**(2,726)**	(2,163)
	174,573	132,036
(b) Staff costs including directors' emoluments		
Wages and salaries	**441,705**	382,062
Contributions to defined contribution retirement plan and other defined benefit plans	**50,929**	41,746
Other welfare	**22,614**	22,431
	515,248	446,239
(c) Other items		
Amortisation cost of intangible assets *(note 14)*	**7,487**	6,054
Auditor's remuneration		
— Audit services	**4,000**	5,200
— Non-audit services	**300**	200
Bank charges	**8,463**	4,763
Cost of sales and services:		
Cost of sales of automobiles	**13,456,049**	14,177,934
Cost of aftersales services *(note i)*	**1,461,666**	1,437,264
	14,917,715	15,615,198
Depreciation charge of property, plant and equipment *(note 12)*	**185,217**	224,655
Depreciation charge of right-of-use assets *(note 13)*	**192,231**	121,066
Impairment loss on advances to and interest receivable from Independent Aftersales Company	**139,585**	218,201

(i) The employee benefit expenses of RMB156,068,000 (2023: RMB167,761,000) were included in the cost of aftersales services.

8 INCOME TAX EXPENSE

	2024	2023
	RMB'000	*RMB'000*
Current Mainland China corporate income tax		
Provision for the year	**11,435**	69,637
Current tax — Overseas		
Provision for the year	**1,943**	—
Deferred tax *(note 20)*	**(41,790)**	(6,492)
	(28,412)	63,145

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate for Mainland China subsidiaries is 25% (2023: 25%).

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

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

The subsidiaries incorporated in Hong Kong are subject to Hong Kong Profits Tax. For the year ended 31 December 2024 and 2023, one designated subsidiary of the Group incorporated in Hong Kong is eligible for the two-tiered profits tax rates regime, under which the first HK$2,000,000 of estimated assessable profits is taxed at 8.25%, and the remaining estimated assessable profits are taxed at the standard rate of 16.5%. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2024 as the Group did not generate any assessable profit arising in Hong Kong during the year (2023: Nil).

The subsidiaries incorporated in other jurisdictions are subject to income tax in accordance with the relevant tax laws and regulations of the respective countries. Provision for income tax has been calculated based on the estimated taxable profits arising in those jurisdictions for the year ended 31 December 2024 and 2023, where applicable.

8 INCOME TAX EXPENSE (CONTINUED)

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

	2024	2023
	RMB'000	*RMB'000*
Loss before tax	**(314,147)**	(178,379)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**(64,619)**	(44,149)
Losses attributable to joint ventures and associates	**2**	636
Income not subject to tax	**(19,592)**	(16,756)
Tax effect of non-deductible expenses	**41,232**	109,597
Tax losses and temporary difference not recognised	**14,565**	13,817
Total income tax expenses	**(28,412)**	63,145

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments of each director were as follows:

	2024				
	Fees *RMB'000*	Salaries allowance and other benefits *RMB'000*	Equity-settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Feng Changge	–	2,118	–	–	2,118
Mr. Feng Shaolun	–	1,701	–	100	1,801
Ms. Ma Lintao	–	1,873	–	12	1,885
Mr. Liu Fenglei	–	631	–	48	679
Mr. Cheng Junqiang	–	427	–	48	475
	–	6,750	–	208	6,958
Independent non-executive directors					
Mr. Chan Ying Lung *(note b)*	69	–	–	–	69
Mr. LAU Kwok Fan	276	–	–	–	276
Mr. WANG Nengguang	277	–	–	–	277
Mr. Sung Ka Woon *(note a)*	277	–	–	–	277
	899	–	–	–	899
	899	6,750	–	208	7,857

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

	2023				
	Fees RMB'000	Salaries allowance and other benefits RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Feng Changge	—	2,302	—	—	2,302
Mr. Feng Shaolun	—	1,132	—	89	1,221
Ms. Ma Lintao	—	1,795	—	31	1,826
Mr. Liu Fenglei	—	656	—	50	706
Mr. Cheng Junqiang	—	437	—	50	487
	—	6,322	—	220	6,542
Independent non-executive directors					
Mr. Chan Ying Lung *(note b)*	272	—	—	—	272
Mr. LAU Kwok Fan	272	—	—	—	272
Mr. WANG Nengguang	272	—	—	—	272
Mr. Sung Ka Woon *(note a)*	150	—	—	—	150
	966	—	—	—	966
	966	6,322	—	220	7,508

(a) Mr. Sung Ka Woon was appointed as the executive director of the Company with effect from 13 June 2023.

(b) Mr. Chan Ying Lung was resigned as the executive director of the Company with effect from 3 June 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration for the financial years ended 31 December 2024 and 2023, and there was no emoluments paid by the Group to any of the directors or the chief executive officer as inducement to join or upon joining the Group, or as compensation for loss of office for the financial years ended 31 December 2024 and 2023.

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities, subsisted at the end of the year or at any time for the financial years ended 31 December 2024 and 2023.

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the financial years ended 31 December 2024 and 2023.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the financial years ended 31 December 2024 and 2023.

No termination benefits were paid for the director who resigned for the financial years ended 31 December 2024 and 2023.

The Company did not provide any consideration to third parties for making available directors' services for the financial years ended 31 December 2024 and 2023.

The five highest paid individuals in the Group during the year included three (2023: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2023: two) individuals for the year ended 31 December 2024 are set out below:

	2024 ***RMB'000***	2023 *RMB'000*
Salaries, allowances and other benefits	**3,098**	3,055
Pension scheme contributions	**96**	99
	3,194	3,154

The emoluments fell within the following band:

	Number of individuals	
	2024	2023
Nil to HK$1,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

In 2019, share options were granted to the highest paid employees who are neither directors nor the chief executive, in respect of their services to the Group. Further details are set out in note 40 to the consolidated financial statements. The fair value of such options was determined at the date of grant and was recognised in the consolidated statement of profit or loss over the vesting period. As the vesting period has ended, there is no charge recognised in the consolidated statement of profit or loss for the years ended 31 December 2024 and 2023. Accordingly, no amount in respect of these options is included in the above disclosures of non-director and non-chief executive remuneration for these years.

10 DIVIDENDS

	2024 ***RMB'000***	2023 *RMB'000*
Proposed final — Nil (2023: HK$0.037) per ordinary share	–	49,701

The Board does not recommend the payment of any dividends for the year ended 31 December 2024 (2023: HK$0.037 per share totalling HK$56,400,000 (equivalent to RMB49,701,000) was paid on 9 August 2024).

11 LOSS PER SHARE

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

Diluted loss per share were the same as the basic loss per share for the years ended 31 December 2024 and 2023 as the share award scheme and share option scheme of the Company have an anti-dilutive effect on the basic loss per share and are ignored in the calculation of diluted loss per share.

	2024 *RMB'000*	2023 *RMB'000*
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**291,070**	252,194
Number of shares:		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,486,521,962**	1,488,748,157

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2023	2,288,873	708,364	286,888	220,584	343,164	159,069	4,006,942
Additions	4,071	20,404	19,487	29,369	279,638	33,689	386,658
Transfers	39,419	54,895	2,425	—	—	(96,739)	—
Disposals and Written off	(154,072)	(42,327)	(18,539)	(96,545)	(211,741)	—	(523,224)
Arising on acquisition of subsidiaries	—	14,745	326	382	820	1,224	17,497
Exchange realignment	—	—	—	11	37	—	48
At 31 December 2023 and 1 January 2024	**2,178,291**	**756,081**	**290,587**	**153,801**	**411,918**	**97,243**	**3,887,921**
Additions	**36,270**	**9,818**	**18,998**	**14,023**	**256,203**	**363,180**	**698,492**
Transfers	**209,788**	**69,929**	**–**	**–**	**–**	**(279,717)**	**–**
Arising on acquisition of business	**–**	**56,319**	**–**	**–**	**–**	**–**	**56,319**
Disposals and Written off	**(14,902)**	**–**	**(8,034)**	**(7,590)**	**(205,054)**	**–**	**(235,580)**
Impairment	**–**	**(8,969)**	**–**	**–**	**–**	**–**	**(8,969)**
Exchange realignment	**4,152**	**2,865**	**313**	**193**	**766**	**1,162**	**9,451**
At 31 December 2024	**2,413,599**	**886,043**	**301,864**	**160,427**	**463,833**	**181,868**	**4,407,634**
Accumulated depreciation and impairment							
At 1 January 2023	442,835	230,748	121,167	186,985	60,214	—	1,041,949
Charge for the year	76,772	27,553	63,515	10,069	46,746	—	224,655
Disposals and Written off	(68,732)	(19,233)	(16,439)	(94,506)	(38,024)	—	(236,934)
Exchange realignment	—	—	—	7	18	—	25
At 31 December 2023 and 1 January 2024	**450,875**	**239,068**	**168,243**	**102,555**	**68,954**	**–**	**1,029,695**
Charge for the year	**60,808**	**28,341**	**24,628**	**16,691**	**54,749**	**–**	**185,217**
Disposals and Written off	**(14,097)**	**–**	**(7,927)**	**(7,697)**	**(43,804)**	**–**	**(73,525)**
Impairment	**–**	**(456)**	**–**	**–**	**–**	**–**	**(456)**
Exchange realignment	**198**	**52**	**70**	**25**	**10**	**–**	**355**
At 31 December 2024	**497,784**	**267,005**	**185,014**	**111,574**	**79,909**	**–**	**1,141,286**
Carrying amount							
At 31 December 2024	**1,915,815**	**619,038**	**116,850**	**48,853**	**383,924**	**181,868**	**3,266,348**
At 31 December 2023	1,727,416	517,013	122,344	51,246	342,964	97,243	2,858,226

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) At 31 December 2024, certain of the Group's buildings with an aggregate net book value of RMB12,007,000 (2023: RMB13,589,000) were pledged as security for the Group's bank and other borrowings (note 28).

(b) The Group has yet to obtain property ownership certificates for certain buildings with an aggregate net book value of RMB1,888,020,000 (2023: RMB1,709,561,000) as at 31 December 2024. The directors are of the opinion that the Group is in the process to obtain the relevant certificates and does not expect any legal obstacles.

(c) Depreciation expenses of RMB125,694,000 (2023: RMB158,229,000) and RMB59,523,000 (2023: RMB66,426,000) have been charged to cost of sales and administrative expenses, respectively, while written off loss of RMB805,000 (2023: RMB109,929,000) have been charged to other income and gains, net (note 6).

(d) Impairment of property, plant and equipment, intangible assets and right-of-use assets

The Group mainly operates 4S stores with lease terms ranging from 2 to 20 years (2023: same). Management regards each individual 4S store as a separately identifiable CGU and performs assessments on each of the CGUs with impairment/reversal indicators by considering the recoverable amount of such assets at 4S store level. During the year ended 31 December 2024, management identified those 4S store with impairment indicators and performed assessments to estimate the corresponding recoverable amounts of their property, plant and equipment, intangible assets and right-of-use assets.

The recoverable amounts of the CGUs are determined based on value-in-use basis which cover a period of the useful life or the remaining lease term, whichever is shorter. Impairment is recognised when the recoverable amount was lower than the carrying amount of a CGU. Reversal of impairment is recognised when the recoverable amount was higher than the carrying amount of a CGU. Key inputs to the determination of the recoverable amount includes the annual revenue growth and pre-tax discount rate. The pre-tax discount rate used to determine the recoverable amounts is approximately 10.5% per annum (2023: 12.0%).

13 RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2024 **RMB'000**	2023 RMB'000
At 31 December:		
Right-of-use assets		
Land use rights	**176,949**	182,889
Land and buildings	**1,088,179**	656,223
	1,265,128	839,112
Lease commitments of short-term leases	**389**	552
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
Less than 1 year	**265,848**	174,038
Between 1 and 2 years	**197,960**	166,795
Between 2 and 5 years	**592,701**	333,402
Over 5 years	**638,208**	568,405
	1,694,717	1,242,640
Depreciation charge of right-of-use assets		
Land use rights	**30,008**	20,551
Land and buildings	**162,223**	100,515
	192,231	121,066
Lease interests	**62,706**	49,738
Expenses related to short-term leases	**1,313**	14,567
Written off of right-of-use assets	**–**	11,981
Income from subleasing right-of-use assets	**3,844**	1,930
Total cash outflow for leases	**255,920**	164,001
Additions to right-of-use assets	**659,166**	135,288

13 RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 2 to 49 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Group's land use rights of approximately RMB5,453,000 (2023: RMB8,750,000) were pledged as security for the Group's bank loans and other borrowings as at 31 December 2024 (Note 28).

14 INTANGIBLE ASSETS

	Club membership *RMB'000*	Customer relationships *RMB'000*	Dealership agreements *RMB'000*	Software *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2023	13,185	17,223	123,861	27,501	1,103	182,873
Additions	—	—	—	185	—	185
Arising on acquisition of subsidiaries	—	—	—	7	—	7
Exchange realignment	448	—	—	—	33	481
At 31 December 2023 and 1 January 2024	**13,633**	**17,223**	**123,861**	**27,693**	**1,136**	**183,546**
Additions	**–**	**–**	**–**	**1,639**	**22**	**1,661**
Exchange realignment	**257**	**–**	**–**	**249**	**–**	**506**
At 31 December 2024	**13,890**	**17,223**	**123,861**	**29,581**	**1,158**	**185,713**
Amortisation and impairment						
At 1 January 2023	1,245	3,876	15,685	14,570	381	35,757
Charge for the year	—	821	3,235	1,971	27	6,054
Exchange realignment	118	—	—	12	2	132
At 31 December 2023 and 1 January 2024	**1,363**	**4,697**	**18,920**	**16,553**	**410**	**41,943**
Charge for the year	**–**	**821**	**3,235**	**3,403**	**28**	**7,487**
Exchange realignment	**40**	**–**	**–**	**47**	**–**	**87**
At 31 December 2024	**1,403**	**5,518**	**22,155**	**20,003**	**438**	**49,517**
Carrying amount						
At 31 December 2024	**12,487**	**11,705**	**101,706**	**9,578**	**720**	**136,196**
At 31 December 2023	12,270	12,526	104,941	11,140	726	141,603

15 GOODWILL

	RMB'000
Cost	
At 1 January 2023	141,791
Arising on acquisition of subsidiaries *(notes 44(a))*	8,202
At 31 December 2023	149,993
At 1 January 2024	
Arising on acquisition of subsidiaries *(notes 44(b))*	**45,785**
At 31 December 2024	**195,778**
Carrying amount	
At 31 December 2024	**195,778**
At 31 December 2023	149,993

Impairment testing of goodwill

Having considered the impacts of macroeconomic environment changes, the intense competition in the automobile dealership industry and the recent development in customer demand observed in the Chinese automobile market, the Group's management performed an impairment assessment to determine the recoverable amounts of the cash generated units (CGUs) containing goodwill as at 31 December 2024. Based on the management's assessment result, the Group does not recognize any impairment loss of goodwill during the year ended 31 December 2024 and 2023. Any adverse change in the assumptions used in the calculation of recoverable amount may result in impairment losses.

The recoverable amounts of these CGUs have been determined based on the higher of their fair value less costs to sell and value in use calculations using cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3% which is consistent with the forecasts included in industry reports.

15 GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

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

The key inputs and assumptions used in the impairment test for the year of 2024 are listed as follows:

Inputs	2025	2026	2027–2029
Annual revenue growth rate	-3%–3%	-1.5%–3%	0%–3%
Gross profit margin	3.0%–5.5%	3.0%–5.5%	3.0%–5.5%

The key assumptions are estimated by the management with reference to the actual and historical financial performance achieved in 2024 and the expected market growth trend for different brands and different stores. There have been no changes in the valuation method used compared with those adopted in the year ended 31 December 2023.

The post-tax discount rates applied to the impairment test were 14% which reflected current market assessment of the time value of money and the risk specific to these CGUs.

As at 31 December 2024, the Group's management performed an impairment assessment, assisted by an external valuer, to determine the recoverable amounts of the CGUs containing goodwill. The cash flow projections based on financial budgets approved by management covering a period of five years. Cash flows beyond the five-year period are extrapolated using estimated growth rate of 3%, which is consistent with the forecasts included in industry reports. The post-tax discount rates applied are 14%. Based on the management's assessment result, there was no impairment of goodwill as at 31 December 2024 and 2023.

16 FINANCE LEASE RECEIVABLES

Certain motor vehicles of the Group are leased out under finance leases. All interest rates in the leases are fixed at the contract date over the lease terms.

At 31 December 2024, the future minimum lease receivables under finance lease and their present value were as follows:

	Lease payments		Present value of lease payments	
	2024 **RMB'000**	2023 RMB'000	**2024** **RMB'000**	2023 RMB'000
Less than 1 year	**194,745**	244,176	**174,280**	209,774
Between 1 and 2 years	**117,393**	151,343	**101,370**	134,355
Between 2 and 3 years	**57,349**	105,160	**47,412**	98,650
Between 3 and 4 years	**32,664**	—	**26,286**	—
Between 4 and 5 years	**11,537**	—	**8,970**	—
	413,688	500,679		
Less: Unearned finance income	**(55,370)**	(57,900)		
Present value of lease payments	**358,318**	442,779	**358,318**	442,779
Less: Amount within 12 months (shown under current assets)			**(174,280)**	(209,774)
Amount receivable after 12 months			**184,038**	233,005

Disclosures of finance lease-related items:

Year ended 31 December:

	2024 **RMB'000**	2023 RMB'000
Selling profit for finance leases	**42,575**	59,922
Significant changes in net investment in the leases — Increase due to new leases	**206,131**	233,431
— Decrease due to repayments	**290,593**	232,446

The information about the credit risk exposure on the Group's finance lease receivables was disclosed in note 45 to the consolidated financial statements.

17 INVESTMENTS IN JOINT VENTURES

	2024 **RMB'000**	2023 *RMB'000*
Unlisted investments in the PRC:		
Share of net assets	**2,140**	2,143

河南和諧富騰互聯網加智能電動汽車企業管理有限公司 (Henan Harmony Futeng Internet and Intelligent Electric Vehicle Corporate Management Company Limited) ("**Futeng Corporate Management Company**"), and 河南和諧富騰互聯網加智能電動汽車新能源合夥企業(有限合夥) (Henan Harmony Futeng Internet and Intelligent Electric Vehicle Corporate New Energy Partnership (Limited Partnership)) ("**Henan Harmony Futeng LP**") are joint ventures of the Group and are considered to be related parties of the Group.

These joint ventures are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the joint ventures.

(a) Particulars of the joint ventures as at 31 December 2024 and 2023 are as follows:

Name	Place of establishment/ registration	Paid-in/ issued capital	Percentage of Ownership interest/Voting power/Profit sharing	Principal activities
Futeng Corporate Management Company	Zhengzhou, the PRC	RMB20,000,000	40.0%	Technological development and sale of electric vehicles; corporate management consulting
Henan Harmony Futeng LP	Zhengzhou, the PRC	RMB302,500,000	39.2%	Technological development and sale of electric vehicles; corporate management consulting

The above investments are indirectly held by the Company.

17 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Particulars of the joint ventures as at 31 December 2024 and 2023 are as follows: (Continued)

The Group has discontinued the recognition of its share of losses of a joint venture, Henan Harmony Futeng LP, because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amount of the Group's unrecognised share of losses of this joint venture for the current year and cumulatively, are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Unrecognised share of losses of a joint venture	**5**	1,769
Accumulated unrecognised share of losses of a joint venture	**42,726**	42,721

(b) The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial joint ventures that are accounted for using the equity method.

	2024 ***RMB'000***	2023 *RMB'000*
At 31 December:		
Carrying amounts of interests	**2,140**	2,143
Year ended 31 December:		
Loss from continuing operations	**(3)**	(5,629)
Total comprehensive loss	**(3)**	(5,629)

18 INVESTMENTS IN ASSOCIATES

	2024 ***RMB'000***	2023 *RMB'000*
Unlisted investments in the PRC:		
Share of net assets	–	3

鄭州永達和諧汽車銷售服務有限公司 (Zhengzhou Yongda Hexie Automobile Sales & Services Co., Ltd.) ("**Yongda Hexie**") and 浙江愛車互聯網智能電動車有限公司 (Zhejiang Aiche Internet Intelligent Electric Vehicle Company Limited) ("**Aiche Company**") are associates of the Group and are considered to be related parties of the Group.

(a) Particulars of the associates are as follows:

Name	Place of establishment / registration	Paid-in/ issued capital	Percentage of Ownership interest/ Voting power/ Profit sharing	Principal activities
Yongda Hexie	Zhengzhou, the PRC	RMB20,000,000	30%	Sale and service of motor vehicles
Aiche Company	Shangyu, the PRC	RMB456,500,000	33.7%	Technological development and sale of electric vehicles

The Group has discontinued the recognition of its share of losses of an associate, Aiche Company, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. Aiche Company The amount of the Group's unrecognised share of losses of this associate for the year and cumulatively, are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Unrecognised share of losses of an associate	–	—
Accumulated unrecognised share of losses of an associate	**55,902**	55,902

18 INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Particulars of the associates are as follows: (Continued)

During the year 2024, The Group has discontinued the recognition of its share of losses of an associate, Yongda Hexie, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amount of the Group's unrecognised share of losses of this associate for the year and cumulatively, are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
At 31 December:		
Carrying amounts of interests	**–**	3
Year ended 31 December:		
Loss from continuing operations	**(3)**	(3,084)
Total comprehensive (loss)/income	**(3)**	(3,084)

	2024 ***RMB'000***	2023 *RMB'000*
Unrecognised share of losses of an associate	**5,166**	N/A
Accumulated unrecognised share of losses of an associate	**5,166**	N/A

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **RMB'000**	2023 *RMB'000*
Equity securities, at fair value		
Other unlisted equity securities	**31,669**	45,000
	31,669	45,000
Analysed as:		
Non-current assets	**31,669**	45,000

Note:

The unlisted equity investment as at 31 December 2023 was investments in a private company incorporated in China. The Company was a principally engaged in blockchain technology application services and related software development.

The unlisted equity investment as at 31 December 2024 was investments in a private company incorporated in USA. The Company was a principally engaged in development and produce metal-hydrogen batteries for large-scale energy storage which use in electricity car.

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

20 DEFERRED TAX

Deferred income tax assets/(liabilities) are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2024 ***RMB'000***	2023 *RMB'000*
Deferred tax assets	**135,141**	87,177
Deferred tax liabilities	**(61,790)**	(55,616)
	73,351	31,561

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

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

	Losses available for offsetting against future taxable profits *RMB'000*	**Accruals** *RMB'000*	**Lease Liabilities** (Restated) *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	9,005	9,269	227,395	48,983	294,652
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	234	686	8,689	(1,056)	8,553
At 31 December 2023	**9,239**	**9,955**	**236,084**	**47,927**	**303,205**
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	**58,836**	**(559)**	**87,083**	**(9,495)**	**135,865**
At 31 December 2024	**68,075**	**9,396**	**323,167**	**38,433**	**439,070**

20 DEFERRED TAX (CONTINUED)

Deferred tax liabilities

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

	Right of use assets (Restated)	Fair value adjustments arising from acquisition of subsidiaries	Capitalised interest expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	212,331	30,480	26,772	269,583
Deferred tax credited to the consolidated statement of profit or loss during the year	3,697	(1,162)	(474)	2,061
At 31 December 2023	**216,028**	**29,318**	**26,298**	**271,644**
Deferred tax credited to the consolidated statement of profit or loss during the year	**95,281**	**(1,162)**	**(44)**	**94,075**
At 31 December 2024	**311,309**	**28,156**	**26,254**	**365,719**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The applicable rate of the Group is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

20 DEFERRED TAX (CONTINUED)

Deferred tax liabilities (Continued)

At the end of the reporting period the Group has unused tax losses arising in Mainland China of RMB811,643,000 (2023: RMB427,280,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB89,748,000 (2023: RMB36,955,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB721,895,000 (2023: RMB390,325,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB502,250,741 (2023: RMB378,623,000) that will expire in 5 years.

21 INVENTORIES

	2024 ***RMB'000***	2023 *RMB'000*
Automobiles	**1,710,662**	1,291,892
Spare parts and accessories	**211,230**	187,786
	1,921,892	1,479,678

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

	2024 ***RMB'000***	2023 *RMB'000*
Carrying amount of inventories sold	**14,687,699**	14,235,674
Write down of inventories	**10,323**	—
	14,698,022	14,235,674

The write-down of inventories made in the year and prior years arose due to an decrease in the estimated net realisable value of certain automobiles as a result of a change in consumer preferences.

(b) At 31 December 2024, certain of the Group's inventories with an aggregate carrying amount of approximately RMB799,406,000 (2023: RMB454,519,000) were pledged as security for the Group's bank loans and other borrowings (note 28).

(c) At 31 December 2024, certain of the Group's inventories with an aggregate carrying amount of approximately RMB125,167,000 (2023: RMB257,184,000) were pledged as security for the Group's bills payables (note 29).

22 TRADE RECEIVABLES

	2024 **RMB'000**	2023 RMB'000
Trade receivables	**285,972**	253,424

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

(a) Aging analysis

As of the end of the reporting period, the aging analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**266,712**	242,398
3 months to 6 months	**17,386**	10,231
7 to 12 months	**1,791**	732
Over 12 months	**83**	63
	285,972	253,424

22 TRADE RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

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

	Current *RMB'000*	**Less than 3 months past due** *RMB'000*	**3 to 6 months past due** *RMB'000*	**Total** *RMB'000*
At 31 December 2024				
Trade receivables				
Weighted average expected loss rate	*	*	*	
Receivable amount	266,712	19,177	83	285,972
Loss allowance	—	—	—	—
At 31 December 2023				
Trade receivables				
Weighted average expected loss rate	*	*	*	
Receivable amount	242,398	10,963	63	253,424
Loss allowance	—	—	—	—

* close to zero

23 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 *RMB'000*	2023 *RMB'000*
Prepayments for purchase of items of property, plant and equipment	**7,392**	142,685
Prepayments to suppliers	**868,672**	351,511
Rebate receivables	**1,344,096**	1,264,779
Loan to third parties *(note a)*	**—**	275,485
Commission receivables	**162,856**	161,992
Advances to and interest receivable from IAC *(note b)*	**864,703**	831,364
VAT recoverable	**250,802**	203,133
Others	**425,074**	313,617
	3,923,595	3,544,566
Less: Provision on impairment loss of advances to and interest receivable from IAC *(note c)*	**(712,363)**	(572,778)
	3,211,232	2,971,788
Less: Amount due for settlement after 12 months (shows in Non-current Assets)	**(7,392)**	(142,685)
Amount due for settlement within 12 months	**3,203,840**	2,829,103

23 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Note:

(a) On 17 September 2020, Hexie Trading (an indirect wholly-owned subsidiary of the Company) and 鄭州新之禧實業有限公司 (Zhengzhou Xinzhixi Co., Ltd.) (the "**XZX**"), a company established in the PRC with limited liability entered into the 2020 XZX Agreement pursuant to which Hexie Trading agreed to provide a loan in the amount of RMB270 million to XZX.

On 16 September 2022, Hexie Trading and XZX entered into the 2022 XZX Agreement pursuant to which Hexie Trading agreed to extend the maturity date of the 2020 XZX Loan by 18 months. Pursuant to a letter of guarantee provided by the 2022 Guarantee Company on 22 September 2022, the repayment obligations of XZX under the 2022 XZX Agreement (including the principal of the 2022 XZX Loan and interest accrued thereon, and any penalty fees or interests and damages or losses incurred therefrom) was guaranteed by the 2022 Guarantee Company, which was principally engaged in the provision of guarantee services for loans, bill acceptances, trade finance, project financing and letter of credit with registered capital of RMB1.1 billion. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of the 2022 XZX Agreement, the 2022 Guarantee Company was held by 中青城投(河南)旅遊集團有限公司 (Zhongqingcheng Investment (Henan) Tourism Group Co., Ltd.*) as its single largest shareholder, which in turn was ultimately owned by Agricultural Development Bank of China.

The loan which bears a fixed interest rate of 5% per annum has been matured in 2024. As of 15 March 2024, the loan was fully repaid.

(b) As of 31 December 2024, the Group had advances balance due from Independent Aftersales Company, with an amount of RMB864,703,000 (2023: RMB831,364,000), of which RMB766,419,000 (2023: RMB766,419,000) is unsecured, interest-bearing of 4.35%, and has no fixed repayment terms and RMB98,284,000 (2023: RMB64,945,000) is unsecured, non-interest bearing and has no fixed repayment terms.

(c) An expected credit loss of approximately RMB712,363,000 (2023: RMB572,778,000) on the advances to and interest receivable from Independent Aftersales Company. As the Independent Aftersales Company suffered cashflow issues from the impact of the epidemic, it failed to pay interest on time during the year ended 31 December 2024.

Except for the balance listed in note b, the financial assets included in the above balances relate to receivables for which there was no recent history of default.

The information about the credit risk exposure on the Group's other receivables and other assets using a provision matrix was disclosed in note 45 to the consolidated financial statements.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **RMB'000**	2023 *RMB'000*
Listed equity investments, at fair value	**2,957**	—

The above listed equity investment at 31 December 2024 were classified as financial assets at fair value through profit or loss as they were held for trading.

The market value of the Group's listed equity investments at the date of approval of these of these financial statements was approximately HK$3,193,000.

25 PLEDGED AND RESTRICTED BANK DEPOSITS

	2024 **RMB'000**	2023 *RMB'000*
Deposits pledged	**266,155**	395,161
Restricted bank deposits	**47,690**	103,630
	313,845	498,791

The deposits pledged and restricted bank deposits were denominated in RMB.

26 CASH IN TRANSIT

	2024 **RMB'000**	2023 *RMB'000*
Cash in transit	**12,715**	17,256

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

27 CASH AND BANK BALANCES

	2024 **RMB'000**	2023 RMB'000
Cash at banks and on hand	**657,974**	597,111
Time deposits	**450,000**	451,082
	1,107,974	1,048,193

The Group's cash and cash equivalents at each reporting date are denominated in the following currencies:

	2024 **RMB'000**	2023 RMB'000
RMB	**833,124**	989,375
British pound	**3,096**	—
Canadian dollar	**133**	—
Euro	**15,931**	—
HK$	**59,438**	50,885
Indonesian ruble	**77,101**	—
Japanese yen	**1,432**	—
Korean won	**1,082**	—
Malaysian ringgit	**4,118**	—
Philippine peso	**2,159**	—
Singapore dollar	**39,072**	—
Thai baht	**69,407**	7,881
US$	**1,866**	52
Vietnamese dong	**15**	—
	1,107,974	1,048,193

As at 31 December 2024, bank and cash balances of approximately RMB833,124,000 (2023: RMB989,375,000) are denominated in RMB. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

27 CASH AND BANK BALANCES (CONTINUED)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for the period of one year, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28 BANK LOANS AND OTHER BORROWINGS

	2024 ***RMB'000***	2023 *RMB'000*
Current		
— Bank loans	**1,943,783**	1,428,647
— Other borrowings	**1,475,202**	752,898
	3,418,985	2,181,545

	2024 ***RMB'000***	2023 *RMB'000*
Bank loans and other borrowings representing:		
Secured *(note a)*	**—**	2,478
Guaranteed *(note b)*	**3,173,641**	1,287,531
Secured and guaranteed *(note a and b)*	**150,000**	598,776
Unsecured	**95,344**	292,760
	3,418,985	2,181,545

All the bank loans and other borrowings are repayable on demand or within one year.

The effective interest rates per annum at 31 December were ranging as follows:

	2024	2023
Bank loans	**3.5%–6.0%**	3.8%–4.3%
Other borrowings	**1.9%–7.25%**	4.2%–8.5%

28 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

notes:

(a) Certain of the Group's bank loans and other borrowings are secured by:

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB5,453,000 (2023: RMB8,750,000) as at 31 December 2024;

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB12,007,000 (2023: RMB13,589,000) as at 31 December 2024;

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB799,406,000 (2023: RMB454,519,000) as at 31 December 2024; and

(b) Certain of the Group's bank loans and other borrowings are guaranteed by:

(i) certain of the Group's bank loans and other borrowings amounting to RMB589,539,000 (2023: RMB1,796,308,000) were guaranteed by the Company or the Group's subsidiaries as at 31 December 2024;

(ii) certain of the bank loans amounting to RMBNil (2023: RMB775,296,000) were guaranteed by the certain directors of the Company as at 31 December 2024; and

(iii) in addition to the mortgages mentioned above, certain of the Group's bank loans amounting to RMB1,411,507,000 (2023: RMB513,600,000) were guaranteed by (i) by the Company or the Group's subsidiaries and (ii) the legal representative of certain subsidiaries of the Company and his spouse as at 31 December 2024.

(c) On 26 May 2023 and 16 June 2023, the Group entered into two short-term loan agreements with a related company, Harmony Industrial Company Limited. The controlling shareholder of Harmony Industrial Company Limited is Mr. Feng Changge, who serves as the company's Chairman, Director, and controlling shareholder. Pursuant to the agreements, the total principal of RMB250,000,000, at a fixed interest rate of 4.2%, is unsecured and has been matured in 2024. The borrowing renewal terms was still under negotiation between the Company and lender as at this report date.

(d) The currency of the borrowing principal in as follow:

	2024 ***RMB***	2023 *RMB*
RMB	**2,884,102**	2,181,545
HK$	**397,446**	—
Indonesian Rupiah	**87,500**	—
Thai Baht	**24,107**	—
US$	**12,580**	—
Singapore Dollar	**10,862**	—
Japanese Yen	**2,388**	—
	3,418,985	2,181,545

29 TRADE AND BILLS PAYABLES

	2024 *RMB'000*	2023 *RMB'000*
Trade payables	**262,632**	156,733
Bills payable	**592,613**	873,175
	855,245	1,029,908

As of the end of the reporting period, the aging analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Within 3 months	**792,998**	975,265
3 to 6 months	**51,308**	51,454
6 to 12 months	**10,939**	2,395
Over 12 months	**—**	794
	855,245	1,029,908

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

Certain of the Group's bills payables are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB125,167,000 (2023: RMB257,184,000) as at 31 December 2024.

30 OTHER PAYABLES AND ACCRUALS

	2024 **RMB'000**	2023 RMB'000
Contract liabilities *(note a)*	**879,282**	504,522
Payables for purchase of items of property, plant and equipment	**23,178**	37,976
Staff payroll and welfare payables	**49,619**	37,555
Other payables *(note b)*	**371,762**	309,173
	444,559	384,704

Notes:

(a) Details of contract liabilities as at 31 December 2024 and 2023 are as follows:

	2024	2023
Short-term advances received from customers		
— Sales of automobiles and others	**715,129**	416,074
— Provision of after-sales services	**164,153**	88,448
	879,282	504,522

(b) Other payables are unsecured, non-interest-bearing and repayable on demand.

31 LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**265,068**	174,038	**195,251**	125,572
In the second to fifth years, inclusive	**791,441**	500,197	**614,467**	370,427
After five years	**638,208**	568,405	**514,055**	435,834
	1,694,717	1,242,640		
Less: Future finance charges	**(370,944)**	(310,807)		
Present value of lease liabilities	**1,323,773**	931,833	**1,323,773**	931,833
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(195,251)**	(125,572)
Amount due for settlement after 12 months			**1,128,522**	806,261

At 31 December 2024, the average effective borrowing rate was 6% (2023:6%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

32 EMPLOYEE RETIREMENT BENEFITS

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. No forfeited contribution is available to reduce the contribution payable in future years.

33 SHARE CAPITAL

	2024		2023	
	Number of shares at HK$0.01 each	**Equivalent to** ***RMB'000***	Number of shares at HK$0.01 each	Equivalent to *RMB'000*
Ordinary shares	**1,523,264,677**	**12,083**	1,524,725,177	12,097

	Number of issued and fully paid shares	Nominal value of shares *HK$'000*	Share premium *HK$'000*	Equivalent nominal value of shares *RMB'000*	Equivalent share premium *RMB'000*
At 1 January 2023	1,546,996,677	15,470	3,793,105	12,293	2,580,476
Final 2022 dividend declared	—	—	(100,632)	—	(88,657)
Shares repurchased and cancelled *(note)*	(22,271,500)	(222)	(37,805)	(196)	(33,306)
At 31 December 2023 and 1 January 2024	**1,524,725,177**	**15,248**	**3,654,668**	**12,097**	**2,458,513**
Final 2023 dividend declared	**–**	**–**	**(56,401)**	**–**	**(49,701)**
Shares cancelled *(note)*	**(1,460,500)**	**(15)**	**(6,807)**	**(14)**	**(5,998)**
At 31 December 2024	**1,523,264,677**	**15,233**	**3,591,460**	**12,083**	**2,402,814**

Notes:

During 2023, the Company cancelled 17,291,500 of its ordinary shares that was purchased in 2022 and repurchased and cancelled 4,980,000 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK$39,759,000 (equivalent to RMB36,136,000). The nominal value of the cancelled shares of the HK$222,000 (equivalent to RMB196,000) was reduced from share capital and the premium on cancelled shares of HK$37,805,000 (equivalent to RMB33,306,000) in total, were debited to the share premium account of the Company.

During 2024, the Company cancelled 1,460,500 of its ordinary shares that was purchased in 2023 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK$6,822,000 (equivalent to RMB6,012,000). The nominal value of the cancelled shares of the HK$15,000 (equivalent to RMB14,000) was reduced from share capital and the premium on cancelled shares of HK$6,807,000 (equivalent to RMB5,998,000) in total, were debited to the share premium account of the Company.

34 RESERVES

(a) Group

The amounts of the Group's share premium and reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

Details of movements in the Company's reserves are as follows:

	Shares held under share award plan	Share premium	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	(128,533)	2,580,476	98,456	237,692	(417,299)	2,370,792
Final 2022 dividend declared	—	(88,657)	—	—	—	(88,657)
Total comprehensive loss for the year	—	—	—	54,763	(31,769)	22,994
Shares cancelled	33,502	(33,306)	—	—	—	196
Shares repurchased	(6,359)	—	—	—	—	(6,359)
At 31 December 2023 and 1 January 2024	**(101,390)**	**2,458,513**	**98,456**	**292,455**	**(449,068)**	**2,298,966**
Final 2023 dividend declared	**–**	**(49,701)**	**–**	**–**	**–**	**(49,701)**
Total comprehensive loss for the year	**–**	**–**	**–**	**84,726**	**(167,331)**	**(82,605)**
Shares repurchased and cancelled	**6,186**	**(5,998)**	**–**	**–**	**–**	**188**
At 31 December 2024	**(95,204)**	**2,402,814**	**98,456**	**377,181**	**(616,399)**	**2,166,848**

(c) Nature and purpose of reserves

(i) Share premium

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

34 RESERVES (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(ii) Share option reserve

The share option payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(iii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(iv) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

35 RSU SCHEME

The Company's RSU Scheme was approved and adopted by the then shareholder on 20 May 2013 for the primary purpose of attracting skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new shares.

35 RSU SCHEME (CONTINUED)

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. A participant in the RSU Scheme (the "**RSU Participant**") does not have any contingent interest in any shares underlying an RSU award unless and until such shares are actually transferred to the RSU Participant. Further, an RSU Participant may not exercise voting rights in respect of the shares underlying their RSU awards and, unless otherwise specified by the board of directors of the Company in its entire discretion in the RSU grant letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying an RSU award.

On 28 May 2013, RSU awards in respect of an aggregate of 19,110,898 shares, representing approximately 1.75% of the total shares issued on the date of the listing of the Company's shares, had been granted, at nil consideration, to 18 RSU Participants pursuant to the RSU Scheme, of which five of the RSU Participants are directors. All RSU awards granted pursuant to the RSU Scheme to the RSU Participants have a vesting period of four years as follows: 10% on 2 January 2014, 30% on 2 January 2015, 30% on 2 January 2016 and 30% on 2 January 2017. Each RSU award granted pursuant to the RSU Scheme has the same terms and conditions. The grant and vesting of the RSU awards granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules.

On 27 August 2013, each of the five directors of the RSU Participants agreed to, and as confirmed and approved by the board of directors, reduce the RSU awards granted to them by 62,000 units each. The aggregate amount of the RSU awards so reduced (i.e. 310,000 RSU awards) were granted to an employee of the Company. As a result of the foregoing, the total number of RSU awards granted under the RSU Scheme remained unchanged.

Pursuant to a resolution passed by the board of directors on 27 August 2013 and as confirmed by each of the RSU Participants, the vesting period in respect of the RSU awards granted is extended from four years to five years as follows: 10% on 2 January 2014, 10% on 30 June 2014, 20% on 2 January 2015, 20% on 2 January 2016, 20% on 2 January 2017 and 20% on 2 January 2018. Other than the adjustments in the number of shares underlying the RSU awards granted to certain RSU Participants as described in the previous paragraph and the duration of the vesting period, the terms of the RSU Scheme remained unchanged.

For the year ended 31 December 2018, a total of 4,755,215 RSU awards were forfeited due to the resignation of certain RSU Participants and 14,355,683 RSU awards were exercised. For the year ended 31 December 2024 and 2023, the Company did not granted any RSU awards and was outstanding under the RSU Scheme.

36 SHARE AWARD PLAN

On 28 February 2019, a share award plan (the "**Share Award Plan**") was approved and adopted by the then shareholder, which is a replacement alternative incentive scheme to the RSU Scheme and the appointment of Acheson Limited (the "**Trustee**") as the trustee of the Share Award Plan. The purposes of the Share Award Plan are to (i) incentivize, recognize and reward employees, directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of selected person (the "**Selected Person**") who has accepted an offer of an award (the "**Award**") of Shares by the Board to a Selected Person pursuant to the Share Award Plan in accordance with the Share Award Plan Rules (the "**Award Holders**") with that of the shareholders to promote the long-term financial performance of the Company.

A selection committee (the "**Selection Committee**") with its members from time to time appointed by the board of directors (the "**Board**") may, from time to time and at its sole discretion, select any eligible Person to participate in the Share Award Plan and determine the number of Shares to be awarded based on the selection criteria adopted by the Board from time to time. Upon receiving the list of selected persons (the "**Selected Persons**") submitted by the Selection Committee, the remuneration committee of the Company (the "**Remuneration Committee**") will decide whether to approve and recommend to the Board or reject any of the selections made by the Selection Committee but will not change the number of shares determined by the Selection Committee to be awarded to each Selected Person. The Board will then decide whether to approve or reject the recommendations made by the Remuneration Committee but will not change the number of Shares determined by the Selection Committee and recommended by the Remuneration Committee to be awarded to each Selected Person. Awards shall be satisfied by shares acquired in the market at prevailing market prices and no new shares will be allotted and issued under the Share Award Plan. The Trustee shall hold the awarded shares and related income on trust for the award holders until the awarded shares and related income are vested in the relevant award holders according to the Share Award Plan rules. Upon vesting, the Trustee shall transfer the vested awarded shares and related income at no cost to such award holders.

The maximum aggregate number of Shares to be acquired by the Trustee under the Share Award Plan is 60,000,000 Shares. The maximum aggregate number of shares and related income (in the form of shares) that the Trustee may hold at any point of time is 30,542,313 Shares, which is subject to adjustment in the event of any subdivision or consolidation of shares. No further shares will be awarded to a Selected Person if the aggregate number of awarded shares underlying all Awards (whether vested or not) granted to such Selected Person under the Share Award Plan will exceed 0.5% of the Shares in issue from time to time.

As at 31 December 2024 and 2023, the Trustee has 29,987,000 shares according to the Share Award Plan. No shares has been granted for the year ended 31 December 2024 and 2023.

37 SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 26 June 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, an amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the Scheme.

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

37 SHARE OPTION SCHEME (CONTINUED)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2024		2023	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**3.47**	**42,191**	3.47	42,191
Granted during the year	**–**	**–**	—	—
Exercised during the year	**–**	**–**	—	—
Forfeited during the year	**–**	**–**	—	—
At 31 December	**3.47**	**42,191**	3.47	42,191

No share options was exercised during the year.

37 SHARE OPTION SCHEME (CONTINUED)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

31 December 2024

Number of options '000	Exercise price* HK$ per share	Exercise period
22,191	3.00	1/7/2017 to 28/6/2025
20,000	4.00	16/2/2020 to 17/12/2025
42,191		

31 December 2023

Number of options '000	Exercise price* HK$ per share	Exercise period
22,191	3.00	1/7/2017 to 28/6/2025
20,000	4.00	16/2/2020 to 17/12/2025
42,191		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At the end of the reporting period, the Company had 42,191,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 42,191,000 additional ordinary shares of the Company and additional share capital of HK$421,910 (equivalent to RMB373,137) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 42,191,000 share options outstanding under the Scheme, which represented approximately 2.77% of the Company's shares in issue as at that date.

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*	**Bank and other borrowings** *RMB'000*	**Total liabilities from financing activities** *RMB'000*
At 1 January 2023	909,581	2,083,023	2,992,604
Changes in cash flows	(149,434)	97,096	(52,338)
Non-cash changes			
— addition	135,288	1,426	136,714
— early termination	(13,340)	—	(13,340)
— interest charged	49,738	—	49,738
At 31 December 2023	**931,833**	**2,181,545**	**3,113,378**
Changes in cash flows	**(255,920)**	**1,246,788**	**990,868**
Non-cash changes			
— addition	**650,308**	**1,426**	**651,734**
— Early Termination	**(67,361)**	**—**	**(67,361)**
— interest charged	**62,706**	**—**	**62,706**
— Effect of foreign exchange rate changes, net	**2,207**	**(10,774)**	**(8,567)**
At 31 December 2024	**1,323,773**	**3,418,985**	**4,742,758**

39 CAPITAL COMMITMENTS

Capital commitments of the Group in respect of property and equipment and capital contribution outstanding at each reporting date not provided for in these consolidated financial statements are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Property, plant and equipment		
— Contracted, but not provided for	**74,968**	59,085

40 RELATED PARTY TRANSACTIONS

Mr. Feng Changge is the Chairman, the Director and the Controlling Shareholder of the Company and is considered a related party of the Group.

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

Compensation of key management personnel of the Group

	2024 **RMB'000**	2023 RMB'000
Short term employee benefits	**1,931**	2,356
Total compensation paid to key management personnel	**1,931**	2,356

Further details of directors' and chief executive's emoluments are included in note 9 to the consolidated financial statements.

41 SUBSIDIARIES

Particulars of principal subsidiaries as at 31 December 2024 are as follows:

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
Directly Owned						
Crystalline Prestige Investments Limited		Tortola, British Virgin Islands 2012	Registered capital US$500 and paid-in capital US$0.01	**100**	100	Investment holding
Indirectly Owned						
LC Gloricar Investment Limited		Tortola, British Virgin Islands 2011	Registered capital US$1,000,000 and paid-in capital US$10,000	**100**	100	Investment holding

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
Ace Manufacturing Holding Limited		Hong Kong, the PRC 2012	Paid-in capital HK$100	**100**	100	Investment holding
Doable Future Limited		Hong Kong, the PRC 2011	Paid-in capital HK$100	**100**	100	Investment holding
河南和諧汽車貿易有限公司 (Henan Hexie Automobile Trading Co., Ltd.)	4	Zhengzhou, the PRC	Registered and paid-in RMB1,815,000,000	**100**	100	Investment holding
河南中德寶汽車銷售服務有限公司 (Henan Zhongdebao Automobile Sales & Services Co., Ltd.)	3	Zhengzhou, the PRC	Registered and paid-in RMB42,860,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州鄭德寶汽車銷售服務有限公司 (Zhengzhou Zhengdebao Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB40,000,000	**100**	100	Sale of automobiles and provision of after-sales services
西安華都汽車銷售服務有限公司 (Xi'an Huadu Automobile Sales & Services Co., Ltd.)	2	Xi'an, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
河南英之翼汽車銷售服務有限公司 (Henan Yingzhiyi Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB10,010,000	**100**	100	Sale of automobiles and provision of after-sales services
廣州市廣德寶汽車銷售服務有限公司 (Guangzhou Guangdebao Automobile Sales & Services Co., Ltd.)	2	Guangzhou, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州華鼎汽車銷售服務有限公司 (Zhengzhou Huading Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
上海上德寶駿汽車銷售服務有限公司 (Shanghai Shangdebaojun Automobile Sales & Service Co., Ltd.)	2	Shanghai, the PRC	Registered and paid-in RMB50,000,000	**90**	90	Sale of automobiles and provision of after-sales services
宜昌路順汽車銷售服務有限公司 (Yichang Lushun Automobile Sales & Services Co., Ltd.)	2	Yichang, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
洛陽豫德寶汽車銷售服務有限公司 (Luoyang Yudebao Automobile Sales & Services Co., Ltd.)	2	Luoyang, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
南陽宛德寶汽車銷售服務有限公司 (Nanyang Wandebao Automobile Sales & Services Co., Ltd.)	2	Nanyang, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州華誠汽車銷售服務有限公司 (Zhengzhou Huacheng Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
安陽安德寶汽車銷售服務有限公司 (Anyang Andebao Automobile Sales & Services Co., Ltd.)	2	Anyang, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
開封汴德寶汽車銷售服務有限公司 (Kaifeng Biandebao Automobile Sales & Services Co., Ltd.)	2	Kaifeng, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
北京市華德寶汽車銷售服務有限公司 (Beijing Huadebao Automobile Sales & Services Co., Ltd.)	2	Beijing, the PRC	Registered and paid-in RMB55,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州遠達雷克薩斯汽車銷售服務有限公司 (Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB50,000,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
廈門遠達雷克薩斯汽車銷售服務有限公司 (Xiamen Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Xiamen, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
武漢漢德寶汽車銷售服務有限公司 (Wuhan Handebao Automobile Sales & Services Co., Ltd.)	1	Wuhan, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
武漢華鄭汽車銷售服務有限公司 (Wuhan Huazheng Automobile Sales & Services Co., Ltd.)	2	Wuhan, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
蘇州意駿汽車銷售服務有限公司 (Suzhou Yijun Automobile Sales & Services Co., Ltd.)	2	Suzhou, the PRC	Registered and paid-in RMB50,000,000	**100**	100	Sale of automobiles and provision of after-sales services
新鄉和德寶汽車銷售服務有限公司 (Xinxiang Hedebao Automobile Sales & Services Co., Ltd.)	2	Xinxiang, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
北京豪駿行汽車銷售服務有限公司 (Beijing Haojunhang Automobile Sales & Services Co., Ltd.)	1	Beijing, the PRC	Registered and paid-in RMB50,000,000	**100**	100	Sale of automobiles and provision of after-sales services
漯河漯德寶汽車銷售服務有限公司 (Luohe Luodebao Automobile Sales & Services Co., Ltd.)	1	Luohe, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
常州常駿行汽車銷售服務有限公司 (Changzhou Changjunhang Automobile Sales & Services Co., Ltd.)	2	Changzhou, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
無錫龍駿行汽車銷售服務有限公司 (Wuxi Longjunhang Automobile Sales & Services Co., Ltd.)	2	Wuxi, the PRC	Registered and paid-in RMB50,000,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
河南和諧汽車融資租賃有限公司 (Henan Harmony Auto Finance Leasing Co., Ltd.)	1	Zhengzhou, the PRC	Registered and paid-in $250,000,000	**100**	100	Service of finance leases
洛陽遠達雷克薩斯汽車銷售服務有限公司 (Luoyang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Luoyang, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州華德寶汽車銷售服務有限公司 (Zhengzhou Huadebao Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB30,010,000	**100**	100	Sale of automobiles and provision of after-sales services
邯鄲遠達雷克薩斯汽車銷售服務有限公司 (Handan Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Handan, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
商丘商沃汽車銷售服務有限公司 (Shangqiu Shangwo Automobile Sales & Services Co., Ltd.)	2	Shangqiu, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
商丘商德寶汽車銷售服務有限公司 (Shangqiu Shangdebao Automobile Sales & Services Co., Ltd.)	2	Shangqiu, the PRC	Registered and paid-in RMB10,000,000	**90**	90	Sale of automobiles and provision of after-sales services
南陽宛沃汽車銷售服務有限公司 (Nanyang Wanwo Automobile Sales & Services Co., Ltd.)	2	Nanyang, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
上海君諾汽車服務有限公司 (Shanghai Junnuo Automobile Services Co., Ltd.)	2	Shanghai, the PRC	Registered and paid-in RMB5,000,000	**100**	100	Sale of automobiles and provision of after-sales services
周口周德寶汽車銷售服務有限公司 (Zhoukou Zhoudebao Automobile Sales & Services Co., Ltd.)	2	Zhoukou, the PRC	Registered and paid-in RMB10,000,000	**51**	51	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
焦作遠達雷克薩斯汽車銷售服務有限公司 (Jiaozuo Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Jiaozuo, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州和駿汽車銷售有限公司 (Zhengzhou Hejun Automobile Sales Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB50,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鞏義市義德寶汽車銷售服務有限公司 (Gongyi Yidebao Automobile Sales & Services Co., Ltd.)	2	Gongyi, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州賓馳汽車銷售服務有限公司 (Zhengzhou Binchi Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
河南和諧汽車控股有限公司 (Henan Hexie Automobile Holding Co., Ltd.)	1	Zhengzhou, the PRC	Registered capital RMB100,000,000	**100**	100	Investment holding
鄭州鄭沃汽車銷售有限公司 (Zhengzhou Zhengwo Automobile Sales Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
信陽市申沃汽車銷售服務有限公司 (Xinyang Shenwo Automobile Sales & Services Co., Ltd.)	1	Xinyang, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
廣州市粵駿汽車銷售服務有限公司 (Guangzhou Yuejun Automobile Sales & Services Co., Ltd.)	2	Guangzhou, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州和諧鄭駿汽車銷售有限公司 (Zhengzhou Hexie Zhengjun Automobile Sales Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
漯河漯德奧汽車銷售服務有限公司 (Luohe Luodeao Automobile Sales & Services Co., Ltd.)	2	Luohe, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
新鄉和諧新駿汽車銷售服務有限公司 (Xinxiang Hexie Xinjun Automobile Sales & Services Co., Ltd.)	2	Xinxiang, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
商丘和諧銘駿汽車銷售服務有限公司 (Shangqiu Hexie Mingjun Automobile Sales & Services Co., Ltd.)	1	Shangqiu, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
新鄉遠達雷克薩斯汽車銷售服務有限公司 (Xinxiang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Xinxiang, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
包頭市包德寶汽車銷售服務有限公司 (Baotou Baodebao Automobile Sales & Services Co., Ltd.)	2	Baotou, the PRC	Registered and paid-in RMB16,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州頤駿行汽車銷售服務有限公司 (Zhengzhou Yijun Automobile Sales & Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
山西賓馳汽車銷售服務有限公司 (Shanxi Bingchi Automobile Sales & Services Co., Ltd.)	2	Shanxi, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
洛陽裕駿汽車銷售服務有限公司 (Luoyang Yujun Automobile Sales & Services Co., Ltd.)	2	Luoyang, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
信陽遠達雷克薩斯汽車銷售服務有限公司 (Xinyang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Xinyang, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
北京和諧嘉駿汽車銷售服務有限公司 (Beijing Hexie Jiajun Automobile Sales & Services Co., Ltd.)	2	Beijing, the PRC	Registered and paid-in RMB50,000,000	**100**	100	Sale of automobiles and provision of after-sales services
三門峽鈞德寶汽車銷售服務有限公司 (Sanmenxia Jundebao Automobile Sales & Services Co., Ltd.)	1	Sanmenxia, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
平頂山和諧豫駿汽車銷售服務有限公司 (Pingdingshan Hexie Yujun Automobile Sales & Services Co., Ltd.)	2	Pingdingshan, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
呼和浩特皓德寶汽車銷售服務有限公司 (Hohhot Haodebao Automobile Sales Services Co., Ltd.)	2	Hohhot, the PRC	Registered and paid-in RMB16,000,000	**100**	100	Sale of automobiles and provision of after-sales services
武漢和諧和駿汽車銷售服務有限公司 (Wuhan Hexie Hejun Automobile Sales & Services Co., Ltd.)	2	Wuhan, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
昆明樂駿汽車銷售服務有限公司 (Kunming Lejun Automobile Sales & Services Co., Ltd.)	2	Kunming, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
石家莊和諧賓馳汽車銷售服務有限公司 (Shijiazhuang Hexie Binchi Automobile Sales & Services Co., Ltd.)	1	Shijiazhuang, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
江西和諧賓馳汽車銷售服務有限公司 (Jiangxi Hexie Binchi Automobile Sales & Services Co., Ltd.)	1	Jiangxi, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
河南和之悅汽車服務有限公司 (Henan Hezhiyue Automobile Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB5,000,000	**100**	100	Sale of automobiles and provision of after-sales services
南昌和諧昌寶汽車銷售服務有限公司 (Nanchang Hexie Changbao Automobile Sales & Services Co., Ltd.)	2	Nanchang, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
九江江德寶汽車銷售服務有限公司 (Jiujiang Jiangdebao Automobile Sales & Services Co., Ltd.)	2	Jiujiang, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄂爾多斯勝德寶汽車銷售服務有限公司 (Erdos Shengdebao Automobile Sales & Services Co., Ltd.)	2	Ordos, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
青島恒駿汽車銷售服務有限公司 (Qingdao Hengjun Automobile Sales & Services Co., Ltd.)	2	Qingdao, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
滄州遠達雷克薩斯汽車銷售服務有限公司 (Cangzhou Yuanda Lexus Automobile Sales & Services Co., Ltd.)	2	Cangzhou, the PRC	Registered and paid-in RMB20,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州頤德寶汽車銷售有限公司 (Zhengzhou Yidebao Automobile Sales Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
南京瑞駿汽車銷售服務有限公司 (Nanjing Ruijun Automobile Sales & Services Co., Ltd.)	2	Nanjing, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
瀋陽遠達雷克薩斯汽車銷售服務有限公司 (Shenyang Yuanda Lexus Automobile Sales Services Co., Ltd.)	2	Shenyang, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
溫州和諧烜博汽車銷售有限公司 (Wenzhou Harmony Xuanbo Automobile Sales Co., Ltd.)	2	Wenzhou, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
鄭州悅駿汽車銷售服務有限公司 (Zhengzhou Yuejun Automobile Sales Services Co., Ltd.)	2	Zhengzhou, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
天津烜博汽車銷售服務有限公司 (Tianjin Xuanbo Automobile Sales Services Co., Ltd.)	2	Tianjin, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
西安麗駿汽車銷售服務有限公司 (Xi' An Lijun Automobile Sales Service Co., Ltd.)	2	Xi'an, the PRC	Registered and paid-in RMB30,000,000	**100**	100	Sale of automobiles and provision of after-sales services
武漢和諧福駿汽車銷售服務有限公司 (Wuhan Hexie Fujun Automobile Sales Service Co., Ltd.)	2	Wuhan, the PRC	Registered and paid-in RMB10,000,000	**100**	100	Sale of automobiles and provision of after-sales services
杭州智聯汽車銷售服務有限公司 (Hangzhou Zhilian Automobile Sales Service Co., Ltd.)	2	Hangzhou, the PRC	Registered and paid-in RMB50,010,000	**100**	100	Sale of automobiles and provision of after-sales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
Harmony New Energy Auto Service (Hong Kong) Limited		Hong Kong, the PRC	Registered and paid-in HKD10,000	**100**	100	Sale of automobiles and provision of aftersales services
Harmony New Energy Auto Service (Thailand) Co., Ltd.		Thailand	Registered and paid-in Thailand Baht 8,000,000	**100**	100	Sale of automobiles and provision of aftersales services
Huan Ya He Zhong (Cambodia) Trading Co., Ltd.		Cambodia	Registered and paid-in US$300,000	**80**	80	Sale of automobiles and provision of aftersales services
Huan Ya He Zhong (HK) Co., Ltd.		Hong Kong, the PRC	Registered and paid-in HKD100	**80**	80	Investment holding
Harmony New Energy Auto Service (Singapore) Pte. Ltd.		Singapore	Registered and paid-in SGD1,000	**100**	N/A	Sale of automobiles and provision of aftersales services
Wise Connect New Energy Leasing Pte. Ltd		Singapore	Registered and paid-in SGD1,000	**100**	N/A	Service of finance leases
Harmony New Energy Auto Service (Philippines) Ltd., Corp.		Philippines	Registered and paid-in PHP1,781,250	**100**	N/A	Sale of automobiles and provision of aftersales services
PT Harmony New Energy Auto Service		Indonesia	Registered and paid-in INR10,500,000,000	**100**	N/A	Sale of automobiles and provision of aftersales services
Harmony New Energy Auto Service Korea Limited		Korea	Registered and paid-in KRW972,000,000	**100**	N/A	Sale of automobiles and provision of aftersales services

41. SUBSIDIARIES (CONTINUED)

Name	Note	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Group 2024	2023	Principal activities
Harmony New Energy Auto Service (London) Ltd		the United Kingdom	Registered and paid-in GBP1,000	**100**	N/A	Sale of automobiles and provision of aftersales services
Harmony Auto France		France	Registered and paid-in EUR1,000	**100**	N/A	Sale of automobiles and provision of aftersales services
Harmony New Energy Auto Service (Melbourne) Pty Ltd		Australia	Registered and paid-in AUD100	**100**	N/A	Sale of automobiles and provision of aftersales services
Harmony New Energy Auto Service (Sydney) Pty Ltd		Australia	Registered and paid-in AUD100	**100**	N/A	Sale of automobiles and provision of aftersales services

The English names of the PRC companies referred to above in this Note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

None of the non-controlling interests is considered individually significant.

Notes:

(1) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC.

(2) The subsidiary is a wholly owned domestic limited company incorporated in the PRC.

(3) The subsidiary is a non-wholly owned domestic limited company incorporated in the PRC.

(4) The subsidiary is a non-wholly foreign-owned enterprise incorporated in the PRC.

42 CONTINGENT LIABILITIES

As at 31 December 2024 and 2023, the Group had no significant contingent liabilities.

43 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 **RMB'000**	2023 RMB'000
Non-current assets		
Property, plant and equipment	**1,443**	1,230
Intangible assets	**14,552**	14,530
Interests in subsidiaries	**2,199,304**	2,329,393
Right of use assets	**3,167**	6,839
	2,218,466	2,351,992
Current assets		
Prepayments, other receivables and other assets	**3,418**	—
Cash and bank balances	**37,934**	11,650
	41,352	11,650
Current liabilities		
Bank loans and other borrowings	**73,154**	41,354
Other payables and accruals	**4,539**	4,102
Lease liabilities	**3,194**	7,123
	80,887	52,579
Net current liabilities	**(39,535)**	(40,929)
Total assets less current liabilities	**2,178,931**	2,311,063
NET ASSETS	**2,178,931**	2,311,063
Capital and reserves		
Share capital	**12,083**	12,097
Reserves	**2,166,848**	2,298,966
TOTAL EQUITY	**2,178,931**	2,311,063

The statement of financial position of the Company was approved by the board of directors on 31 March 2025 and was signed on its behalf by:

Liu Fenglei
Director

Feng Shaolun
Director

44 ACQUISITION OF A SUBSIDIARY/BUSINESS

(a) Acquisition of Huan Ya Group

On 27 December 2023, the Group acquired 80% equity interest in Huan Ya He Zhong (HK) Co., Ltd. (環亞合眾(香港)有限公司) ("**Huan Ya (HK)**") for a total consideration of HK$28,000,000 (equivalent to RMB25,460,000) in cash. Huan Ya (HK) was an investment holding company, and its wholly-own subsidiary, Huan Ya He Zhong (Cambodia) Trading Co., Ltd. ("**Huan Ya (Cambodia)**"), which was engaged in the sale of automobiles and after-sales service business in Cambodia during the year are collectively referred to as the "**Huan Ya Group**".

The fair value of the identifiable assets and liabilities of Huan Ya Group acquired as at its date of acquisition is as follows:

Net assets acquired:	*RMB'000*
Property, plant and equipment	**17,497**
Intangible assets	**7**
Inventories	**3,338**
Trade receivables	**145**
Prepayments, other receivables and other assets	**3,595**
Cash and bank balances	**52**
Other payables and accruals	**(1,636)**
Bank loans and other borrowings	**(1,426)**
	21,572
Non-controlling interests	**(4,314)**
Goodwill	**8,202**
Total consideration	**25,460**
Satisfied by:	
Cash	**19,976**
Other payables	**5,484**
Total consideration	**25,460**
Net cash outflow arising on acquisition:	**19,976**
Cash consideration paid	**5,484**
Cash and cash equivalents acquired	**25,460**

44 ACQUISITION OF A SUBSIDIARY/BUSINESS (CONTINUED)

(a) Acquisition of Huan Ya Group (Continued)

Net cash outflow arising on acquisition:	*RMB'000*
Cash consideration paid	**19,976**
Cash and cash equivalents acquired	**(52)**
	19,924

The goodwill arising on the acquisition of Huan Ya Group is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Huan Ya Group contributed approximately RMB Nil and RMB Nil to the Group's revenue and profit for the year respectively for the period between the date of acquisition and 31 December 2023.

If the acquisition had been completed on 1 January 2023, total Group revenue for the year would have been RMB15,650,763,000, and loss for the year would have been RMB294,594,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is intended to be a projection of future results.

(b) Acquisition of business from JC Motor Limited

On 4 November 2024, the Group entered into a sale and purchase agreement with JC Motor Limited (the "**Vendor**") to acquire certain assets and assume certain liabilities in connection with the BYD automotive distribution business in Hong Kong ("**BYD Automotive Distribution Business**") for a total consideration of HKD150,000,000 (equivalent to approximately RMB137,355,000). In the opinion of the Company's directors, this transaction was accounted for as an acquisition of a business, as the BYD Automotive Distribution Business constitutes a business under HKFRS 3.

44 ACQUISITION OF A SUBSIDIARY/BUSINESS (CONTINUED)

(b) Acquisition of business from JC Motor Limited (Continued)

The fair value of the identifiable assets and liabilities acquired as at its date of acquisition is as follows:

Net assets acquired:	*RMB'000*
Property, plant and equipment	**56,319**
Inventories	**43,037**
Prepayments, other receivables and other assets	**1,114**
Other payables and accruals	**(8,900)**
	91,570
Goodwill	**45,785**
Satisfied by:	
Cash	**137,355**
Net cash outflow arising on acquisition:	
Cash consideration paid	**137,355**

This acquisition aligns with the Group's strategy to expand its market presence in the new energy vehicle sector, making it the sole distributor of BYD in Hong Kong. The transaction was successfully completed on 17 December 2024, with full consideration paid. The acquisition is expected to drive revenue growth and enhance the Group's long-term competitive advantage.

As the BYD Automotive Distribution Business had been integrated into the existing business of a subsidiary of the Group, the Group was not able to separately identify the revenue and profit or loss contributed by the BYD Automotive Business during the period. In addition, due to the unavailability of standalone historical financial information of the BYD Automotive Business prior to the acquisition, the Group is not in a position to provide the pro forma financial information had the acquisition been completed on 1 January 2024.

45 FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

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 and restricted bank deposits, cash in transit, time deposits and trade and other receivables.

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

Trade receivables

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

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2024 (31 December 2023: Nil).

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Prepayments and other receivables and deposits

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

The Group measures loss allowances for prepayments and other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. Except from the provision made disclosed in the note 7, The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for prepayments and other receivables and deposits as at 31 December 2024 (31 December 2023: Nil).

(b) Liquidity risk

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

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

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

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

At 31 December 2024

	Within 1 year or on demand *RMB'000*	Between 1 to 2 years *RMB'000*	Between 2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying value *RMB'000*
Bank loans and other borrowings	**3,596,772**	**–**	**–**	**–**	**3,596,772**	**3,418,985**
Trade and bills payables	**855,245**	**–**	**–**	**–**	**855,245**	**855,245**
Other payables	**444,559**	**–**	**–**	**–**	**444,559**	**444,559**
Lease liabilities	**265,068**	**237,432**	**554,009**	**638,208**	**1,694,717**	**1,323,773**
	5,161,644	**237,432**	**554,009**	**638,208**	**6,591,293**	**6,042,562**

At 31 December 2023

	Within 1 year or on demand *RMB'000*	Between 1 to 2 years *RMB'000*	Between 2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying value *RMB'000*
Bank loans and other borrowings	2,294,985	—	—	—	2,294,985	2,181,545
Trade and bills payables	1,029,908	—	—	—	1,029,908	1,029,908
Other payables	384,704	—	—	—	380,569	384,704
Lease liabilities	174,038	171,442	328,755	568,405	1,242,640	931,833
	3,883,635	171,442	328,755	568,405	4,948,102	4,527,990

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

The Group's bank deposits, bank loans and other borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to the risk of interest rate fluctuation is very limited, as the Group does not have a floating interest rate of bank loans and other borrowings.

(d) Currency risk

The Group is exposed to currency risk primarily through operating activities and financing activities which give rise to trade and other receivables, cash and cash equivalents, net balance of inter-group current receivables and payables, trade and other payables and Bank loans and borrowings that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to the risk is primarily RMB.

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

	As at 31 December 2024 (expressed in RMB'000)					
	Trade and other receivables	Cash and cash equivalents	InterGroup balance	Trade and other payables	Bank loans and other borrowings	Net exposure arising from recognised assets and liabilities
RMB	972	571	(513,916)	165	–	(512,208)
Australian Dollar	10,587	522	7,409	–	–	18,518
British pound	–	–	23,178	–	–	23,178
Canadian dollar	–	2	420	–	–	422
Euro	–	59	30,527	–	–	30,586
HK$	226	192	(181,397)	–	–	(180,979)
Indonesian ruble	–	–	(7,198)	–	–	(7,198)
Japanese yen	–	9	7,276	–	–	7,285
Malaysian ringgit	–	–	(7)	–	–	(7)
US$	2,930	6,683	85,602	–	(25,190)	70,025
	14,715	8,038	(548,106)	165	(25,190)	(550,378)

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (Continued)

	As at 31 December 2023 (expressed in RMB'000)		
	Cash and cash equivalents	Intergroup balance	Net exposure arising from recognised assets and liabilities
RMB	7,881	(10,135)	(2,254)
HK$	3,967	(181,969)	(178,002)
US$	52	—	52
	11,900	(192,104)	(180,204)

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (Continued)

	2024 Increase in foreign exchange rate	2024 Change in loss after tax and retained profits *RMB'000*	2024 Decrease in foreign exchange rate	2024 Change in loss after tax and retained profits *RMB'000*
Australian Dollar	+1%	(99)	–1%	99
British pound	+1%	(144)	–1%	144
Canadian dollar	+1%	(17)	–1%	17
Euro	+1%	(298)	–1%	298
HK$	+1%	(794)	–1%	794
Indonesian ruble	+1%	15	–1%	(15)
Japanese yen	+1%	(124)	–1%	124
Korean won	+1%	(59)	–1%	59
Malaysian ringgit	+1%	(85)	–1%	85
Philippine peso	+1%	(30)	–1%	30
Singapore dollar	+1%	(90)	–1%	90
Swiss Franc	+1%	(3)	–1%	3
Thai baht	+1%	(145)	–1%	145
US$	+1%	2	–1%	(2)
Vietnamese dong	+1%	(73)	–1%	73

	2023 Increase in foreign exchange rate	2023 Change in loss after tax and retained profits *RMB'000*	2023 Decrease in foreign exchange rate	2023 Change in loss after tax and retained profits *RMB'000*
Thai baht	+1%	(17)	–1%	17
HK$	+1%	(119)	–1%	119

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (Continued)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

(e) Categories of financial instruments at 31 December

	2024	2023
	RMB'000	*RMB'000*
Financial assets		
Investments at fair value through profit or loss		
Mandatorily measured	**2,957**	—
Financial assets at fair value through other comprehensive income	**31,669**	45,000
Financial assets at amortised cost		
— Finance lease receivables	**358,318**	442,779
— Trade receivables	**285,972**	253,424
— Financial assets at fair value through profit or loss	**2,957**	—
— Financial assets included in prepayments, other receivables and other assets	**2,084,367**	2,274,459
— Pledged and restricted bank deposits	**313,845**	498,791
— Cash in transit	**12,715**	17,256
— Cash and bank balances	**1,107,974**	1,048,193
	4,170,582	4,534,902
Financial liabilities		
Financial liabilities at amortised cost		
— Bank loans and other borrowings	**3,418,985**	2,181,545
— Trade and bills payables	**855,245**	1,029,908
— Financial liabilities included in other payables and accruals	**444,559**	384,704
	4,718,789	3,596,157

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, less cash and bank balances and structured deposits. The gearing ratios as at the end of the reporting periods were as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Bank loans and other borrowings	**3,418,985**	2,181,545
Trade and bills payables	**855,245**	1,029,908
Other payables and accruals	**444,559**	889,226
Less: Cash in transit	**(12,715)**	(17,256)
Less: Cash and bank balances	**(1,107,974)**	(1,048,193)
Net debt	**3,598,100**	3,035,230
Equity attributable to owners of the parent	**5,173,726**	5,572,299
Gearing ratio	**69.5%**	54.5%

46 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2024:

	Fair value measurements using:			
Description	**Level 1** *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income				
Unlisted equity investment	–	–	31,669	31,669
Investments at fair value through profit or loss				
Listed equity investment	2,957	–	–	2,957
Total recurring fair value measurements	**2,957**	**–**	**31,669**	**34,626**

46 FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 31 December 2024: (Continued)

Description	Fair value measurements using: Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:				
Trade and bills payables				
Unlisted equity investment	–	–	45,000	45,000
Total recurring fair value measurements	–	–	45,000	45,000

(b) Reconciliation of assets measured at fair value based on level 3:

Description	Equity investments at fair value through other comprehensive income RMB'000	Investments at fair value through profit or loss equity investments RMB'000	Total RMB'000
At 1 January 2024	45,000	–	45,000
Addition	31,669	3,866	35,555
Total gains or losses recognised			
in profit or loss*	–	(909)	(909)
in other comprehensive income	(45,000)	–	(45,000)
At 31 December 2024	31,669	2,957	34,626
* Include gains or losses for assets held at end of reporting period	–	(909)	(909)

46 FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3: (Continued)

Description	Equity investments at fair value through other comprehensive income RMB '000	Investments at fair value through profit or loss equity investments RMB '000	Total RMB'000
At 1 January 2023	—	—	—
Addition	45,000	—	45,000
Total gains or losses recognised			
in profit or loss*	—	—	—
in other comprehensive income	—	—	—
At 31 December 2023	45,000	—	45,000
* Include gains or losses for assets held at end of reporting period	—	—	—

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of reporting period:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

46 FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of reporting period: (Continued)

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2024 *RMB'000*
Equity investment at FVOCI	Assets approach	Discount for lack of marketability	15.7%	Decrease	**31,669**
Equity investment at FVOCI	Net asset value	N/A	N/A	N/A	**–**

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2023 *RMB'000*
Equity investment at FVOCI	Assets approach	Discount for lack of marketability	15.7%	Decrease	45,000

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**15,617,447**	16,579,232	16,321,659	17,981,051	14,746,923
(Loss)/Profit before taxation	**(314,147)**	(178,379)	(1,507,285)	926,965	617,306
Taxation	**28,412**	(63,145)	(115,519)	(235,694)	(195,162)
(Loss)/Profit for the year	**(285,735)**	(241,524)	(1,622,804)	691,271	422,144
(Loss)/Profit attributable to equity shareholders of the Company	**(291,070)**	(252,194)	(1,627,762)	673,155	410,701
Non-Controlling interests	**5,335**	10,670	4,958	18,166	11,443
(Loss)/Profit for the year	**(285,735)**	(241,524)	(1,622,804)	691,271	422,144
(Loss)/Earning per share					
Basic (RMB Cents)	**(0.20)**	(0.17)	(1.08)	0.44	0.27
Diluted (RMB Cents)	**(0.20)**	(0.17)	(1.08)	0.44	0.27

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total Assets	**12,247,305**	10,835,166	10,802,557	13,248,598	12,352,377
Total Liabilities	**6,994,069**	5,169,999	4,775,850	5,206,036	4,804,890
	5,253,236	5,665,167	6,026,707	8,042,562	7,547,487
Equity attributable to equity shareholders of the Company	**5,173,726**	5,572,299	5,946,823	7,967,380	7,488,040
Non-Controlling interests	**79,510**	92,868	79,884	75,182	59,447
Total Equity	**5,253,236**	5,665,167	6,026,707	8,042,562	7,547,487