Sunfonda Group Holdings Limited
新豐泰集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01771

2024
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

新豐泰集團控股有限公司

ENGLISH NAME OF THE COMPANY

Sunfonda Group Holdings Limited

INVESTOR INQUIRIES

Tel: +852 2565 9898
Fax: +852 2565 9221
Website: www.sunfonda.com.cn
E-mail: irhk@sunfonda.com.cn

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Tak Lam *(Chairman of the Board)*
Ms. Chiu Man *(Chief Executive Officer)*
Ms. Chen Wei
Mr. Deng Ning

Independent Non-executive Directors

Dr. Liu Xiaofeng
Dr. Han Qinchun
Mr. Liu Qiming *(appointed on 22 November 2024)*
Mr. Song Tao *(resigned on 22 November 2024)*

AUDIT COMMITTEE

Dr. Han Qinchun *(Chairman)*
Dr. Liu Xiaofeng
Mr. Liu Qiming *(appointed on 22 November 2024)*
Mr. Song Tao *(resigned on 22 November 2024)*

NOMINATION COMMITTEE

Mr. Wu Tak Lam *(Chairman)*
Ms. Chiu Man *(appointed on 26 March 2025)*
Dr. Liu Xiaofeng
Dr. Han Qinchun
Mr. Liu Qiming *(appointed on 22 November 2024)*
Mr. Song Tao *(resigned on 22 November 2024)*

REMUNERATION COMMITTEE

Mr. Liu Qiming *(Chairman)*
(appointed on 22 November 2024)
Dr. Liu Xiaofeng
Dr. Han Qinchun
Mr. Song Tao *(resigned on 22 November 2024)*

FINANCE AND INVESTMENT COMMITTEE

Mr. Wu Tak Lam *(Chairman)*
Ms. Chiu Man
Dr. Han Qinchun

AUTHORISED REPRESENTATIVES

Mr. Wu Tak Lam
Ms. Chan Sze Ting

COMPANY SECRETARY

Ms. Chan Sze Ting *(FCG, HKFCG)*

HEADQUARTERS

Sunfonda Automobile Center
No. 1555 Ouya 1st Road
Beichen Avenue
Chanba Ecological District
Xi'an City, Shaanxi Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 13/F, Seabright Plaza
9-23 Shell Street
North Point, Hong Kong
(Since 21 January 2025)

Suite 3, 22/F, Sino Plaza
255-257 Gloucester Road
Causeway Bay, Hong Kong
(Before 21 January 2025)

REGISTERED OFFICE

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

HONG KONG SHARE REGISTRAR

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

LEGAL ADVISORS

PRC Law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District, Beijing
PRC

Hong Kong Law

Jingtian & Gongcheng LLP
Suites 3203-3207, 32nd Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

AUDITORS

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
151 Des Voeux Road Central
Central, Hong Kong

China CITIC Bank Corporation Limited, Xi'an Branch
No. 1, Zhuque Avenue
Xi'an City, Shaanxi Province
PRC

Bank of China Limited, Shaanxi Branch
No. 18, North Section of Tangyan Road
Xi'an City, Shaanxi Province
PRC

STOCK CODE

01771

WEBSITE

www.sunfonda.com.cn

FINANCIAL HIGHLIGHTS

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2024

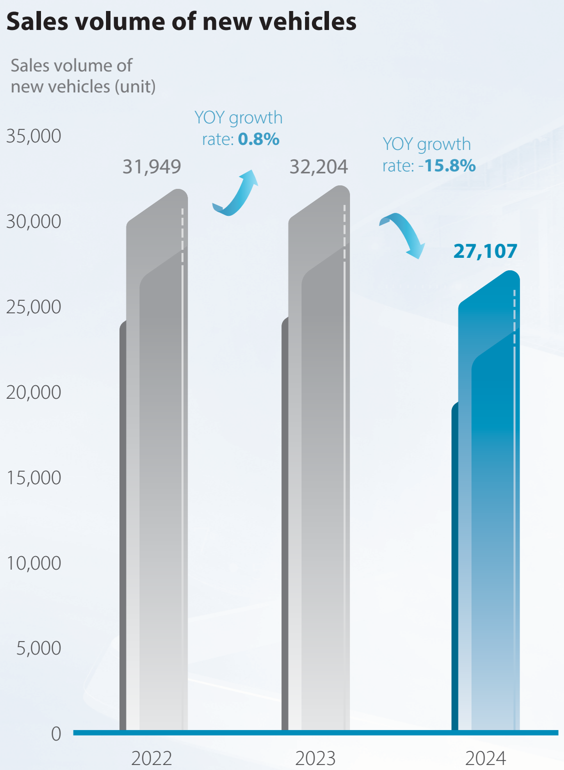
During the year ended 31 December 2024, the Group has recorded:

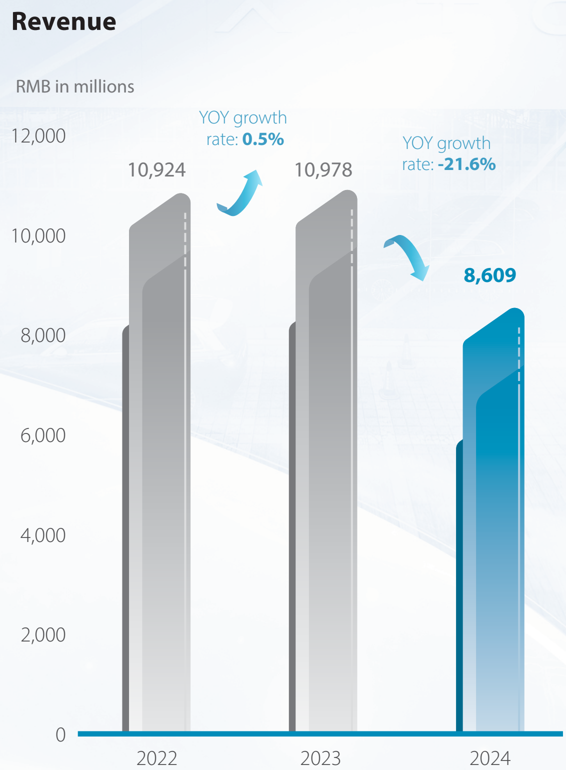
- Operating revenue of RMB8,608.9 million, which was down by 21.6% from the same period in 2023, including:
  - Sales volume of new vehicles down by 15.8% to 27,107 units, and revenue from the sales of new vehicles down by 24.4% to RMB7,023.2 million;
  - Revenue from after-sales services down by 8.4% to RMB1,154.2 million; and
  - Revenue from the sales of used cars up by 2.3% to RMB431.5 million.
- Gross loss of RMB29.8 million (gross profit in 2023: RMB420.1 million).
- Gross loss margin of 0.3% (gross profit margin in 2023: 3.8%).
- Loss before tax for the Period of RMB187.7 million (2023: profit of RMB18.0 million).

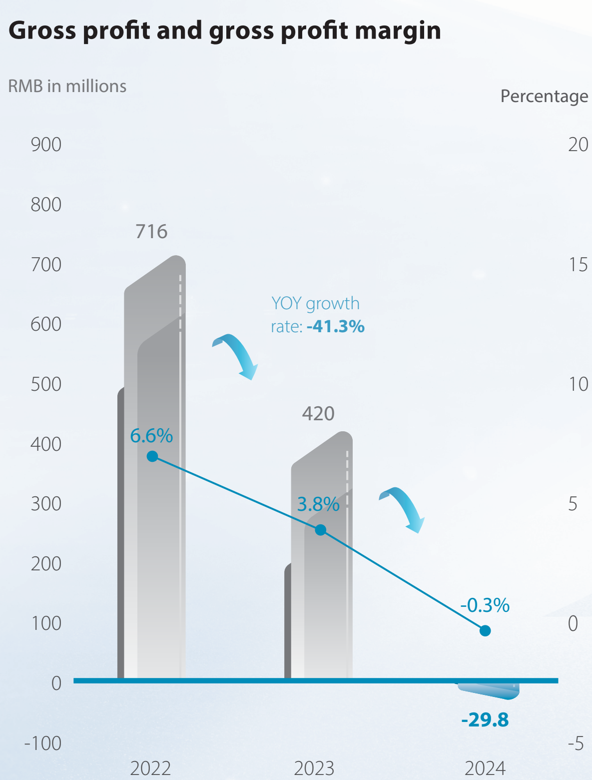
Loss for the year attributable to owners of the parent for the Period was RMB213.0 million (2023: profit of RMB11.9 million).

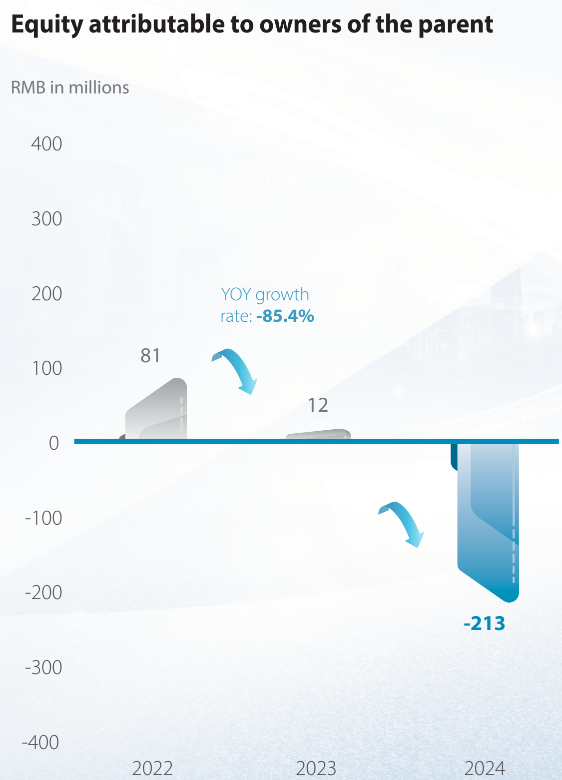
Basic and diluted loss per share attributable to ordinary equity holders of the parent amounted to RMB0.36 for the Period (2023: earnings of RMB0.02 per share).

FINANCIAL HIGHLIGHTS









CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "**Board**") of Sunfonda Group Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**" or "**Sunfonda**") for the year ended 31 December 2024 (the "**Period**").

In 2024, the overall domestic economic operation was stable but progressing, moving steadily along the track of high-quality development. However, the pressure posed by changes in the external environment continued to intensify. At the same time, the lack of domestic demand led to more internal difficulties and challenges. In the face of such complex macro market environment, the Group has adopted a prudent operational approach and made adjustments to its network and brand structure to proactively navigate the challenging market environment. To further reinforce its position as an industry-leading automobile dealer, the Group introduced competitive new energy brands such as DENZA, Formula Leopard and AITO during the Period. The Group recorded a sales volume of 27,107 new vehicles in 2024, with a rapid increase in the proportion of new energy models in the overall sales, and the new energy business is expected to become a core growth driver for the Group in the future.

The Group has also centralised the detail management of its after-sales service business by setting up sheet-metal spray centres, warranty renewal centres and customer service centres in key cities to provide customers with a higher quality service experience. In order to achieve a full range of customer value development, the Group proactively offer customers with pre-purchase consultation services, financial payment solutions, tailor-made after-sales services and more. Thanks to such initiatives, the Group recorded a steady growth in its after-sales service sector, while the diversification of financial services and products has resulted in a record-high commission income for the Period.

The Group's used car business achieved significant growth, with its proportion within the overall business system continuously increasing, making it a key highlight. In 2024, the Group traded a total of 7,673 used cars, with the overall replacement ratio continuing to rise year-on-year. During the Period, the upgraded used car centre stores in Xi'an, Lanzhou and Yinchuan delivered remarkable results, reflecting an overall increase in sales across these cities.

CHAIRMAN'S STATEMENT

China has designated 2024 as the "Year of Consumption Promotion" and has introduced a series of policies to promote "a significant boost in consumption". In 2025, China promulgated the "Special Action Programme for Boosting Consumption", which lists "vigorously stimulating consumption, enhancing investment efficiency and comprehensively expanding domestic demand" as the government's top priority. With the gradual implementation of a series of subsequent initiatives to stimulate consumption, the domestic consumer market is expected to witness sustained growth, further invigorating the vitality of domestic demand.

In 2025, the new energy automobile industry will reach a critical development milestone, with continuously growing sales volume, comprehensively accelerated application of intelligent technology, intensifying industry competition and rapid increasing penetration rate of new energy vehicles. New energy vehicles are becoming increasingly popular, with their growth rate and market share becoming more prominent. Looking ahead, driven by policy guidance, technological innovation and consumer upgrades, demand for intelligent, and personalised vehicles is set to grow, presenting unprecedented development opportunities for the domestic automobile industry. Therefore, the Group will accelerate the expansion of its leading new energy vehicle brands and continue to promote the construction and completion of new energy vehicle retail outlets. The Group will make timely adjustments to its brands and scale of outlets based on changes in the actual business capacity of some of its traditional brand outlets, introduce new brands with competitive edge in due course, and continue to deepen and expand its co-operation with leading new energy brands in a wider range of regions.

Last but not least, I am grateful to our shareholders and investors for their trust and support. The Group will continue to strive for excellence, upholding the "customer-centric" philosophy to drive market expansion and business growth while delivering stable and long-term returns to our shareholders.

Wu Tak Lam
Chairman of the Board

26 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2024, Economic Operation Was Stable and Progressive, With Major Development Goals Successfully Achieved

In 2024, the national economy was generally stable, with progress being made amidst stability, and the major objectives and tasks of economic and social development were successfully accomplished. According to the data released by the National Bureau of Statistics, based on its preliminary accounting, the annual gross domestic product of China for the year amounted to RMB134,908.4 billion, representing a year-on-year increase of 5.0% at constant prices calculation. The total national value added of the industrial enterprises above the designated size for the year recorded a year-on-year increase of 5.8%. The total retail sales of consumer goods for the year amounted to approximately RMB48,789.5 billion, representing a year-on-year increase of 3.5%. By consumption type, retail sales of commodities amounted to RMB43,217.7 billion, representing an increase of 3.2%; sales of both consumer staples and consumer discretionary recorded decent increase, with total retail sales of automobiles amounting to RMB5,031.4 billion; and consumer price inflation (CPI) recorded a year-on-year increase of 0.2%. The national per capita disposable income for the year was RMB41,314, representing a year-on-year nominal growth of 5.3%, or an actual growth of 5.1% if price factors were excluded.

At the same time, as the unfavourable impact of changes in the external environment deepened, coupled with weak domestic demand, economic operation still faced many difficulties and challenges.

In 2024, the major economic indicators of Shaanxi Province, where the Group's principal business is located, picked up quarter by quarter. According to the results of the unified accounting of regional GDP, in 2024, Shaanxi Province's GDP was approximately RMB3,553,877 million, representing a year-on-year increase of 5.3% at constant prices calculation. In 2024, the total retail sales of social consumer goods in the province amounted to RMB1,127,398 million, representing a year-on-year increase of 4.8%. The trade-in policy for consumer goods promoted green consumption, leading to a year-on-year increase of 36.9% in the retail sales of new energy vehicles in the province.

Review of China's Automobile Market in 2024

The China Association of Automobile Manufacturers ("**CAAM**") released a review of the automobile industry's production and sales in 2024. According to statistics, in 2024, the annual automobile production and sales volume in China totalled 31.282 million units and 31.436 million units, respectively, representing a year-on-year increase of 3.7% and 4.5%, respectively, with both production and sales volume hitting new highs, and ranking first in the world for 16 consecutive years.

According to CAAM, although domestic consumer confidence remained low in 2024, international trade protectionism became more severe, and competition in the industry further intensified, measures including the promulgation of a series of policies, the effective implementation of subsidy policies across China, and unabated promotional activities by enterprises, have all stimulated the vitality of end-consumption in the automobile market.

In terms of passenger vehicles, in 2024, the production and sales of passenger vehicles in China amounted to 27.477 million and 27.563 million units, respectively, representing a year-on-year increase of 5.2% and 5.8%, respectively. Specifically, the domestic sales volume was 22.608 million units, representing a year-on-year increase of 3.1%; while the export sales volume was 4.955 million units, representing a year-on-year increase of 19.7%.

In 2024, the sales volume of China-branded passenger vehicles was 17.97 million units, representing a year-on-year increase of 23.1%, and the sales share reached 65.2%, representing an increase of 9.2 percentage points over the corresponding period last year. The sales volume of domestically-produced high-end brand passenger vehicles recorded 4.738 million units, representing a year-on-year increase of 2.3%. Intelligent and new-energy transformation has brought opportunities for Chinese automobile brands to expand into the high-end market.

In 2024, the domestic sales volume of conventional-fuelled passenger vehicles was 11.558 million units, representing a decrease of 2.485 million units from last year, or a year-on-year decline of 17.4%.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, the production and sales volume of new energy vehicles reached 12.888 million units and 12.866 million units respectively, representing a year-on-year growth of 34.4% and 35.5% respectively, and the sales volume of new energy vehicles accounted for 40.9% of the total sales volume of new vehicles, representing an increase of 9.3 percentage points as compared with 2023. Among them, the sales volume of battery electric vehicles accounted for 60% of new energy vehicles, representing a decrease of 10.4 percentage points from last year; while the sales volume of plug-in hybrid vehicles accounted for 40% of new energy vehicles, representing a rapid growth of 10.4 percentage points from last year.

In 2024, the domestic sales volume of new energy passenger vehicles was 11.05 million units, representing a year-on-year increase of 40.2%, accounting for 48.9% of the domestic sales volume of passenger vehicles; except for those with the price range of RMB400,000 to RMB500,000 per unit, which saw a year-on-year decrease, the sales volume of those with other price ranges showed a positive growth, with those with the price range of RMB500,000 or more per unit showing the biggest increase. Currently, the sales volume of new energy passenger vehicles is still mainly concentrated in those with the price range of RMB150,000 to RMB200,000, with a cumulative sales volume of 3.375 million units, representing a year-on-year increase of 19.2%.

According to the statistics of the Ministry of Public Security of China, in 2024, China's motor vehicle ownership volume reached 453 million units, of which the automobile ownership volume was 353 million units. The number of newly registered motor vehicles has exceeded 30 million units for ten consecutive years, with 26.9 million newly registered automobiles; the new energy vehicle ownership volume reached 31.4 million units, accounting for 8.90% of the total volume of automobiles, with 11.25 million units newly registered for the year, accounting for 41.83% of the number of newly registered automobiles. The number of automobile transfer registrations continued its growth and the used car trading market was active. In 2024, public security and traffic control departments in China have handled a total of 37.5 million cases of motor vehicle transfer registration, among which 35.02 million cases were automobile transfer registration, accounting for 93.40% of all the cases. Since 2020, the number of used cars registered nationwide has exceeded the number of new car registration for five consecutive years.

According to the official sales data released by Porsche, Porsche delivered a total of 310,718 automobiles worldwide in 2024. In terms of specific models, Cayenne was the brand's highest delivered model, with a total of 102,889 automobiles delivered throughout the year, representing a year-on-year increase of 18% and hitting the highest delivery record in history. A total of 56,887 automobiles were delivered to customers in China, accounting for 18.31% of Porsche's global market share.

According to the data released by the BMW Group, a total of 2,450,800 automobiles were delivered worldwide in 2024. In the Chinese market, the BMW Group delivered a total of 714,530 automobiles under the BMW and MINI brands in 2024, and remained the top seller of luxury passenger vehicles in China for the year. In the field of new energy vehicles, sales of BMW and MINI battery electric vehicles increased by 7.7% year-on-year in 2024, accounting for 15% of the Group's overall sales volume in China. To date, the BMW Group has delivered more than 400,000 new energy vehicles in the Chinese market. In 2025, the BMW Group will continue to increase its investment in research and development in the field of electric vehicles, especially in battery technology and intelligent driving, aiming to enhance the core competitiveness of its products.

According to the sales data officially released by Mercedes-Benz, Mercedes-Benz sold 1,983,400 passenger vehicles in 2024. Specifically, more than 714,000 new automobiles were delivered to Chinese customers, remaining the sales champion in the luxury car market of one million and above units in the Chinese market, with a year-on-year growth of more than 6% for its core luxury product matrix, and more than 10% for its long-wheelbase C-Class vehicles. In 2025, Mercedes-Benz will launch more than 10 brand-new and facelift products led by the brand-new battery electric long-wheelbase CLA, and will continue to push forward the intelligent upgrading of the whole series of its products.

According to the official data released by Audi, Audi's worldwide sales volume in 2024 was 1,671,200 automobiles. In the Chinese market, Audi delivered more than 649,000 automobiles to customers, representing a decrease of approximately 11% as compared with the corresponding period last year, and accounting for 39% of its global sales. Audi's delivery of battery electric vehicles for the year exceeded 164,000 automobiles, and FAW Audi sold a total of 611,088 vehicles for the year, including 550,136 domestic fuel vehicles. Audi ranked first in terms of both market share of domestic fuel luxury cars and sales volume of luxury medium-sized sedans. The Audi A6L model sold 177,000 automobiles for the year. In 2025, focusing on its "fuel + electric" dual-line strategy, FAW Audi will launch new A5L, new Q5L, new Q6L e-tron, new Q6L Sportback e-tron, new A6L e-tron and other heavyweight models.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the announcement made by BYD, BYD's worldwide sales volume of new energy vehicles in 2024 were 4.27 million automobiles, of which 4,250,370 were passenger vehicles, representing a year-on-year increase of 41.1%. BYD was the sales champion as an automobile enterprise in China's automobile market, the sales champion as a brand in China's automobile market and the sales champion in the global new energy vehicle market. In 2024, BYD DENZA sold a total of 126,000 million automobiles for the year. Notably, the sales volume in December was particularly outstanding, reaching 15,000 automobiles. In 2024, the cumulative sales volume of BYD Formula Leopard exceeded 50,000 automobiles, of which 11,418 automobiles were sold in December, breaking the mark of monthly sales of more than 10,000 automobiles for the first time. BYD Formula Leopard maintained high growth each month, becoming the second high-end brand which has exceeded 10,000 automobiles per month following DENZA.

In 2024, the Seres Group sold a total of 426,885 new energy vehicles, representing a year-on-year increase of 182.84%, of which all AITO models sold 386,300 vehicles in 2024, accounting for 90% of the group's total sales volume. Notably, the AITO M9 model became the sales champion of models over RMB500,000 per unit, with the cumulative sales volume exceeding 200,000 automobiles in 12 months since its launch.

BUSINESS REVIEW

In 2024, the automobile market witnessed intensified competition and a changing landscape. The industry continued to undergo profound changes under the influence of technological innovations, changes in consumer demand and policy adjustments. In response to the complex market environment, the Group proactively adjusted its operating strategies in a flexible manner, optimised its business layout and strived for breakthroughs in various business areas, with a view to achieving sound development.

In 2024, the Group realised revenue of RMB8,608.9 million. As at 31 December 2024, the Group had a total of 37 sale points in operation.

New Automobile Sales Business: In Stable Operation with Structure Upgraded

In 2024, the swift rise of new energy brands led to profound changes in the competitive landscape of the automobile market. The Group paid close attention to the changes in the relevant policies of the national and local governments, and made timely adjustments to its development strategies and operating strategies so as to adapt itself to the challenges brought about by the changes in the policy environment.

Under the guidance of the sales policy of "grasping the rhythm and adjusting the structure", the Group achieved a sales volume of 27,107 new vehicles. Despite the year-on-year decline in sales volume due to the general market environment, the Group made certain progress in rhythm control and structural optimisation. Meanwhile, the Group continued to strengthen the development of its new energy brands, with the sales of new energy models accounting for an increasing proportion of total sales volume of new vehicles. It is expected that in 2025, the new energy segment will be empowered with a model of light assets and high-quality revenue to improve profit for 2025.

In order to enhance operational efficiency and competitiveness, the Company has been promoting process optimisation and cost control. The Company continued to promote prior order execution to achieve refined management of sales rhythms; launched intra-brand resource sharing program and strengthened early warning and assessment of inventory turnover, thereby striving to achieve maximised profit.

Horizontal Business: Strengthening Contribution to Defend Against Risks

The intensified competition in the automobile consumer market in 2024 led to a decline in end-transaction prices, squeezing margins on new automobile sales. Against this backdrop, the Group's sales side made it a key priority to increase the contribution of its horizontal business.

Through close co-operation with financial institutions, the Group enriched a wide range of financial products to cater for customers' diversified needs for automobile purchases. In addition, the Group stepped up its efforts in the re-development of derivative businesses to expand its business boundaries, such as expanding the range of automotive products and optimising after-sales service packages. Such series of measures achieved remarkable results with a year-on-year growth in the contribution of horizontal business, which effectively eased the pressure on the Company's profitability posed by price reductions of new automobiles and provided strong support for the stability of the Group's overall profitability.

Automobile Financing Agency Business: Deepening Co-operation and Expanding Value

In 2024, the Group's automobile financing agency business continued its good development momentum, with its income up by 37.6% year-on-year and maintaining strong growth momentum throughout the year.

The Group continued to deepen its co-operation with financial institutions at headquarter level and optimise its financial services and product structure. For example, the provision of flexible loan packages and customised insurance packages, which provided customers with diversified automobile purchase options and more flexible payment methods and effectively contributed to the growth of the new automobile sales business. In addition, the Group focused on exploring the potential value of its financing business in the whole value chain of customers' usage cycle, from pre-purchase consultation services to in-purchase financial support and to after-sales services, thereby achieving all-round expansion of customer value and further increasing the revenue of the automobile financing agency business.

After-sales Business: Attention-to-detail Management to Achieve Steady Growth in Fundamental Customers

As competition in the market intensified in 2024, the after-sales business has become a core profit contributor for dealership stores. Taking customer experience as the entry point and adhering to the concept of focusing on customers' needs, the Group has promoted the sale of personalised appealing products in both sales and after-sales processes, aiming to cater for the diversified needs of various types of customers, thus successfully increasing the penetration rate of appealing products to over 50%. Leveraging on its quality service, professional technical capabilities and continuous innovation in business model, the Group has achieved a steady growth in the number of after-sales fundamental customers.

The accidental maintenance market was affected by the repeated fee reforms by insurance companies, resulting in increasingly fierce competition and compressed profitability for dealers. Against this backdrop, the Group focused on the insurance renewal business, leveraged on the insurance business management system for refined management and piloted the insurance renewal centre project in certain regions, which led to a year-on-year increase of 12.9% in the number of renewed policies and a year-on-year increase of 14.8% in premiums. This enabled the Group to maintain an active role in its co-operation with insurance companies. Meanwhile, the Group leveraged its strengths to acquire accident clues through multiple channels and closely monitor the conversion of clues. Despite the overall market downturn in 2024, the Group's accident revenue remained stable as compared with the corresponding period in 2023.

The Group has continued its efforts in the electromechanical business by proactively promoting the prior technical diagnosis, continuously strengthening its professional expertise and endeavouring to increase the penetration rate of key spare parts, aiming to continuously create its technology-leading brand image. In addition, the Group further explored its profit growth potential and enhance its profit contribution by launching service marketing competitions.

In 2024, by relying on the industrial zone-based layout, the Group established sheet metal spraying centres, warranty renewal centres and customer service centres in key cities, which achieved remarkable pooling results and improved both staff efficiency and service quality. It not only enhanced employees' work efficiency, but also optimised the quality of its services. While providing customers with a better and more efficient service experience, the Group also achieved cost reduction and efficiency enhancement.

The Group's revenue from after-sales services in 2024 was RMB1,154.2 million, down by 8.4% from RMB1,260.5 million for the same period in 2023. Gross profit of after-sales services was RMB429.8 million, representing a decrease of 14.7% as compared with RMB504.1 million for the same period in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Decoration Business: A New Growth Driver for the After-sales Business

The decoration business serves as an important component of the Group's after-sales segment, which is significant in meeting customer needs and enhancing the Group's competitiveness. In 2024, in the face of a changing market, the Group's decoration business made progress in a multi-dimensional manner.

In terms of product selection, through market research and data analysis, the Group accurately positioned suitable products for sale, taking into full consideration customers' consumption preferences, aesthetic needs and differences in automobile models, with a view to satisfying individualised needs and enhancing market competitiveness.

Emphasis was placed on front-line team training, and the quality of training was enhanced through lectures by experts, experience sharing and field trips to enable employees to keep abreast of the latest technologies and trends. The Group also increased the frequency of training to enhance employees' ability to perform high-quality work and encourage them to explore the potential of second referrals.

In the construction sector, the Group has set up regionalised construction teams, optimised processes, clarified the division of labour and introduced advanced technology and management modes to enhance construction efficiency, ensure construction quality and provide quality services.

In response to market fluctuations, the Group paid close attention to the fundamental work, controlled product quality, optimised service processes and maintained customer relations, thereby promoting the steady development of its decoration business and contributing to the growth of its after-sales business. Looking ahead, the Group will continue to promote refined management to enhance its business scale and profitability.

Used Car Business: Fruitful Achievements Made in Development of Existing Business and Exploration of New Business

In 2024, the Group proactively expanded its used car business, leveraging on the Group's brand influence and customer resources to provide one-stop automobile purchase and replacement services, and to explore new profit growth drivers. During the year, the Group's used car business achieved remarkable results: the volume of used car transactions amounted to 7,673 units, representing a year-on-year increase of 4.0%. Specifically, 3,751 units were distributed, representing a year-on-year increase of 29.2%, and gross profit on distribution was RMB20.7 million, representing a year-on-year increase of 3.9%. The overall new to used car ratio increased by 8.6 percentage points year-on-year.

The Group took a multi-pronged approach to its business development and innovation. On the one hand, the Company consolidated standardised processes, strengthened core competence building, improved business processes, implemented standardised controls and formulated a refined inventory management mechanism. On the other hand, the Group promoted the construction of a digital platform, invested in the used car market in the membership centre, introduced a management system to achieve full-process management, and broadened customer acquisition channels.

During the course of developing its used car business, the Group has been proactive in promoting business upgrading through multi-dimensional initiatives.

In terms of vehicle sources, the Group vigorously expanded its channels and continued to expand its sources of quality vehicles through various means, such as the trade-in policy, development of in-use vehicles, outsourcing and intranet auctions, thus providing a solid foundation for the development of its business.

In terms of network deployment, the Group has built a used car centre store model, and has successfully completed the construction of three sales centres in Xi'an, Lanzhou and Yinchuan. After being put into operation, the sales scale of various locations has been increased to various degrees.

At the marketing level, the Group made full use of the new media platform to actively launch operations and increase retail clues. In the service field, the Group continued to introduce new services such as used car warranty, financing by instalment and vehicle replacement, which led to the long-term development of its used car retail and financial businesses. At the same time, the Group upgraded its service guarantee by launching the triple certification service, including manufacturer certification and third-party certification, for the "Sunfonda certified used cars", and provided 72-hour no-excuse return and replacement guarantee, which greatly enhanced consumers' confidence in purchasing and contributed to the prosperous development of the used car business.

Customer Management Centre: Building a Solid "Customer Ecology" System

Adhering to the philosophy that "customers are the core carrier for enterprises to achieve sustainable development, and customer satisfaction is the cornerstone of customer management", the Group established a customer operation and management platform to integrate customer resources, enhance customer satisfaction and loyalty, and promote market expansion and business growth.

In 2024, the Group made use of its digital management platform to explore business touchpoints around customers' vehicle usage cycles and accurately obtain customer profiles. The Group leveraged on multiple channels, including new media, enterprise WeChat and WeChat mini programs, to attract flow of traffic and achieve sales conversion, thereby expanding its business space.

The Group's customer management centre built a centralised operation model in Xi'an, Lanzhou, Yinchuan and other places. It launched multiple digital services with the help of platform-integrated intelligent technology. The Group provided customised services based on customer profiles, and paid attention to the risk of loss of customers in a timely manner to ensure proper attraction. In summary, the Group accelerated its digital transformation, improved service quality and efficiency, and built a sustainable customer ecosystem so as to lay a solid foundation for sustainable development.

Promoted the Joint Deployment of Traditional and New Energy Brands to Strengthen the Foundation for Business Development

On the basis of the Group's good cooperation with strong traditional brands, the Group also attached great importance to cooperation opportunities with new energy vehicles, paid close attention to the speed of the development of new energy vehicles, continued to communicate proactively with the brands, and actively co-ordinated with the manufacturers on authorisation matters, and jointly explored co-operation modes and business opportunities. By the end of 2024, the Group had obtained the authorisation of the DENZA brand in Lanzhou, Yinchuan and Weinan, the authorisation of the Formula Leopard brand for Xi'an Store and Yan'an Store, and the authorisation of the AITO brand in Lanzhou, thereby achieving the joint deployment of traditional strong brands and mainstream new energy brands.

In addition, the Group proactively drew upon the marketing models and management mechanisms of new energy brands to optimise the traditional marketing process, enhance staff training and business incentives, so as to strengthen the foundation for the development of the Group's new energy vehicle business.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2024 was RMB8,608.9 million, representing a decrease of RMB2,368.9 million or 21.6% as compared to that for the corresponding period in 2023. Among which, revenue from the sales of new automobiles was RMB7,023.2 million, representing a decrease of RMB2,272.4 million or 24.4% as compared to that for the corresponding period in 2023. Among which, revenue from after-sales service business was RMB1,154.2 million, representing a decrease of RMB106.3 million or 8.4% as compared to that for the corresponding period in 2023; and revenue from the sales of used cars was RMB431.5 million, representing an increase of RMB9.8 million or 2.3% as compared to that for the corresponding period in 2023.

A substantial portion of the revenue of the Group was generated from sales of new vehicles, accounting for 81.6% of our revenue for the year ended 31 December 2024 (2023: 84.7%). In addition, revenue generated from after-sales service business accounted for 13.4% of the revenue for the year ended 31 December 2024 (2023: 11.5%), and revenue from the sales of used cars accounted for 5.0% of the revenue for the year ended 31 December 2024 (2023: 3.8%). Revenue of the Group was mainly derived from our operations in the PRC.

The following table sets forth a breakdown of the Group's revenue and relevant information for the reporting periods:

	Year ended 31 December					
	2024			2023		
	Amount (RMB'000)	**Sales volume (Unit)**	**Average selling price (RMB'000)**	Amount (RMB'000)	Sales volume (Unit)	Average selling price (RMB'000)
Sales of new vehicles						
Luxury and ultra-luxury brands	**5,845,626**	**19,155**	**305.2**	7,667,818	21,928	349.7
Mid-end market brands	**1,177,529**	**7,952**	**148.1**	1,627,824	10,276	158.4
Sub-total/Average	**7,023,155**	**27,107**	**259.1**	9,295,642	32,204	288.6
Sales of used cars	**431,485**	**3,751**	**115.0**	421,652	2,904	145.2
After-sales services	**1,154,250**			1,260,529		
Total	**8,608,890**			10,977,823		

Cost of Sales and Services

Cost of sales and services for the year ended 31 December 2024 was RMB8,638.7 million, representing a decrease of RMB1,919.0 million or 18.2% as compared to that for the corresponding period in 2023. Among which, cost of sales of new automobiles for the year ended 31 December 2024 was RMB7,503.5 million, representing a decrease of RMB1,896.1 million or 20.2% as compared to that for the corresponding period in 2023. Cost of after-sales services business for the year ended 31 December 2024 was RMB724.4 million, representing a decrease of RMB32.0 million or 4.2% as compared to that for the corresponding period in 2023. Cost of sales of used cars for the year ended 31 December 2024 was RMB410.8 million, representing an increase of RMB9.1 million or 2.3% as compared to that for the corresponding period in 2023.

Gross Loss

Gross Loss recorded for the year ended 31 December 2024 was RMB29.8 million, as compared to gross profit of RMB420.1 million for the corresponding period in 2023. The change in gross profit to gross loss was mainly attributable to the decline in profitability of new vehicle sales as a result of factors such as the macroeconomic environment and the intensified competitive landscape of the automobile industry. Of which, gross loss of sales of new automobiles was RMB480.3 million, representing an increase in gross loss of RMB376.3 million as compared to that for the corresponding period in 2023. Gross profit of after-sales service business was RMB429.8 million, representing a decrease of RMB74.3 million or 14.7% as compared to that for the corresponding period in 2023. Gross profit of used car business was RMB20.7 million, representing an increase of RMB0.7 million or 3.9% as compared to that for the corresponding period in 2023.

Gross loss margin for the year ended 31 December 2024 was 0.3% (gross profit margin in 2023: 3.8%).

Other Income and Gains, Net

Other income and gains, net mainly consist of commission income from automobile sales agency, insurance agency and automobile financing agency businesses, logistics and storage income, net gains from disposal of property, plant and equipment, loss on disposal of three subsidiaries and interest income.

Other income and gains, net for the year ended 31 December 2024 amounted to RMB622.3 million, representing an increase of 30.4% as compared with RMB477.4 million for the year ended 31 December 2023. The increase was mainly due to the substantial increase in commission income from the automobile financing agency business as a result of the Group’s focus on horizontal gross profit contribution and continuous optimisation of its financial services and product structure.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2024 amounted to RMB445.4 million, representing a decrease of RMB97.8 million or 18.0% as compared with RMB543.2 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in remuneration of sales and distribution employees due to the adjustment of staffing and remuneration packages, as well as the decrease in advertising expenses due to the application of new media marketing. As a percentage of revenue, the selling and distribution expenses increased over last year from 4.9% for the year ended 31 December 2023 to 5.2% for the year ended 31 December 2024, up by 0.3 percentage point.

Administrative Expenses

Administrative expenses for the year ended 31 December 2024 amounted to RMB238.5 million, representing a decrease of RMB2.7 million or 1.1% as compared with RMB241.2 million for the year ended 31 December 2023. Such decrease was mainly due to a reduction in staffing under the centralised management of operations and a reduction in remuneration of administrative employees as a result of the adjustment of remuneration packages. As a percentage of revenue, the administrative expenses increased from 2.2% for the year ended 31 December 2023 to 2.8% for the year ended 31 December 2024, up by 0.6 percentage point.

Finance Costs

Finance costs for the year ended 31 December 2024 amounted to RMB96.2 million, representing an increase of 1.1% as compared with RMB95.2 million for the year ended 31 December 2023. Such increase was mainly due to the combined effects of: (1) the transfer of part of the construction in progress to fixed assets during the Period, the cessation of capitalisation of interest on related borrowings, which resulted in an increase in expensed interest; and (2) reasonably controlled scale of inventory purchases and improved efficiency of capital utilisation, thereby reducing the scale of financing and lowering financing costs.

Loss Before Tax

As a result of the foregoing, loss before tax for the year ended 31 December 2024 amounted to RMB187.7 million, as compared with profit before tax of RMB18.0 million for the year ended 31 December 2023.

Income Tax Expense

Income tax expense for the year ended 31 December 2024 amounted to RMB25.3 million, representing an increase of RMB19.2 million as compared with RMB6.1 million for the year ended 31 December 2023, which was mainly attributable to the impact of the tax losses of certain loss-making subsidiaries in respect of which no deferred income tax assets had been recognised.

Loss for the Year

As a result of the foregoing, loss for the year ended 31 December 2024 amounted to RMB213.0 million, as compared with profit of RMB11.9 million for the year ended 31 December 2023.

Loss for the Year Attributable to Owners of the Parent

For the year ended 31 December 2024, loss for the year attributable to owners of the parent amounted to RMB213.0 million, as compared with profit of RMB11.9 million for the year ended 31 December 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

For the year ended 31 December 2024, the Group's net cash inflow generated from operating activities was RMB523.2 million, as compared with RMB365.7 million of its net cash inflow generated from operating activities for the year ended 31 December 2023. The increase in net cash inflow from operating activities was mainly due to rational control of inventory size and optimisation of inventory structure.

For the year ended 31 December 2024, the Group's net cash outflow of investing activities was RMB152.4 million, as compared with RMB209.7 million of its net cash outflow of investing activities for the year ended 31 December 2023. The decrease in net cash outflow of investing activities was mainly attributable to the completion of prior investment projects during the Period.

For the year ended 31 December 2024, the Group's net cash outflow of financing activities was RMB522.9 million, as compared with RMB120.6 million of its net cash outflow of financing activities for the year ended 31 December 2023. The increase in net cash outflow of financing activities was mainly attributable to the increase in net cash outflows for repayment of bank loans and other borrowings for the Period.

Net Current Assets

As at 31 December 2024, the Group's net current assets amounted to RMB353.3 million, as compared with RMB616.9 million of its net current assets as at 31 December 2023.

Inventories

The Group's inventories primarily consist of new automobiles, used cars, spare parts and decoration accessories. As at 31 December 2024, the Group's inventories amounted to RMB1,011.5 million, representing a decrease of 20.8% as compared with RMB1,277.5 million as at 31 December 2023, mainly due to the Group's focus on inventory management, and its continuous efforts in optimising the balance among procurement scale, sales turnover rate and asset utilisation, making it a core management objective.

In 2024, the Group's average inventory turnover days (the average inventory turnover days = the average of opening and closing inventory balances divided by the cost of sales and services for that year and multiplied by 360 days) were 49.1 days, representing an increase as compared with 45.6 days in 2023, which was mainly attributable to the efforts made during the Period to reduce the relatively high inventory levels at the beginning of the year in the course of its operations. By the end of the year, the inventory levels had declined compared with the beginning of the year.

Bank Loans and Other Borrowings

As at 31 December 2024, the Group's bank loans and other borrowings were RMB2,062.9 million, representing a decrease of 18.2% as compared with RMB2,521.1 million as at 31 December 2023.

The following table sets forth the Group's bank loans and other borrowings as at the dates indicated:

	As at 31 December			
	2024		2023	
	Effective interest (%)	**Amount RMB'000**	Effective interest (%)	Amount RMB'000
CURRENT				
Bank loans	**2.9-5.8**	**1,337,664**	2.9-5.8	1,464,660
Other borrowings	**2.3-8.5**	**282,288**	1.3-8.5	347,040
Sub-total		**1,619,952**		1,811,700
NON-CURRENT				
Bank loans	**4.4-5.8**	**442,963**	3.5-5.8	709,402
Sub-total		**442,963**		709,402
Total		**2,062,915**		2,521,102
Among which:				
Secured loans		**1,315,493**		1,818,526
Unsecured loans		**747,422**		702,576
Total		**2,062,915**		2,521,102

As at 31 December 2024, the Group's gearing ratio, which is net debt divided by total equity plus net debt, was 46.9% (2023: 49.2%). Net debt includes bank loans and other borrowings, trade and bills payables and other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits.

Pledge of Assets

As at 31 December 2024, certain of the Group's bank loans were secured by charges or pledges over its assets. The Group's assets subject to these charges or pledges as at 31 December 2024 consisted of: (i) inventories amounting to RMB498.1 million; (ii) property, plant and equipment amounting to RMB697.2 million; (iii) land use rights amounting to RMB344.7 million; and (iv) pledged bank deposits amounting to RMB99.4 million.

As at 31 December 2024, certain of the Group's inventories amounting to RMB406.2 million and pledged bank deposits amounting to RMB550.7 million were pledged as securities for bills payable.

Capital Expenditures and Investment

The Group's capital expenditures comprise primarily expenditures on property, plant and equipment, land use rights and intangible assets. For the year ended 31 December 2024, the Group's total capital expenditures were RMB257.5 million, representing a decrease of RMB82.2 million as compared with the RMB339.7 million for the year ended 31 December 2023.

Staff Cost and Employee Remuneration Policy

As at 31 December 2024, the Group had 2,440 employees. Staff cost of the Group decreased by 17.2% from RMB386.0 million for the year ended 31 December 2023 to RMB319.8 million for the year ended 31 December 2024, mainly attributable to the Group's active adjustment of staffing and performance plans resulting in the improvement of human resource efficiency. The Group offers attractive remuneration packages based on market conditions, including competitive fixed salaries and performance-based bonuses. The Group provides its automobile sales and after-sales staff with performance-based bonuses based on their contributions to revenue, technical skills, customer satisfaction and other results of their performance assessment according to their job nature. The remuneration of directors of the Company is determined by the remuneration committee of the Board having regard to the job nature, experience of the individuals and market trends. Our employees are subject to regular job reviews which determine their promotion prospects and remuneration packages. In order to maintain the rapid development of the Group's network, the Group also continues to build up its quality talent pool and prudently manage its human resources and makes corresponding adjustments to the arrangement of positions based on the changes in overall business volume. Meanwhile, the Group attaches great importance to the reserve of talent and team building. Regular training in respect of business skills, expertise and professional attributes have been provided to key personnel. The Group also pays close attention to the career development of its employees, so as to provide primary drivers for the future development of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

On 20 July 2024, certain indirect wholly-owned subsidiaries of the Company entered into share disposal agreements (the "**Share Disposal Agreements**") with Zhongsheng Holdings Co., Ltd. (中升(大連)集團有限公司) (an indirect wholly-owned subsidiary of Zhongsheng Group Holdings Limited (Stock Code: 0881)) to dispose of in aggregate the entire equity interests (the "**Disposal**") in Suzhou Sunfonda Toyota Automobile Sales Services Co., Ltd. (蘇州新豐泰豐田汽車銷售服務有限公司), Wuxi Fengtai Kaida Automobile Sales Services Co., Ltd. (無錫豐泰凱達汽車銷售服務有限公司) and Yangzhou Sunfonda Junsheng Lexus Automobile Sales Services Co., Ltd. (揚州新豐泰鈞盛雷克薩斯汽車銷售服務有限公司) (the "**Target Subsidiaries**") (each being an indirect wholly-owned subsidiary of the Company prior to the Disposal), respectively. Pursuant to the Share Disposal Agreements, the aggregate consideration for the transactions contemplated under the Disposal shall not exceed RMB51.0 million.

As the transactions contemplated under the Share Disposal Agreements all involved the disposal of equity interests in the Target Companies to the same entity, they were aggregated pursuant to Rule 14.22 of the Listing Rules as if they were one transaction. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceeded 5% but less than 25%, the transactions contemplated under the Share Disposal Agreements constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and was therefore subject to reporting and announcement requirements under the Listing Rules.

Completion of the Disposal took place on 1 August 2024 and the final transaction consideration for the Disposal was RMB41.1 million in aggregate. Upon the completion of the Disposal, the Company ceased to own any equity interests in the Target Subsidiaries. For further details, please refer to the announcement of the Company dated 20 July 2024.

PRINCIPAL RISKS

Business Risk

The Group's rights on operating points of sales, the supply of automobiles and spare parts as well as other important aspects in the Group's businesses and operations are all subject to our dealership authorization agreements with automobile suppliers. The Group's dealership authorization agreements are non-exclusive, and generally have terms of one to three years with the option of renewal. The automobile suppliers may terminate the dealership authorization agreements by giving three to twelve months' written notice in general for various reasons or without reasons. Of course, the Group may terminate the dealership authorization agreements with the automobile suppliers based on reasons such as adjustment of business strategies of the Group or others. In case of any of the foregoing, the Group's business, operating conditions and future development may be affected. Accordingly, the Group communicated and exchanged views with each automobile supplier regularly with a view to achieving a win-win cooperation relationship.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long- term debt obligations at a floating interest rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Exchange Rate Risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in US$, Euro and HK$ and certain loans denominated in HK$.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China which had HK$ as their functional currency, and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had immaterial foreign currency risk.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGY AND PROSPECTS

Forecast of China's Economic Trend in 2025 – Stabilising While Seeking Progress to Promote a Sustainable Economic Recovery

In 2025, the uncertainties of world economic development will increase. The fundamentals of China's long-term economic upturn will remain unchanged, as evidenced by the integrity of the industrial and supply chains, the continuous improvement of technological innovation, the upgrading of the industrial structure, the rapid development of the digital economy, the green industry, the high-tech industry and the equipment manufacturing industry, and the mounting momentum of new economic growth. In 2025, China's economic growth is expected to be approximately 4.5%. If China continues to take the necessary measures to expand its economy and accelerate the implementation of reform and opening-up policies, the economic growth in 2025 may reach approximately 5%. The greater increase in disposable income than economic growth in 2024 will be conducive to stabilising consumption in 2025, with retail sales of social consumer goods growing by approximately 5% and retail sales of services growing by approximately 5.5% in 2025.

The Central Economic Work Conference confirmed that in 2025, it is necessary to implement a more aggressive fiscal policy and an appropriately loose monetary policy, to strengthen the coordination of fiscal, monetary, employment, industrial, regional, trade, environmental protection, regulatory and other policies as well as reform and opening-up initiatives, and to improve the effective communication and consultation and feedback mechanism among departments to enhance the synergy of policies. At the same time, the Central Economic Work Conference put "vigorously boosting consumption, improving the efficiency of investment and expanding domestic demand on all fronts" as its first priority. The National Development and Reform Commission has continued its efforts to effectively carry out the equipment renewal and trade-in policies, implement special actions to boost consumption, and promote consumption in terms of quantity, quality and efficiency. The expanded party group meeting of the Ministry of Commerce emphasised that in 2025, it will focus on expanding consumption, stabilising foreign trade and foreign investment, and promoting high-level openness to the world. The National Market Supervision Work Conference stated that a three-year action plan will be implemented in 2025 to optimise the consumer environment.

According to Chen Lifen, a researcher at the Institute of Market Economics of the Development Research Centre of the State Council, consumption is an important part of domestic demand and the main engine of economic growth. The Central Economic Work Conference has made a series of deployments to "vigorously boost consumption", and it can be expected that the foundation of consumption growth in 2025 will be further consolidated, which will promote the consumer market to continue to pick up. At the same time, the potential of consumption of goods and services will be unleashed in an accelerated manner. According to Chen Lifen, the trade-in policy remained effective in 2024, and key commodities such as automobiles, home appliances and household goods posted positive sales results. In 2025, further expansion efforts will drive the continued unleash of the consumption potential of durable goods.

Xi'an – To Accelerate the Enhancement of Comprehensive Capabilities as a National Central City

Xi'an is the capital of Shaanxi Province, where the Group's main business is located, and is also the location of the Group's headquarters. At the Eighth Plenary Meeting of the 14th Xi'an Municipal Committee of the Communist Party of China, Fang Hongwei, Secretary of the Standing Committee of the Shaanxi Provincial Party Committee and the Xi'an Municipal Committee, pointed out that 2025 is the conclusive year of the "14th Five-Year Plan", in which high-quality development shall be solidly promoted. Fang Hongwei emphasised, it is necessary to deepen the coordinated development mechanism reform of scientific and technological innovation and industrial innovation, and to consolidate the foundation of strong industrial city by focusing on the construction of "dual centres". Ye Niuping, Mayor of Xi'an, stressed in the deployment of economic work in 2025, it is necessary to adopt an enterprise-centric approach to help key enterprises increase production capacity and enhance efficiency by promoting "one policy for one enterprise", jointly promote small and micro-enterprises to ramp up, focus on enterprises' needs to optimise business environment, precisely serve for the growth of enterprises, and practically support economic growth on a market-oriented basis. According to the Notice on the Increased Efforts to Implement the Policy and Measures for Trade-in of Consumer Goods in Xi'an for 2025 and Its Implementation Plan promulgated by Xi'an Municipal Bureau of Commerce, a new round of the trade-in subsidies policy covers five major areas, namely automobiles, home appliances, digital products, electric bicycles, and home furnishings and kitchen and bathroom products. The scope of subsidies is further expanded. Notably, in the field of automobiles, eligible models with China IV emissions standards are included in the scope of subsidies for automobile scrapping and renewal, and the registration deadline of automobiles has also been extended.

MANAGEMENT DISCUSSION AND ANALYSIS

Chinese Passenger Vehicle Market in 2025

According to the Notice on the Increased Efforts to Implement the Policy on Large-scale Renewal of Equipment and Trading-in of Consumer Goods for 2025 promulgated by the National Development and Reform Commission and the Ministry of Finance on 8 January, it is believed that with the promulgation and implementation of a series of policies, the effects of the policy mix will become increasingly prominent, and will further unleash the potential of the automobile market.

According to Chen Shihua, Deputy Secretary General of the China Association of Automobile Manufacturers, in 2025, the production and sales of automobiles in China will continue to maintain growth. According to Xu Haidong, specialized Deputy Secretary General of China Association of Automobile Manufacturers, thanks to the favourable factors such as the accelerated prominent effects of macro policies, the continuous effects of the equipment renewal and trade-in policies, the continued policy of new energy exemption from purchase tax and the persistent expansion of overseas market, China's total automobile sales are expected to reach 32.9 million units in 2025, representing a year-on-year growth of 4.7%. In terms of the performance of the domestic passenger vehicle market in 2025, CAAM forecasts that the total sales volume will grow by 4.9% year-on-year to reach 28.9 million automobiles. As for the development of China's new energy vehicle market in 2025, Xu Haidong believes that it will continue to grow rapidly, with annual sales volume reaching 16 million automobiles, achieving a year-on-year growth of 24.4%.

According to Cui Dongshu, Secretary General of the CPCA, the scale of new energy vehicles is showing explosive growth, with significant increase in bulk sales size and substantial decrease in costs of automobiles, and the competitive landscape of the top brands remains unstable. Therefore, in this high-growth market, the "price war" will continue in 2025. The Gasgoo Research Institute forecasts that China's passenger vehicle market is expected to achieve a sales volume of 28.09 million units in 2025, representing a year-on-year growth of approximately 2%.

At the beginning of 2025, the offices of the Ministry of Commerce and other eight departments jointly promulgated the Notice on Effectively Implementing the Trade-in of Automobiles in 2025 (hereinafter referred to as the "**Notice**"), which further clarifies the trade-in subsidy policy in 2025. Next, the Ministry of Commerce will work with relevant departments to guide localities to implement the subsidy policy, effectively carry out policy coordination, increase efforts in policy promotion and interpretation, and facilitate consumers to participate in the trade-in of automobiles, so as to better meet people's needs for a better life.

To Accelerate the Deployment of Leading New Energy Brands and Expand the Co-operation Area of Advantageous Brands

In respect of the development of brand network, in a market environment of frequent “price wars” under fierce competition, the Group has been keeping a close watch on the trend of brand development and proactively adjusting its brand strategy to promote the transformation and upgrading of its brands and outlets. The Group will strengthen its co-operation with leading new energy brands such as BYD and AITO, and aggressively accelerate the construction and completion of new energy brand outlets.

By the end of 2024, the DENZA centre store in Lanzhou and the Formula Leopard 4S store in Xi’an had been completed and officially commenced operations. The DENZA flash stores in Yinchuan and Weinan were also in trial operation. The AITO user centre in Lanzhou was also officially put into operation in January 2025, and the construction of the DENZA centre store in Yinchuan and the DENZA 4S store in Weinan will also commence successively in March 2025.

The landscape of new energy vehicle brands has become increasingly clear in the intensively competitive market environment. Looking ahead, China’s automobile market will be driven by policy guidance, technological innovation and consumer upgrades, which will lead to growing demand for smarter, higher-quality and more personalised automobile products, thereby opening up unprecedented development opportunities for China’s automobile market with unlimited possibilities.

In the future, the Group will continue to deepen and expand the number of regions and outlets in which it cooperates with leading new energy brands based on the actual business capacity of some of its traditional brand outlets, follow the trend of increasing penetration of new energy vehicles, and continue to expand its co-operation in the transformation and deployment of its advantageous regions and core assets in Shaanxi, Gansu and Ningxia, taking into account the needs of the nationwide business deployment of the leading manufacturers.

The “FUN TIME LANE” Automobile Theme Fashion District Project in Xi’an Commenced Trial Operation by the End of 2024

The two “FUN TIME LANE” automobile fashion street zone projects in Xi’an and Lanzhou, which were invested by Sunfonda Group, have completed governmental inspection and acceptance and obtained building ownership certificates.

MANAGEMENT DISCUSSION AND ANALYSIS

The "FUN TIME LANE" automobile theme fashion district project in Xi'an had entered the trial operation stage by the end of 2024, with Cadillac, Volkswagen Anhui and BYD-Dynasty already housed in, and various themed businesses including new energy vehicle business will be introduced, along with purpose-built businesses such as café and business catering will be introduced in a later stage, which will drive regional consumption upgrading through the creation of themed commercial space and become a new commercial landmark in the region. The "FUN TIME LANE" automobile theme fashion district project in Lanzhou has already commenced operation, with BMW, GAC Toyota, DENZA as well as several sports and leisure brands housed in, and themed businesses under new energy brands, catering facilities, education and other related businesses will be introduced in a later stage, thereby striving to achieve a 100% opening rate.

Digital Empowerment to Lead Development

In 2024, the Group vigorously promoted digitalisation and achieved decent results by introducing advanced technologies such as pilot electronic work permit positioning, audio recording and big models. The positioning of electronic work permits helps realise functions including staff fieldwork and work track recording. This project has effectively improved the timeliness of staff arriving at the accident scene by providing a quick and clear understanding of the dynamics of the staff in the accident outreach in Xi'an and assigning them to their work in a quick and reasonable manner.

As at the end of 2024, among the Group's private traffic pool, there were 352,000 users registered with the member centre, 411,000 customers were added to Enterprise WeChat, and 209,000 users were successfully bonded to vehicle registration plates. The launch of the insurance tracking system has standardised the work of insurance renewal staff and provides timely renewal leads to improve insurance renewal performance.

Looking ahead, we will continue to promote digitalisation and enhance the digitalisation level of our business. We will also strengthen co-operation with our partners to explore new ways and means of digitalisation, and inject new vitality into the development of our enterprise.

To Leverage on an Intelligent Management Platform and Diversified Innovative Marketing to Comprehensively Reach Customer Needs and Improve Customer Experience

In response to the increasingly competitive automobile market and constantly changing consumer psychology and product demands, the Group has proactively adjusted its marketing strategy to leverage on the intelligent management platform and diversified innovative marketing to establish and strengthen the relationship between consumers and automobiles, thereby catering for customers' diversified needs and experiences in a comprehensive manner. In 2024, the Group, together with the membership centre, invited female car owners to participate in the interview program, which, through precise promotion by way of short videos, enhanced female car owners' automobile-purchasing experience and strengthened the emotional connections among consumers, automobile brands and the Group. A total of six issues were published throughout the year, which were well received by the customers unanimously. At the same time, the Group reached out to new media in various aspects. On the one hand, the Group consolidated the foundation of new media operation in various stores, put forward higher requirements for the number of live broadcasts and streaming of new media in each store, and requested each store to roll out special new media activities. The Group planned and launched a multi-brand nationwide joint online live broadcast of the Automobile Purchase Festival activities, with the general manager taking the lead and various business departments participating in live broadcasts and short video shooting. On the other hand, the Group further expanded its media channels by requesting each brand store to establish a new media matrix, and personnel of the business department to create personal accounts to attract more potential customers from various channels. At the same time, the Group attached great importance to social media marketing and requested each store to launch a "planting grass" campaign, under which the delivery of automobiles to key customers shall be posted on Xiaohongshu, and customers are encouraged to post their purchase experience on their own platforms to attract potential customers, thereby generating word-of-mouth marketing while fostering closer connections with them. By the end of 2024, the Group's orders generated from new media recorded a year-on-year increase of 55%, which effectively facilitated channel expansion.

In addition, the Group adheres to a long-term approach, places great emphasis on maintaining relationships with existing customers and implements community-based marketing strategies, actively launches customer retention activities, explores cross-industry resources, and comprehensively promotes the commencement of various marketing initiatives. This not only enhances customer satisfaction but also strengthens customers' trust and sense of loyalty to the Group, thereby boosting the Group's influence.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

DIRECTORS

Executive Directors

Mr. Wu Tak Lam (胡德林), aged 63, was appointed as the Chairman of the Board and an executive director of the Company on 13 January 2011. He is also the Chairman of both the Nomination Committee and the Finance and Investment Committee under the Board of the Company. Mr. Wu founded the Group with Ms. Chiu Man in November 2000 and has been primarily responsible for the strategic management, planning and business development of the Group as well as the development and maintenance of relationship with automobile suppliers of the Group. Mr. Wu serves as the chairman of the board and a director of each of the subsidiaries of the Company, and he has also been a director of Sunfonda (Hong Kong) Limited since April 1997. Prior to the establishment of the Group, Mr. Wu worked at China National Automotive Industry Sales Corp. (中國汽車工業銷售總公司) from July 1986 to December 1992. From August 1993 to March 1997, Mr. Wu was the managing director of Sunfonda Limited (新豐泰有限公司), which conducted import and export trade business and was dissolved in September 2002. He graduated from Wuhan Institute of Technology (武漢工學院) (currently known as Wuhan University of Technology (武漢理工大學)) in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. He is also the sole shareholder and director of Golden Speed Enterprises Limited ("**Golden Speed**", a controlling shareholder of the Company), a director of Top Wheel Limited ("**Top Wheel**", a controlled corporation of Golden Speed and a controlling shareholder of the Company), and the husband of Ms. Chiu Man (the Chief Executive Officer of the Group, an executive director and a controlling shareholder of the Company).

Ms. Chiu Man (趙敏), aged 61, was appointed as the Chief Executive Officer of the Group and an executive director of the Company on 13 January 2011. She is also a member of the Nomination Committee (appointed on 26 March 2025) and the Finance and Investment Committee under the Board of the Company. Ms. Chiu founded the Group with Mr. Wu Tak Lam in November 2000 and has been primarily responsible for the overall management and financial control of the Group. Ms. Chiu serves as a director in each of the subsidiaries of the Company and has also been a director of Sunfonda (Hong Kong) Limited (新豐泰(香港)有限公司) since April 1997. Ms. Chiu graduated from Wuhan Institute of Technology (武漢工學院) (currently known as Wuhan University of Technology (武漢理工大學)) in Wuhan, China, majoring in automobile and tractor studies and obtained a bachelor's degree in engineering in July 1986. She is also the sole shareholder and director of Win Force Enterprises Limited ("**Win Force**", a controlling shareholder of the Company), a director of Top Wheel (a controlled corporation of Win Force and a controlling shareholder of the Company), and the wife of Mr. Wu Tak Lam (the Chairman of the Board, an executive director and a controlling shareholder of the Company).

Ms. Chen Wei (陳瑋), aged 50, was appointed as an executive director of the Company on 23 November 2018. Ms. Chen was appointed as the financial controller of the Group since May 2015. Ms. Chen has over 25 years of experience in accounting and financial management. She joined the Group in March 2007, and successively served in the following positions in the subsidiaries of the Company: the finance manager of Shaanxi Sunfonda Automobile Technology Development Co., Ltd. and Shaanxi Kaisheng Automobile Sales Services Co., Ltd. (陝西凱盛汽車銷售服務有限公司) from March 2007 to February 2009; and the finance manager of Shaanxi Sunfonda Automobile Co., Ltd. from March 2009 to April 2015. Ms. Chen graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) (currently known as Xi'an Jiaotong University (西安交通大學)) in June 1996 with an associate degree in accounting.

Mr. Deng Ning (鄧寧), aged 47, was appointed as an executive director of the Company on 9 November 2022. Mr. Deng has over 24 years of experience in automobile brand operation and management and extensive expertise and knowledge. Mr. Deng joined the Group in November 2011 and successively held the following management positions in the subsidiaries of the Company: sales manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from November 2011 to June 2012; assistant to the general manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from July 2012 to March 2015; general manager of Weinan Sunfonda Boao Automobile Sales Service Co., Ltd. (渭南新豐泰博奧汽車銷售服務有限公司) from April 2015 to October 2017; general manager of Weinan Zongshen Baotai Automobile Sales Service Co., Ltd. (渭南宗申寶泰汽車銷售服務有限公司) from November 2017 to September 2019; and general manager of Xi'an Sunfonda Haibao Automobile Sales and Service Co., Ltd. (西安新豐泰海寶汽車銷售服務有限公司) from October 2019 to November 2022. Mr. Deng has been appointed as the vice president of operations of the Group with effect from 18 November 2022 and is primarily responsible for the management of the operations of the Group. Mr. Deng graduated from Xi'an Institute of Technology (西安工業學院) (now known as Xi'an Technological University (西安工業大學)) with a bachelor's degree in trade and economics in July 2000.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-executive Directors

Dr. Liu Xiaofeng (劉曉峰), aged 62, was appointed as an independent non-executive director of the Company on 26 May 2017. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee under the Board of the Company. Dr. Liu has over 30 years of experience in corporate finance and has worked with various international financial institutions since 1993, including NM Rothschild & Sons, NM Rothschild & Sons (Hong Kong) Limited, JP Morgan Chase, DBS Asia Capital Limited and China Resources Capital Holdings Company Limited (華潤金融控股有限公司). Dr. Liu served as an independent non-executive director of Honghua Group Limited (宏華集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 196) from January 2008 to November 2021. Dr. Liu was also an independent non-executive director of AAG Energy Holdings Limited (亞美能源控股有限公司) (which withdrew the listing of its shares on the Stock Exchange on 12 July 2023) from August 2018 to August 2023 and an independent non-executive director of Cinda International Holdings Limited (信達國際控股有限公司) (stock code: 111) from July 2016 to July 2024. Dr. Liu has been an independent non-executive director of each of Kunlun Energy Company Limited (崑崙能源有限公司) (stock code: 135) since April 2004, an independent non-executive director of Logory Logistics Technology Co., Ltd. (合肥維天運通資訊科技股份有限公司) (stock code: 2482) since March 2023, and an independent non-executive director of China Risun Group Limited (中國旭陽集團有限公司) (stock code: 1907) since October 2024, all of which are listed on the Stock Exchange. Dr. Liu served as an independent director of UBS Securities Co., Ltd. from June 2016 to June 2022. Dr. Liu obtained a master's degree and a Ph.D. from the Faculty of Economics, University of Cambridge in England in 1988 and 1994 respectively, a master's degree in development studies from the University of Bath, England, in 1987, and a bachelor's degree in economics from Southwest University of Finance and Economics (西南財經大學) (previously known as Sichuan Institute of Finance and Economics (四川財經學院)) in 1983.

Dr. Han Qinchun (韓秦春), aged 66, was appointed as an independent non-executive director of the Company on 18 May 2023. He is also the chairman of the Audit Committee, and a member of each of the Nomination Committee, the Remuneration Committee and the Finance and Investment Committee under the Board of the Company. Dr. Han obtained a bachelor's degree in planning in 1982 from Xi'an University of Architecture and Technology, and then obtained a doctorate degree in urban economics and management from The University of Hong Kong in 1998. Dr. Han worked for the government agencies of the Ministry of Chemical Industry and the Ministry of Forestry of the People's Republic of China from 1982 to 1993. Dr. Han has extensive experience in financial investment and has served the supervisory roles at a number of leading Hong Kong investment banks from 1998 to 2006, including Shun Hing China Investment Limited (Hong Kong), BOCI Securities Limited (Hong Kong), China Everbright Securities (HK) Limited and ABC International Holdings Limited (Hong Kong). From 2012 to 2014, Dr. Han acted as a chief executive director of Straits Development Holding Company Limited, where he was responsible for the company's development strategy, capital market operation, financial management and investment and financing management. Dr. Han was also appointed as a director and distinguished professor of the Real Estate Research Centre at Peking University HSBC Business School from 2011 to 2015. Since 2014, Dr. Han has been acting as the founder and chairman of a Hong Kong fintech company – Hong Kong Private Markets Limited. Dr. Han has extensive experience in investment, financial management and management of listed companies. Dr. Han has served as an independent non-executive director of a number of companies listed on the Stock Exchange. He has been an independent non-executive director of Xinda Investment Holdings Limited (Stock Code: 1281) since April 2015, an independent non-executive director of Guangdong - Hong Kong Greater Bay Area Holdings Limited (Stock Code: 1396) since June 2022 and an independent non-executive director of Country Garden Holdings Company Limited (Stock Code: 2007) since March 2024. Dr. Han was an independent non-executive director of Lingbao Gold Group Company Ltd. (Stock Code: 3330) from March 2012 to May 2021.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Liu Qiming (劉啟明), aged 64, was appointed as an independent non-executive director of the Company on 22 November 2024. Mr. Liu graduated from Wuhan University of Technology* (武漢理工大學) in 1986 with a bachelor's degree in automobile engineering and is a professor-level senior engineer. From July 1986 to 1997, he served as a department head at Shanghai Automobile Technology Center* (上海汽車技術中心). From 1997 to 2003, he worked at Shanghai General Motors Co., Ltd.* (上海通用汽車有限公司) (currently known as SAIC GENERAL MOTORS Corp. Ltd.* (上汽通用汽車有限公司)) as the head of the product engineering department. Since 2003, he had worked in Pan Asia Technical Automotive Center Co., Ltd.* (泛亞汽車技術中心有限公司) ("**PATAC**") and successively served as executive director of the project management department, deputy general manager, executive vice president and director of PATAC. He retired from PATAC in March 2021. From 2016 to 2021, he served as vice chairman of Shanghai Pudong New District Association for Science and Technology* (上海市浦東新區科學技術協會), vice president of Shanghai Society of Automotive Engineers* (上海汽車工程學會), executive director of China Society of Automotive Engineers* (中國汽車工程學會), director of the Council for China Automotive Industry Awards for Science and Technology* (中國汽車工業科學技術獎理事會), and other social positions. In 2007, he was awarded the title of "Winner of the 10th Shanghai Science and Technology Elite Nomination Award" by the Shanghai Association for Science and Technology* (上海市科學技術協會). In 2011, the independent development project of Chevrolet's new Sail product he participated in and led won the first prize for scientific and technological progress in China's automobile industry. In 2014, he won the Special Contribution Award for Quality and Technology of China Association for Quality* (中國質量協會). In 2016, he was recognized as a manager trusted by Shanghai employees. In 2018, he was awarded the titles of "Outstanding Figure in China's Automobile Industry in the 40th Anniversary of Reform and Opening-up" and "Outstanding Scientific and Technological Talent in China's Automobile Industry". He has been an independent director of Shanghai Baolong Automotive Corporation* (上海保隆汽車科技股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange, stock code: 603197) since December 2022, an independent director of Shanghai Vico Precision Mold & Plastics Co., Ltd.* (上海維科精密模塑股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange, stock code: 301499) since May 2021, an independent director of Shanghai Mobitech Technology Co., Ltd.* (上海毓恬冠佳科技股份有限公司) since August 2021, and an independent director of Semiment Technology Co., Ltd.* (賽卓電子科技（上海）有限公司) since December 2021.

SENIOR MANAGEMENT

Ms. Chiu Man (趙敏) was appointed as the chief executive officer of the Group on 13 January 2011. See "DIRECTORS – Executive Directors" of this section for profile of Ms. Chiu Man.

Mr. Deng Ning (鄧寧) has been appointed as the vice president of operations of the Group with effect from 18 November 2022. He is mainly responsible for the management of the operations of the Group. See "DIRECTORS – Executive Directors" of this section for profile of Mr. Deng Ning.

Mr. Wang Hao (王皓), aged 37, has been appointed as the director of the Group's integrated business since February 2025, overseeing the Group's administration, personnel, audit and legal affairs. Mr. Wang has over 14 years of experience and extensive expertise in the operation and management of automobile brands. Prior to joining the Group, Mr. Wang served as a supplier quality engineer of FAW Car Co., Ltd. (一汽轎車股份有限公司) from August 2011 to April 2014, and was a regional manager of SAIC Volkswagen Automotive Co., Ltd. (上汽大眾汽車有限公司) from May 2014 to April 2022; Mr. Wang joined the Group in June 2022, and has successively held the following managerial positions in the subsidiaries of the Company: the general manager of Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd. (陝西新豐泰新豐泰駿美汽車銷售服務有限公司) from June 2022 to January 2023; the general manager of Yangzhou Sunfonda Junsheng Lexus Automobile Sales Service Co., Ltd. (揚州新豐泰鈞盛雷克薩斯汽車銷售服務有限公司) from February 2023 to January 2024; and the general manager of Suzhou Sunfonda Toyota Automobile Sales Services Co., Ltd. (蘇州新豐泰豐田汽車銷售服務有限公司) from February 2024 to July 2024. Mr. Wang was the personnel director of the Group from August 2024 to January 2025; Mr. Wang graduated from Jilin University in July 2011 with a bachelor's degree in vehicle engineering.

Mr. Gou Xinfeng (苟新峰), aged 51, has over 25 years of experience in the operation and management of automobile brands. Mr. Gou joined the Group in July 2002, and was successively responsible for the management of several major brands of the Group. Mr. Gou successively served in the following positions in the subsidiaries of the Company: the sales deputy manager of Shaanxi Sunfonda Automobile Co., Ltd. (陝西新豐泰汽車有限責任公司) from July 2002 to February 2006 and the sales director of Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd. (西安新銘洋豐田汽車銷售服務有限公司) from March 2006 to March 2009. Mr. Gou served as the general manager of Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (陝西新豐泰汽車技術開發有限責任公司) from April 2009 to September 2014, during which the store and the team were awarded a number of honors from Volkswagen Group under his leadership, including World Diamond Dealers 2014 (2014年度全球鑽石經銷商), Five-starred Management Team Award 2014 (2014年度五星級管理團隊獎) and Sales Excellence Award 2014 (2014年度卓越銷售獎). From October 2014 to July 2017, he served as the general manager of Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司); he was the general manager of Shaanxi Sunfonda Automobile Co., Ltd. from November 2020 to August 2023; and he has been the general manager of Shaanxi Sunfonda Boao Automobile Co., Ltd. (陝西新豐泰博奧汽車有限責任公司) since September 2023. Mr. Gou served as the vice president of operations of the Group from August 2017 to November 2020; and served as an executive director of the Company from 9 November 2016 to 8 November 2022. Mr. Gou has been a director of Grand Forever Enterprises Limited since July 2018. Mr. Gou graduated from Wuhan Automotive Industry University (武漢汽車工業大學) (currently known as Wuhan University of Technology (武漢理工大學)) and obtained a bachelor's degree in automotive applied engineering in July 1998.

BIOGRAPHIES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

COMPANY SECRETARY

Ms. Chan Sze Ting (陳詩婷), was appointed as the company secretary of the Company on 18 June 2019. Ms. Chan is a director of the Company Secretarial Services of Tricor Services Limited, a member of Vistra Group. Ms. Chan has over 19 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) in the United Kingdom. Ms. Chan holds a bachelor of arts from Hong Kong Polytechnic University and a bachelor's degree in law from the University of London, Britain.

CORPORATE GOVERNANCE PRACTICE OF THE COMPANY

The Board believes that effective and reasonable corporate governance practices are essential to the development of the Group and can safeguard and enhance the interests of the shareholders. The Company has adopted the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company regularly reviews its corporate governance practice to ensure the compliance with the CG Code.

The Board is of the view that the Company has complied with the code provisions set out in the CG Code during the period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**"). The major corporate governance principles and practices of the Company are summarised as below.

Corporate Governance Culture

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. In achieving its long-term goals, the Company must act in a clean, transparent and accountable manner. The Company believes that these practices will create sustainable value for shareholders, employees and business partners in the long run.

Corporate governance is the process by which the Board directs the management of the Group to conduct business to ensure that its objectives are achieved. The Board is committed to maintaining and developing sound corporate governance practices to ensure:

– Delivery of satisfactory and sustainable returns to shareholders;

– Understanding and management of overall business risks in a proper manner; and

– Maintenance of high ethical standards.

CORPORATE GOVERNANCE REPORT

BOARD

The Board is jointly responsible to all shareholders for leading and overseeing the operations of the Group so as to ensure the achievement of the objective of value adding to shareholders. The Board is responsible for the overall development of the Group, approving and monitoring the overall development strategies of the Group, assessing, monitoring and controlling the operation and financial performance, ensuring the directors of the Company perform their duties properly and act in the best interests of the Group and hold discussions on various important and proper businesses of the Company in a timely manner. All directors are entitled to include any matter that needs to be submitted to the Board for discussion in the agenda of the Board meeting. The management shall provide members of the Board and specialised committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Company to facilitate the discharge of their duties and make informed assessment and decision.

Pursuant to code provision B.1.4 of the CG Code, the Board has established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive directors are encouraged to actively participate in the Board meetings; (ii) the number of independent non-executive directors must comply with the requirement under the Listing Rules; and (iii) the independent non-executive directors shall devote sufficient time to discharge their duties as a director. Furthermore, the Board may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

During the Reporting Period, all directors has completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

The executive directors and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board fully supports the senior management to discharge their responsibilities.

The Board as a whole is responsible for performing the corporate governance duties set out in code provision A.2.1 of the CG Code. The Board has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules and the employees' written guidelines, and the Company's compliance with the CG Code and disclosures in this Corporate Governance Report.

BOARD COMPOSITION

The Board composition of the Company during the Reporting Period and up to the date of this report are as follows:

Executive Directors:

Mr. Wu Tak Lam *(Chairman of the Board, Chairman of each of the Nomination Committee and the Finance and Investment Committee)*

Ms. Chiu Man *(Chief Executive Officer , a member of the Nomination Committee (appointed on 26 March 2025) and a member of the Finance and Investment Committee)*

Ms. Chen Wei

Mr. Deng Ning

Independent Non-executive Directors:

Dr. Han Qinchun *(Chairman of the Audit Committee, member of each of the Nomination Committee, the Remuneration Committee and the Finance and Investment Committee)*

Dr. Liu Xiaofeng *(Member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee)*

Mr. Liu Qiming *(Chairman of the Remuneration Committee, member of each of the Audit Committee and the Nomination Committee) (appointed on 22 November 2024)*

Mr. Song Tao *(former Chairman of the Remuneration Committee, former member of each of the Audit Committee and the Nomination Committee) (resigned on 22 November 2024)*

The biographical details of the current directors and the relationship among them, if any, are set out on pages 34 to 38 of this annual report.

The appointment of independent non-executive directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company considers the independent non-executive directors to be independent of the management and, as of the date of this report, free of any relationship that could materially interfere with the exercise of their independent judgment. Accordingly, the Company is of the view that the independent non-executive directors meet the independence requirements set out in Rule 3.13 of the Listing Rules. The Board considers that each of the independent non-executive directors could bring his own relevant expertise to the Board and bring a wide range of business and financial expertise, experiences and independent judgement to the Board, and is also invited to join the Board committees of the Company. Through active participation in Board meetings and taking the lead in managing issues involving potential conflict of interests, all independent non-executive directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and its shareholders.

BOARD MEETINGS

During the Reporting Period, the Board has convened 4 meetings. The Board has, by means of meetings and written resolutions, discussed and approved the overall strategies and policies of the Company, reviewed and approved the audited annual results of the Group for the year ended 31 December 2023, reviewed and approved the unaudited interim results of the Group for the six months ended 30 June 2024, discussed/approved the reporting and proposals of all Board committees, considered whether the continuing connected transactions for the year 2024 exceeded the annual caps set, reviewed the risk management and internal control systems of the Group, reviewed and approved the publication of the Company's Environmental, Social and Governance Report for the year ended 31 December 2023, etc. during the Reporting Period.

The attendance records of each director at the Board meetings during the Reporting Period are set out below:

Name of Director	Attendance/ No. of meetings held	Attendance rate (%)
Executive Directors:		
Mr. Wu Tak Lam	4/4	100
Ms. Chiu Man	4/4	100
Ms. Chen Wei	4/4	100
Mr. Deng Ning	4/4	100
Independent Non-executive Directors:		
Mr. Song Tao (Note 1)	4/4	100
Dr. Liu Xiaofeng	4/4	100
Dr. Han Qinchun	4/4	100
Mr. Liu Qiming (note 2)	–	–

Notes:

1. Mr. Song Tao resigned as an independent non-executive director with effect from 22 November 2024. Prior to his resignation, the Company held 4 Board meetings during the Reporting Period.

2. Mr. Liu Qiming was appointed as an independent non-executive director on 22 November 2024. Following his appointment, the Company did not hold any Board meetings during the Reporting Period.

The Company has adopted the code provisions of the CG Code to issue meeting notice of at least 14 days before convening a regular Board meeting and a reasonable notice for other Board meetings so that all directors can have sufficient time and plan to attend the meetings. All meeting papers will be sent to all directors no less than three days before a meeting is convened. Matters discussed and resolved at Board meetings will be recorded in detail and a summary of minutes will be made, and resolutions will also be filed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association contain provisions on the procedures and process of appointment and removal of directors.

According to the Company's Articles of Association, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

Each director of the Company is subject to renewal upon expiry of the term. They are also subject to re-election in accordance with the Company's Articles of Association provisions as mentioned above.

Pursuant to the provisions of the Articles of Association of the Company, Ms. Chiu Man, Dr. Liu Xiaofeng and Mr. Liu Qiming shall retire at the 2025 annual general meeting of the Company (the "**2025 AGM**"). All of the above three directors are eligible for re-election at the 2025 AGM, and have indicated that they will offer themselves for re-election at the 2025 AGM. The Board and the Nomination Committee recommended the re-appointment of the said three retiring directors standing for re-election at the 2025 AGM. The Company's circular, to be published together with this annual report, contains detailed information of these three directors pursuant to the requirements of the Listing Rules.

TRAINING FOR DIRECTORS

Each newly appointed director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group, and that he/she is adequately aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Mr. Liu Qiming was appointed as an independent non-executive director on 22 November 2024. On 20 November 2024, Mr. Liu obtained the legal advice referred to under Rule 3.09D of the Listing Rules and confirmed that he understood his obligations as a director of the Company.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged by the Company whenever necessary. To ensure all directors' continuous contributions to the Board are made with comprehensive and relevant information as well as the development and the update of knowledge and skills of all directors, the Company would arrange trainings and provide relevant funds. Training records for the directors of the Company during the Reporting Period are as follows:

- All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Ms. Chen Wei, Mr. Deng Ning, Mr. Song Tao (resigned as an independent non-executive director with effect from 22 November 2024), Dr. Liu Xiaofeng, Dr. Han Qinchun and Mr. Liu Qiming (appointed as an independent non-executive director with effect from 22 November 2024)) received regular briefings and updates from the senior management on the Group's business, operating position and corporate governance matters.

- All directors (being Mr. Wu Tak Lam, Ms. Chiu Man, Ms. Chen Wei, Mr. Deng Ning, Mr. Song Tao (resigned as an independent non-executive director with effect from 22 November 2024), Dr. Liu Xiaofeng, Dr. Han Qinchun and Mr. Liu Qiming (appointed as an independent non-executive director with effect from 22 November 2024)) read technical bulletins, periodicals and other publications in relation to the Group and those in relation to directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2024. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements. The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' LIABILITY INSURANCE

The Company has purchased directors' liability insurance for all directors.

BOARD DIVERSITY POLICY

The Company believes that the diversification of the Board is beneficial for enhancing the performance of the Company. Therefore, the Company established the "Board Diversity Policy", and approved its amendments in March 2019, ensuring that, in reviewing and evaluating the composition of the Board and nominating directors, the Company will consider the diversification of members of the Board from various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge, and industry and regional experience. All appointments to the Board shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board when considering the candidates.

The Nomination Committee will review the policy annually and set measurable targets and the achievement progress for implementing the policy when necessary, so as to ensure the effectiveness of the policy. The Nomination Committee will discuss any amendment to the policy that may need to be made and make recommendations to the Board for approval. Pursuant to Rule 13.92 of the Listing Rules, the Stock Exchange will not consider diversity to be achieved for a single gender board. As at the date of this report, the Board comprises 2 female and 5 male directors, which is in compliance with the requirement of appointing at least a director of a different gender under the Listing Rules and has achieved the current measurable targets set by the Company.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender
Male: 5 directors
Female: 2 directors

Designation
Executive directors: 4 directors
Independent non-executive directors: 3 directors

Age Group
41-50: 2 directors
61-70: 5 directors

Educational Background
Economics: 3 directors
Account and Finance: 1 director
Engineering: 3 directors

Business Experience
Accounting & Finance: 3 directors
Experience related to the Company's business: 4 directors

Gender Diversity

Currently, the Board has 2 female directors, accounting for 28.57% of all the directors of the Company, 1 female senior management member (i.e. Ms. Chen Wei, who is also an executive director of the Company), accounting for 25% of the senior management of the Company, and a total of 966 female employees, accounting for 39.6% of all the employees of the Group, and the Group considers that the current circumstances of gender diversity above are satisfactory. During the Reporting Period, there were no mitigating factors or circumstances which make achieving gender diversity across the workforce (including the Board, senior management and other employees) more challenging or less relevant.

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

DIRECTOR NOMINATION POLICY

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

The Company established a "Director Nomination Policy" in March 2019 which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and ensure the Board continuity and appropriate leadership at Board level.

In evaluating and selecting candidate for directorship, the following criteria should be considered:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy and diversity aspects under the Board Diversity Policy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; and
- Willingness and ability to devote adequate time to discharging duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code stipulates that the roles of chairman of the board of directors and chief executive officer should be separate and should not be performed by the same individual. The Company had complied the relevant code provision during the Reporting Period.

Mr. Wu Tak Lam is the Chairman of the Board, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for setting the strategic vision, direction and goals of the Group and participates in the Group's strategic and key operational decision-making processes. He is the primary responsible person for ensuring that sound corporate governance practices and procedures are established, and that appropriate steps are taken to provide effective communication with shareholders so that their views are communicated to the Board as a whole. During the Reporting Period, Mr. Wu Tak Lam held one meeting with independent non-executive directors without the presence of other directors.

Ms. Chiu Man is the Chief Executive Officer, who performs the functions of the Chief Executive Officer and is responsible for overseeing our operations and investment, managing our relationship with automobile manufacturers and exploring new business opportunities for the Group.

To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the Chairman of the Board coordinates with the senior management to provide adequate, complete and reliable information to all directors for consideration and review.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Currently, the Company has appointed three independent non-executive Directors, namely Dr. Liu Xiaofeng, Dr. Han Qinchun and Mr. Liu Qiming.

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Finance and Investment Committee, for overseeing particular aspects of the Company's affairs. All of these four committees are established with defined written terms of reference which are available at the websites of the Stock Exchange and the Company. All Board committees must report to the Board on their decisions or proposals.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee currently consists of the three independent non-executive directors, namely Dr. Han Qinchun (Chairman of the Committee), Dr. Liu Xiaofeng and Mr. Liu Qiming. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group.

The attendance records of each member of the Audit Committee at the Audit Committee meetings held during the Reporting Period are set out below:

Members of the Audit Committee	Attendance/ No. of meetings held	Attendance rate (%)
Dr. Han Qinchun	2/2	100
Mr. Song Tao (Note 1)	2/2	100
Mr. Liu Qiming (Note 2)	–	–
Dr. Liu Xiaofeng	2/2	100

Notes:

1. Mr. Song Tao resigned as a member of the Audit Committee on 22 November 2024. Prior to his resignation, the Company held 2 Audit Committee meetings during the Reporting Period.

2. Mr. Liu Qiming was appointed as a member of the Audit Committee on 22 November 2024. Following his appointment, the Company did not hold any Audit Committee meeting during the Reporting Period.

The external auditors have attended all the above-mentioned meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the engagement of external auditors.

During the Reporting Period, the Audit Committee had performed the following major duties by means of meetings and written resolutions:

- Reviewed and discussed the annual financial statements, results announcement and report for the year ended 31 December 2023, relevant accounting principles and practices adopted by the Group and internal controls related matters, and the proposed re-appointment of the external auditors;

- Reviewed and discussed the interim financial statements, results announcement and interim report for the six months ended 30 June 2024, and relevant accounting principles and practices adopted by the Group;

- Reviewed the Group's continuing connected transactions;

- Reviewed and inspected the performance and effectiveness of risk management and internal control systems;

- Listened to and discussed the internal audit situation and proposed remedial measures of the Company reported by the internal audit department; and

- Reviewed the annual audit plan, including the nature and scope of audit, fees payable to the auditors, their reporting obligations and working plans.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in accordance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee currently consists of the three independent non-executive directors, namely Mr. Liu Qiming (Chairman of the Committee), Dr. Liu Xiaofeng and Dr. Han Qinchun. Major duties of the Remuneration Committee are to evaluate the remuneration policies for the directors and senior management of the Group as well as to make recommendations to the Board. The Company has adopted execution model of the remuneration committee as described in code provision E.1.2(c) (ii) of the CG Code.

The attendance records of each member of the Remuneration Committee at the Remuneration Committee meeting held during the Reporting Period are set out below:

Members of the Remuneration Committee	Attendance/ No. of meetings held	Attendance rate (%)
Mr. Song Tao (Note 1)	2/2	100
Mr. Liu Qiming (Note 2)	–	–
Dr. Liu Xiaofeng	2/2	100
Dr. Han Qinchun	2/2	100

Notes:

1. Mr. Song Tao resigned as the Chairman of the Remuneration Committee with effect from 22 November 2024. Prior to his resignation, the Company held 2 Remuneration Committee meetings during the Reporting Period.

2. Mr. Liu Qiming was appointed as the Chairman of the Remuneration Committee with effect from 22 November 2024. Following his appointment, the Company did not hold any Remuneration Committee meeting during the Reporting Period.

During the Reporting Period, the Remuneration Committee had performed the following major duties by means of meetings and written resolutions:

- Generally reviewed and discussed the remuneration packages and benefits policies for the directors and senior management of the Group;
- Made recommendation on the remuneration package and the terms of service contract for reappointment of Ms. Chen Wei as an executive director of the Company; and
- Made recommendation on the remuneration package and the terms of service contract for appointment of Mr. Liu Qiming as an independent non-executive director of the Company.

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

Remuneration bands (RMB)	Number of individuals
0-500,000	2
500,001-1,000,000	1

Details of the remuneration of all directors of the Company for the year ended 31 December 2024 are set out in Note 8 to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in accordance with the CG Code as set out in Appendix C1 to the Listing Rules. The Nomination Committee currently consists of the Chairman of the Board (who is an executive director) and the three independent non-executive directors of the Company, namely Mr. Wu Tak Lam (Chairman of the Committee), Ms. Chiu Man (appointed on 26 March 2025), Dr. Liu Xiaofeng, Dr. Han Qinchun and Mr. Liu Qiming. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company, to oversee the process for evaluating the performance of the Board, to develop recommendations to the Board, and to monitor nomination guidelines for the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria set out in the Director Nomination Policy (for summary of the Company's director nomination policy in force, please see the section headed "Director Nomination Policy" above), such as the character, integrity, qualifications (including professional qualifications, skills, knowledges and experience that is relevant to the Company's business and corporate strategy) of the candidate, the amount of time and efforts that the candidate will devote to discharging his/her duties and responsibilities, and diversity of the Board (for summary of the Company's board diversity policy in force, please see the section headed "Board Diversity Policy" above). External recruitment professionals might be engaged to carry out selection process when necessary.

The attendance records of each member of the Nomination Committee at the Nomination Committee meeting held during the Reporting Period are set out below:

Members of the Nomination Committee	Attendance/ No. of meetings held	Attendance rate (%)
Mr. Wu Tak Lam	2/2	100
Mr. Song Tao (Note 1)	2/2	100
Mr. Liu Qiming (Note 2)	–	–
Dr. Liu Xiaofeng	2/2	100
Dr. Han Qinchun	2/2	100

Notes:

1. Mr. Song Tao resigned as a member of the Nomination Committee with effect from 22 November 2024. Prior to his resignation, the Company held 2 Nomination Committee meetings during the Reporting Period.

2. Mr. Liu Qiming was appointed as a member of the Nomination Committee with effect from 22 November 2024. Following his appointment, the Company did not hold any Remuneration Committee meeting during the Reporting Period.

During the Reporting Period, the Nomination Committee had performed the following major duties by means of meetings and written resolutions:

- Reviewed the structure, size, composition and diversity of the Board;
- Considered and made recommendation to the Board on the re-election of the retiring directors at the 2024 annual general meeting;
- Assessed the independence of the independent non-executive directors; and
- Considered and made recommendation on appointment of Mr. Liu Qiming as an independent non-executive director of the Company.

The Nomination Committee believes that the composition of the Board is diversified. For example, there are two female directors, and there are also members with deep understanding of automobile dealers and members with extensive experience in corporate finance.

FINANCE AND INVESTMENT COMMITTEE

The Company has established the Finance and Investment Committee with written terms of reference. The Finance and Investment Committee currently consists of the Chairman of the Board (who is an executive director), an executive director and an independent non-executive director, namely Mr. Wu Tak Lam (Chairman of the Committee), Ms. Chiu Man and Dr. Han Qinchun. The primary duties of the Finance and Investment Committee are to arrange, consider, review and approve the Group's bank financing and loans as well as the Company's guarantees and indemnities for its subsidiaries.

The attendance records of each member of the Finance and Investment Committee at the Finance and Investment Committee meeting held during the Reporting Period are set out below:

Members of the Finance and Investment Committee	Attendance/ No. of meeting held	Attendance rate (%)
Mr. Wu Tak Lam	1/1	100
Ms. Chiu Man	1/1	100
Dr. Han Qinchun	1/1	100

During the Reporting Period, the Finance and Investment Committee had performed the following major duties:

- Reviewed the terms of reference and operation model of the Finance and Investment Committee, etc.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all Directors, all of the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2024.

The Company has established written guidelines for the relevant employees of the Company (the "**Relevant Employees**") in respect of their dealings in the securities of the Company (the "**Written Guidelines**") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employees" include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company for the Reporting Period.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and Relevant Employees in advance.

TRAINING FOR COMPANY SECRETARY

Ms. Chan Sze Ting was engaged and appointed by the Company as the company secretary of the external service provider, and she has met the qualifications as required by the Listing Rules. The biography of Ms. Chan Sze Ting is set out in the section headed "Biographies of Directors, Senior Management and Company Secretary" of this annual report. The main contact person of Ms. Chan Sze Ting in the Company is Ms. Chiu Man (the Company's executive director).

During the year ended 31 December 2024, Ms. Chan Sze Ting has received relevant professional training of no less than 15 hours in accordance with the Listing Rules.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" on pages 114 to 119. The external auditors of the Company will be invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, and auditors' independence.

The fees to Ernst & Young, the Company's auditors, in respect of audit services and non-audit services provided for the year ended 31 December 2024 are analysed below:

Types of service provided by the external auditors	Fees paid/payable
Audit services (RMB'000)	
– audit fee for the year ended 31 December 2024	2,280
Non-audit services (RMB'000)	0

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility towards risk management and internal control systems and that it is responsible for reviewing their effectiveness, to safeguard shareholders' investments and the Company's assets. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of the risk management and internal control systems as well as internal audit department on an annual basis through the Audit Committee under the Board. The internal audit department of the Group is under the leadership of the Board with independent monitoring authority. During the Reporting Period, the internal audit department has maintained internal control systems in compliance with the principles of comprehensiveness, importance and applicability as well as cost-effective. Thereby, it is able to carry out effective risk management and internal control through internal control measures including routine supervision, special supervision, prior approval, in-process control and post verification. Generally, the measures are as follows:

1. Introducing the "Measures for Bidding and Tendering of the Group and Companies" (《集團公司招投標辦法》) to process tender management on the projects with qualified capital;

2. Developing appraisal rules of suppliers and carrying out management and control to admittance qualification of suppliers to maintain a strict standard of quality and price;

3. Optimising assets management practices by thoroughly monitoring assets safety from approval of their purchases until their disposals;

4. Enhancing the management and auditing of operation system. During the year, the Group redeveloped and improved report extraction of the ERP, OA and EAS operation systems operated by the Group's subsidiaries to ensure the accuracy, completeness and timeliness of corporate operation data; and

5. Controlling risks within a tolerable level by adopting a series of risk management measures, including property protection control, authorization and approval control, operation analysis control, performance appraisal control and budget control.

During the Reporting Period, the Board had conducted a review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2024. The review covered the financial, operational, compliance and risk management aspects of the Group.

According to the findings of the internal audit department, the conclusions made by the Board and the Audit Committee on risk management and internal control of the Group for the year ended 31 December 2024 are as follows: (i) the Group's risk management and internal control systems have been highly efficient and adequate; (ii) the Group has necessary control system in place for monitoring and rectifying any non-compliance incidents; and (iii) the Group has complied with the requirements as set out in the CG Code in respect of risk management and internal control.

There were no major breaches in the risk management and internal control systems of the Group that may have had an impact on shareholders' interests for the year ended 31 December 2024.

The Group conducts its affairs with close regard to the disclosure requirements under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012, and established specialised agency and appointed personnel being responsible for registration and management of insiders. It also sets up internal management files for insiders management of the Company which is subject to regular updating. Meanwhile, regular training has been conducted and engaged by the insiders and management staff to enhance awareness of consciously observing relevant laws of insiders.

The Group has established the "System for Information Insiders Management" in respect of the Group's senior management and employees who are more likely to be familiar with inside information or other information unpublished by the Group in accordance with the "Guidelines on Disclosure of Inside Information", which stipulates that confidential and inside information shall not be used without authorisation.

The Company has adopted the disclosure policy intended to provide a general guidance for the Company's directors, officers, senior management and relevant employees with the aim to deal with the matters such as handling confidential information or monitoring information disclosure in accordance with applicable laws and rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company attaches great importance to the communication with shareholders and promotes understanding and communication with shareholders through various channels, such as general meetings, results announcement conferences, road show activities, receiving guests and telephone counseling.

The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as the Chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee under the Board, or in their absence, other members of the respective committees will attend the annual general meeting and, where applicable, the Chairman of the Independent Board Committee will attend the general meetings to answer questions.

To promote effective communication, the Company maintains a website at www.sunfonda.com.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

During routine operations, the Company also strives to receive visits from shareholders and investors, and arrange onsite visits for the Company. The management of the Group will also communicate in person with investors and analysts. Shareholders are welcome to make enquiries in writing directly to the Company at its principal place of business in Hong Kong. The Company will respond to all enquiries on a timely and proper basis.

During the year ended 31 December 2024, the Company held one shareholders' general meeting, being the 2024 annual general meeting held on 30 May 2024. Details of individual attendance of each director at the aforesaid shareholders' general meeting are set out below:

Name of Director	Attendance/ No. of meeting held	Attendance rate (%)
Executive Directors		
Mr. Wu Tak Lam	1/1	100
Ms. Chiu Man	1/1	100
Ms. Chen Wei	1/1	100
Mr. Deng Ning	1/1	100
Independent Non-executive Directors		
Mr. Song Tao (Note 1)	1/1	100
Dr. Liu Xiaofeng	1/1	100
Dr. Han Qinchun	1/1	100
Mr. Liu Qiming (Note 2)	–	–

Notes:

1. Mr. Song Tao resigned as an independent non-executive director on 22 November 2024.

2. Mr. Liu Qiming was appointed as an independent non-executive director on 22 November 2024.

Any shareholders' enquiries regarding their shareholding, including transfer of shares, change of address, report of lost share certificates and dividend warrants, can be directed to Computershare Hong Kong Investor Services Limited, the Company's Hong Kong share registrar:

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852)2862-8628
Fax: (852)2865-0990, (852)2529-6087
Website: www.computershare.com.hk

RIGHTS OF SHAREHOLDERS

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Company's material developments to shareholders and investors. The annual general meetings of the Company provide a good opportunity for communication between shareholders and the Board.

To safeguard shareholders' interests and rights, separate resolutions on each substantial issue, including the election of individual directors, are proposed at general meetings for shareholders' consideration and voting. Shareholders of the Company could convene extraordinary general meetings or propose resolutions at general meetings as follows:

1. Pursuant to Article 12.3 of the Articles of Association of the Company, shareholders holding no less than one-tenth of the paid up capital of the Company as at the date of lodgement of the requisition may lodge a written requisition to the Board or the company secretary at the head office/principal place of business in Hong Kong of the Company to request the Board to convene an extraordinary general meeting. The written requisition must state the purposes of the meeting.

2. If a shareholder wishes to propose a person other than a retiring director for election as a director at the general meeting, pursuant to Article 16.4 of the Articles of Association of the Company, the shareholder (other than the person to be proposed) eligible for attending and voting at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong to the company secretary. The period for lodgement of such proposal notices shall be 7 days from the day after the despatch of the notice of such general meeting (or such other period being a period commencing on the day after the despatch of the notice of such general meeting as determined by the Board from time to time) and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, the shareholder must provide his/her full name, contact details and identification in the duly signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of the shareholder may be disclosed as required by law.

All resolutions put forward at shareholders' meetings shall be voted by poll, on a one vote per share basis, pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange and the Company after each shareholders' general meeting.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

There were no material changes to the Company's constitutional documents during the Reporting Period. For further details of shareholders' rights, shareholders may refer to the articles of association of the Company.

DIVIDEND POLICY

The Board adopted a dividend policy in March 2019. The Company aims at providing stable and sustainable returns to its shareholders. According to the dividend policy, the Company currently plans to pay dividends in amount of up to 30% of the distributable profit each fiscal year, and the declaration and payment of dividends shall remain to be determined at the discretion of the Board, subject to the articles of association of the Company and all applicable laws and regulations. In deciding whether to recommend the payment of a dividend and determining the amount of the dividend, the Board will consider the financial performance, cash flow status, business conditions and strategies, future operations and income, funding requirements and expenditure plans and shareholders' interests of the Group as well as any other factors. The Board will review the dividend policy from time to time. The Board may recommend and/or declare an interim dividend, a final dividend, a special dividend and any distribution of net profits as the Board considers appropriate for a financial year or period. Any final dividend is subject to approval by shareholders.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has developed a shareholders' communication policy. The policy aims to promote effective communication with shareholders and other stakeholders, encourage shareholders to engage actively with the Company, and enable shareholders to exercise their rights as shareholders effectively. The Board reviewed the implementation and effectiveness of the communication policy during the Reporting Period, and was satisfied with the results.

The Company has established certain channels to maintain an ongoing communication with shareholders as follows:

(a) Announcements and Other Documents in Compliance with the Listing Rules

The Company publishes announcements (on inside information, corporate actions and transactions, etc.) and other documents (e.g. memorandum of association and articles of association) on the website of the Stock Exchange in a timely manner in accordance with the Listing Rules.

(b) Corporate Website

Any information or documents published by the Company on the website of the Stock Exchange will also be posted on the Company's website (www.sunfonda.com.cn). Other corporate information about the Company's business development, goals and strategies, corporate governance and risk management will also be available on the Company's website.

(c) Shareholders' Meeting

Annual general meetings and other shareholders' meetings of the Company are the main platforms for communication between the Company and its shareholders. The Company shall, in accordance with the requirements of the Listing Rules, provide shareholders with relevant information on the resolutions of the shareholders' meeting in a timely manner. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolutions. Shareholders are encouraged to attend shareholders' meetings or, if they are unable to attend, proxies may be appointed to attend and vote on their behalf at meetings. Where appropriate or necessary, chairman of the Board and other Board members, chairman of the Board Committee or his/her representative and the external auditors should attend shareholders' meetings of the Company to answer questions (if any) from shareholders. The chairman of the independent board committee (if any) shall also answer questions at any shareholders' meetings to approve connected transactions or any other transactions subject to independent shareholders' approval.

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024 (the "**Financial Statements**").

PRINCIPAL ACTIVITIES

The Group is a leading luxury and ultra-luxury automobile dealership group in China. The comprehensive automobile sales and services offered by the Group include:

(i) sale of automobiles, both imported and domestically manufactured;

(ii) after-sales services, including:
   a. maintenance and repair services;
   b. sales of spare parts;
   c. automobile detailing services; and

(iii) other value-added services, including:
   a. automobile insurance agency services;
   b. automobile financing agency services;
   c. automobile licensing services; and
   d. automobile survey services.

There was no significant change in the nature of the principal businesses of the Group during the year ended 31 December 2024.

BUSINESS REVIEW

Analysis on Results and Financial Key Performance Indicators

The Group's profits for the year ended 31 December 2024 and the financial position of the Company and the Group as at 31 December 2024 are set out in the Financial Statements on pages 120 to 121 and pages 122 to 123 of this annual report.

A review of the Group's business during the year, which includes a discussion on the principal risks and uncertainties faced by the Group, an analysis on the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, significant events after the financial year end date, important relationships with its employees, customers and suppliers, and an indication of likely future developments in the Group's business, can be found in this Report of the Directors and the Management Discussion and Analysis as set out on pages 8 to 33 of this annual report.

Environmental Policies and Performance

During the year, the Group continued to focus on improving its performance in environmental protection, enhancing the awareness of environmental protection and proactively addressing the environmental issues. The Group endeavoured to adopt various energy saving and emission reduction measures in its business operation, so as to reduce the consumption of natural resources by using environmentally-friendly products and verified materials. Meanwhile, the Group engaged qualified and professional hazardous waste treatment organizations by way of public tender to carry out centralized collection and treatment of hazardous waste, with an aim to minimizing the environmental pollution. The department of general affairs of the Group regularly inspected and monitored the treatment results.

Please refer to the Environmental, Social and Governance Report as set out on pages 82 to 113 of this annual report for the details of environmental policies and performance of the Company.

Compliance with Laws and Regulations

The Board has attached great importance to the Group's compliance with domestic and foreign laws, regulations and regulatory requirements. The industry that the Group engages in is highly regulated. The Group is required to hold all specific approvals, licenses and permits necessary for automobile dealers and the operation of automobile maintenance and repair business, and carry out a number of filing procedures for its business, including but not limited to the followings:

- Approval and license for highway transportation;
- License for automobile insurance agency; and
- Filing procedures for distributing brand automobiles.

Any loss of or failure to obtain or renew of the approvals, licenses or permits could lead to interruption of its operation, and any fine or punishment imposed by the PRC government could materially and adversely affect the Group's results of operations, financial position and reputation.

For the year ended 31 December 2024, as far as the Board is aware, there was no material breach of the laws or regulations that had a significant impact on the Group's business and operation by the Group.

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2025 AGM of the Company will be held on Wednesday, 28 May 2025. In order to determine shareholders' entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025 (both days inclusive). In order to be entitled to attend and vote at the 2025 AGM, unregistered holders of shares of the Company should ensure that all the share transfer documents together with the relevant share certificates are lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 22 May 2025.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividend for the year ended 31 December 2024 to shareholders of the Company.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group during the year are set out in Note 13 to the Financial Statements.

SHARE CAPITAL

As at the date of this report, the authorised share capital of the Company was US$100,000.00, divided into 1,000,000,000 shares of a par value of US$0.0001 each. There were no movements in the issued shares of the Company during the year. Details of the Company's share capital are set out in Note 30 to the Financial Statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the year are set out in Notes 42 and 32 to the Financial Statements and in the consolidated statement of changes in equity, respectively. Of which, details of reserves available for distribution to shareholders are set out in Notes 42 and 32 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the distributable reserves of the Company available for distribution, calculated based on the Companies Act of the Cayman Islands (as revised), amounted to RMB87.3 million in aggregate. The Board resolved not to recommend the payment of any final dividend for the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares (the "**Treasury Shares**") within the meaning under the Listing Rules) during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any Treasury Shares.

MAJOR CUSTOMERS AND SUPPLIERS

Transaction amounts with five largest customers of the Group for 2024 accounted for less than 30% of the operating income of the Company for 2024. None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year. The Group's business is of retail nature with customers being relatively dispersed.

The purchase attributable to the Group's five largest suppliers and the largest supplier accounted for approximately 69% and 29% respectively of the Group's total purchase for the year ended 31 December 2024. The Group has established long-term cooperation relationships with automobile suppliers. The Group believes that its strong performance record demonstrates its excellent capability and in-depth market knowledge of the automobile distribution business in Northwestern China. The Group is confident that its operating capability and professional knowledge is conducive for the automobile suppliers to gain market shares in China and win customer loyalty. Therefore, the automobile suppliers have maintained close communication with the Group and sought out recommendations in respect of their development strategies in Northwestern China and Jiangsu region.

During the year under review, so far as the directors of the Company are aware, none of the directors of the Company, their close associates or the shareholders of the Company (which to the knowledge of the directors of the Company owned more than 5% of total number of issued shares of the Company) had any interest in the five largest suppliers or customers of the Company during the year.

REPORT OF THE DIRECTORS

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as at 31 December 2024 are set out in Note 26 to the Financial Statements.

DIRECTORS

The directors of the Company during the year ended 31 December 2024 and up to the date of this report were:

Executive Directors

Mr. Wu Tak Lam
Ms. Chiu Man
Ms. Chen Wei
Mr. Deng Ning

Independent Non-executive Directors

Mr. Song Tao *(resigned on 22 November 2024)*
Dr. Liu Xiaofeng
Dr. Han Qinchun
Mr. Liu Qiming *(appointed on 22 November 2024)*

BIOGRAPHIES OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the directors and the senior management are set out on pages 34 to 39 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a service contract with each of the directors, the major particulars of which are as follows: (1) the renewed service contract entered into between Mr. Deng Ning and the Company is for a term of three years starting from 9 November 2022; (2) the renewed letters of appointment entered into between Dr. Liu Xiaofeng and the Company are for a term from 24 May 2023 to 31 December 2025; (3) the renewed service contracts entered into between each of Mr. Wu Tak Lam and Ms. Chiu Man and the Company are for a term from 15 May 2023 to 31 December 2025; (4) the renewed service contract entered into between Dr. Han Qinchun and the Company is for a term from 18 May 2023 to 31 December 2025; (5) the renewed service contract entered into between Ms. Chen Wei and the Company is for a term of three years starting from 22 November 2024; (6) the letter of appointment entered into between Mr. Liu Qiming and the Company is for a term of three years starting from 22 November 2024; and (7) being terminable in accordance with the terms of the respective contracts.

None of the directors of the Company who are proposed for re-election at the 2025 AGM has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

The remuneration of the directors of the Company is approved by the Board with reference to each director's work performance, duties and responsibilities with the Company, the prevailing market rate and the remuneration policy of the Company. The remuneration of Ms. Chen Wei and Mr. Deng Ning is not covered by their respective director service contract, while the remuneration of Mr. Wu Tak Lam, Ms. Chiu Man and each independent non-executive director of the Company is covered by their respective director service contract or appointment letter. Details of remuneration of the directors of the Company are set out in Note 8 to the Financial Statements.

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of the five highest paid individuals of the Company are set out in Note 9 to the Financial Statements.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every director, auditor or other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a director, auditor or other officer of the Company in defending any proceedings, in which judgment is given in his/her favour, or in which he/she is acquitted.

REPORT OF THE DIRECTORS

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for directors and officers of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries or parent companies, or any subsidiaries of the parent companies of the Company was a party and in which any director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2024.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024, none of the directors of the Company nor their associates has competing interests in any businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company.

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

As at 31 December 2024, the interests and short positions of the directors of the Company and the chief executives of the Company in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) which as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Interests and short positions in ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Mr. Wu Tak Lam	Interest held by controlled corporations	1 2	434,183,000 (L) 10,000,000 (S)	72.36% 1.67%
Ms. Chiu Man	Interest held by controlled corporations	1 2	434,183,000 (L) 10,000,000 (S)	72.36% 1.67%
Mr. Deng Ning	Beneficial owner		1,071,000 (L)	0.18%
Ms. Chen Wei	Beneficial owner		864,000 (L)	0.14%

(L): Long position (S): Short position

Notes:

(1) These shares are all held by Top Wheel Limited ("**Top Wheel**").

The issued share capital of Top Wheel is owned as to 70% by Golden Speed Enterprises Limited ("**Golden Speed**"), a corporation wholly-owned and controlled by Mr. Wu Tak Lam, and 30% by Win Force Enterprises Limited ("**Win Force**"), a corporation wholly-owned and controlled by Ms. Chiu Man. As Top Wheel is a controlled corporation of Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed and Win Force, they are deemed to be interested in the 434,183,000 shares held by Top Wheel pursuant to Part XV of the SFO.

(2) On 19 November 2020, Top Wheel, a company wholly and beneficially owned by Mr. Wu Tak Lam and Ms. Chiu Man, entered into an option agreement with Asian Equity Special Opportunities Portfolio Master Fund Limited ("**AESOP**") (supplemented and amended by a supplementary agreement on 18 November 2022), pursuant to which, Top Wheel has agreed to grant a call option (the "**Option**") to AESOP over an aggregate of 10,000,000 shares in the Company (the "**Option Shares**") held by Top Wheel, with the exercise price of HK$2.98 per Option Share and exercise period of 54 months from the date of the grant of the Option. Please refer to the Company's announcement dated 19 November 2020 for other details.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2024.

(B) Long positions in the shares of associated corporations of the Company

Name of associated corporation	Name of Director	Capacity/ Nature of interest	Number of shares	Approximate percentage* of shareholding in the associated corporation
Golden Speed Enterprises Limited	Mr. Wu Tak Lam	Beneficial owner	1	100%
	Ms. Chiu Man	Interest of spouse	1	100%
Top Wheel Limited	Mr. Wu Tak Lam	Interest held by a controlled corporation	14,000	70%
		Interest of spouse	6,000	30%
			20,000	100%
	Ms. Chiu Man	Interest held by a controlled corporation	6,000	30%
		Interest of spouse	14,000	70%
			20,000	100%

Note: Mr. Wu Tak Lam holds the entire issued share capital of Golden Speed which holds 70% of the issued share capital of Top Wheel. The remaining 30% of the issued share capital of Top Wheel is indirectly held by his wife, Ms. Chiu Man (an executive director of the Company), through her wholly-owned investment company, Win Force. As Top Wheel holds more than 50% of the issued share capital of the Company and Golden Speed holds more than 50% of the issued share capital of Top Wheel, Top Wheel and Golden Speed are the associated corporations of the Company within the meaning of Part XV of the SFO.

* The percentage represents the number of ordinary shares involved divided by the number of issued shares of the associated corporation as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, none of the directors or chief executives of the Company had an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the below sections headed "Share Option Scheme" and "Pre-IPO Share Award Scheme", neither at the end of nor at any time during the year there subsisted any arrangement to which the Company or any of its subsidiaries or its parent companies or its fellow subsidiaries was a party and the objectives of or one of the objectives of such arrangement are/is to enable the Company's directors, their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2024, the following persons (other than the directors or chief executives of the Company) had interests and 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 366 of the SFO:

Interests and short positions in ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Notes	Number of shares	Approximate percentage* of shareholding in the Company
Top Wheel Limited	Beneficial owner	1	434,183,000 (L) 10,000,000 (S)	72.36% 1.67%
Win Force Enterprises Limited	Interest held by a controlled corporation	1	434,183,000 (L) 10,000,000 (S)	72.36% 1.67%
Golden Speed Enterprises Limited	Interest held by a controlled corporation	1	434,183,000 (L) 10,000,000 (S)	72.36% 1.67%
RAYS Capital Partners Limited	Investment manager	2	34,789,000 (L)	5.79%
RUAN David Ching Chi	Interest held by a controlled corporation	2	34,789,000 (L)	5.79%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Beneficial owner	2	34,789,000 (L)	5.79%

(L): Long position (S): Short position

Notes:

(1) The above interests of Top Wheel, Win Force and Golden Speed were also disclosed as the interests of each of Mr. Wu Tak Lam and Ms. Chiu Man in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

(2) Asian Equity Special Opportunities Portfolio Master Fund Limited is wholly-owned by RAYS Capital Partners Limited, which is in turn owned as to 45.60% by Ruan, David Ching-chi, RAYS Capital Partners Limited and Ruan, David Ching-chi are therefore deemed to be interested in the 34,789,000 shares (of which 10,000,000 shares are non-listed derivatives under a convertible instrument) held by Asian Equity Special Opportunities Portfolio Master Fund Limited.

* The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, no person, other than the directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

During the year ended 31 December 2024, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed.

SHARE OPTION SCHEME

The Share Option Scheme (as defined in the Company's prospectus) was conditionally adopted pursuant to a resolution of the shareholders of the Company on 18 January 2014 (the "**Adoption Date**") and became effective from 15 May 2014 when dealings in the shares of the Company on the Stock Exchange commenced and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date. The Share Option Scheme expired on 17 January 2024, and the Company has no intention to re-adopt a new share option scheme at this stage. No options have been granted under the Share Option Scheme.

PRE-IPO SHARE AWARD SCHEME

The Pre-IPO Share Award Scheme was adopted by the Company on 8 January 2014 for the purpose of recognising and rewarding the contribution of selected employees of the Group and motivating their contribution to the future development of the Group. For the implementation of the Pre-IPO Share Award Scheme, the Management Trust was established on the same date for the benefit of certain employees with Cantrust (Far East) Limited acting as the trustee. 9,000,000 shares of the Company, representing 1.5% of the shares of the Company in issue as at the date of approval of this report, were transferred to the Management Trust for nil consideration on the same date pursuant to the Pre-IPO Share Award Scheme. Unless otherwise terminated or amended, the Pre-IPO Share Award Scheme shall be valid and effective for a term of ten years from the date of adoption. The Pre-IPO Share Award Scheme expired on 7 January 2024. The maximum number of awarded shares granted to each qualified participant under the Pre-IPO Share Award Scheme (including both vested and outstanding awarded shares) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of awarded shares in excess of this limit is subject to shareholders' approval at a general meeting of the Company. Any awarded Shares granted pursuant to the Pre-IPO Share Award Scheme shall be subject to a vesting period of five years commencing from the date of award during which the awarded Shares will vest on specified dates commencing on the first anniversary date of the date of award and thereafter on each anniversary date, upon which awarded Shares in equal portions (being 20% of the total awarded Shares) shall vest. The Board shall be at liberty to waive such vesting date at its discretion. As of the date of expiry of the Pre-IPO Share Award Scheme, all of the 9,000,000 Shares of the Company available to grant under the Pre-IPO Share Award Scheme had been awarded to the grantees in accordance with the Pre-IPO Share Award Scheme. Details of the Pre-IPO Share Award Scheme are disclosed in the Company's prospectus and Note 31 to the Financial Statements.

Details of awarded shares granted and not vested under the Pre-IPO Share Award Scheme during the period:

Grantees of awarded shares [1]	Capacity in the Group	Number of outstanding awarded shares as at 1 January 2024	Granted during the Period	Date of grant	Purchase price	Vesting period	Vested during the Period	Weighted average closing price of the shares immediately prior to the date of vesting of the awarded shares	Cancelled during the Period	Lapsed during the Period	Number of outstanding awarded shares as at 31 December 2024
Directors of the Company*											
Mr. Deng Ning	Executive Director	1,000,000	–	16 October 2023	N/A	Vested immediately after passing the 2023 Key Performance Indicator ("**KPI**") assessment [1]	1,000,000	HK$0.63	–	–	–
Ms. Chen Wei	Executive Director	700,000	–	16 October 2023	N/A	Vested immediately after passing the 2023 KPI assessment [1]	700,000	HK$0.63	–	–	–
	Sub-total	1,700,000	–				1,700,000		–	–	–
Total of 1 non-director and non-chief executive officer of the five highest paid individuals in 2024		1,009,600	–	16 October 2023	N/A	Vested immediately after passing the 2023 KPI assessment [1]	1,009,600	HK$0.63	–	–	–
	Sub-total	1,009,600	–				1,009,600		–	–	–
2 employees of the Company		1,100,000	–	16 October 2023	N/A	Vested immediately after passing the 2023 KPI assessment [1]	1,100,000	HK$0.63	–	–	–
	Sub-total	1,100,000	–				1,100,000		–	–	–
	Total	3,809,600	–				3,809,600		–	–	–

Note:

(1) The 2023 KPI assessment was completed on 31 May 2024 and all awardees who were granted the awarded shares on 16 October 2023 have passed the assessment.

From 31 December 2023 to the expiry date of the Pre-IPO Share Award Scheme (i.e. 7 January 2024), no awarded shares were granted under the Pre-IPO Share Award Scheme. As at the expiry date of the Pre-IPO Share Award Scheme (i.e. 7 January 2024), there were no awarded shares available for grant under the Pre-IPO Share Award Scheme.

ISSUED DEBENTURES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries issued any debentures.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the above sections headed "Share Option Scheme" and "Pre-IPO Share Award Scheme", no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted as at the end of the year.

CONTRACT OF SIGNIFICANCE

No contract of significance has been entered into between the Company, or any of its subsidiaries and the controlling shareholder or any of its subsidiaries during the year ended 31 December 2024.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 34.

CORPORATE GOVERNANCE

Please refer to the Corporate Governance Report on pages 41 to 63 of this annual report for details.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors of the Company, not less than 25% of the Company's total issued shares were in the hands of the public as at the date of this report, which complied with the public float requirements under the Listing Rules.

MATERIAL LITIGATION

During the year ended 31 December 2024, the Group was neither involved in any material litigation or arbitration, nor may be brought up or accused of any pending material litigation or claims.

AUDIT COMMITTEE

The Audit Committee (consisting of the three independent non-executive directors of the Company) has reviewed the consolidated financial statements for the year ended 31 December 2024, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2024 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2024 and up to the date of this annual report, the controlling shareholders of the Company, namely Mr. Wu Tak Lam, Ms. Chiu Man, Golden Speed, Win Force and Top Wheel (collectively referred to as the "**Controlling Shareholders**"), have no interests in any business which competes with or is likely to compete with the businesses of the Group.

The Company has obtained the annual written confirmations from the Controlling Shareholders in respect of their compliance with the Deed of Non-competition (the "**Deed of Non-Competition**") entered into between the Controlling Shareholders and the Company.

Based on the information and confirmations provided by or obtained from the Controlling Shareholders, the independent non-executive directors of the Company reviewed the compliance conditions in respect of the Deed of Non-Competition for the year ended 31 December 2024 and up to the date of this annual report, and believed that the Controlling Shareholders had fully complied with the Deed of Non-Competition.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 39 to the Financial Statements, the following transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are required to be disclosed in this annual report in accordance with the requirements set out in Chapter 14A of the Listing Rules. Please see the below information disclosed in compliance with Chapter 14A of the Listing Rules.

On 14 December 2022, the Company entered into a new merchandise sale and purchase framework agreement (the "**MSP Framework Agreement**") with Yangzhou Sunfonda Automobile Co., Ltd. ("**Yangzhou Sunfonda**"), pursuant to which the Group may sell or purchase imported Volkswagen automobiles and related spare parts to or from Yangzhou Sunfonda from time to time. All transaction prices for the sale or purchase of imported Volkswagens automobiles and related spare parts between the Group and Yangzhou Sunfonda are equivalent to the transaction prices between the Group and Volkswagen Group Import (China) Co., Ltd., which is in line with the pricing policy of the transactions conducted by the Group with other independent automobile dealers. In the transactions under the MSP Framework Agreement, as the transaction prices are completely the same as those offered by or to Volkswagen Group Import (China) Co., Ltd. or other independent automobile dealers, neither the Group nor Yangzhou Sunfonda will profit from any price differentiation from the MSP Framework Agreement and transactions contemplated thereunder. The term of the MSP Framework Agreement is three years, commencing on 1 January 2023 and expiring on 31 December 2025. For details, please refer to the announcement of the Company dated 14 December 2022.

Yangzhou Sunfonda is held as to 99.69% equity interest by Mr. Zhao Yijian ("**Mr. Zhao**"), who is the brother-in-law and the brother of Mr. Wu Tak Lam and Ms. Chiu Man (both being directors of the Company) respectively, and 0.31% equity interest by Ms. Zhao Bailu ("**Ms. Zhao**"), who is the daughter of another brother-in-law and the daughter of another brother of Mr. Wu Tak Lam and Ms. Chiu Man (both being directors of the Company) respectively, hence Mr. Zhao, Ms. Zhao and Yangzhou Sunfonda are connected persons of the Company. As a result, the MSP Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions according to Chapter 14A of Listing Rules.

For the year ended 31 December 2024, the total actual transaction amount and annual cap of sales of imported Volkswagen automobiles and related spare parts to Yangzhou Sunfonda by the Group under the MSP Framework Agreement were RMB246,400 and RMB14,000,000, respectively; the total actual transaction amount and annual cap of purchase of imported Volkswagen automobiles and related spare parts from Yangzhou Sunfonda by the Group were RMB106,600 and RMB11,000,000, respectively. For more information, please also see Note 39 to the Financial Statements.

Independent non-executive directors of the Company have confirmed that the above continuing connected transactions were entered into: (i) in the ordinary course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with relevant governance agreements (including the pricing principle and guidelines set out therein) and on terms that were fair and reasonable and in the interest of the Company and the shareholders as a whole. The Company had followed its pricing policies and guidelines for connected transactions when determining the price and terms of the transactions conducted for the year ended 31 December 2024.

Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with relevant provisions of Rule 14A.56 of the Listing Rules.

AUDITORS

The consolidated financial statements have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the 2025 AGM. A resolution for the re-appointment of Ernst & Young as the auditors of the Company is to be proposed at the 2025 AGM. The auditors of the Company have not been changed for the three years ended 31 December 2024.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END DATE

On 10 March 2025, Shaanxi Sunfonda Huixiang Automobile Sale and Service Co., Ltd. (陝西新豐泰匯翔汽車銷售服務有限公司), Shaanxi Sunfonda Junmei Automobile Sale and Service Co., Ltd. (陝西新豐泰駿美汽車銷售服務有限公司), Beijing Sunfonda Boao Automobile Sale and Service Co., Ltd. (北京新豐泰博奧汽車銷售服務有限公司), Shaanxi Sunfonda Shangzhong Automobile Sale and Service Co., Ltd. (陝西新豐泰尚眾汽車銷售服務有限公司), Shaanxi Sunfonda Yingbin Automobile Sale and Service Co., Ltd. (陝西新豐泰迎賓汽車銷售服務有限公司),Yan'an Sunfonda Boao Automobile Co., Ltd. (延安新豐泰博奧汽車有限責任公司) and SUNFONDA (HONG KONG) LIMITED (新豐泰(香港)有限公司) (collectively the "**Vendors**") (each being an indirect wholly-owned subsidiary of the Company), entered into an equity transfer agreement with Xi'an Zhongyu Real Estate Co., Ltd. (西安中嶼房地產有限公司) (the "**Purchaser**"), pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendors has conditionally agreed to sell all the equity interests in Xi'an Sunfonda Jing River Logistics Development Co., Ltd. (西安新豐泰涇河物流開發有限公司) (the "**Target Company**") for a total consideration of RMB81.92 million (the "**Disposal**"). The Target Company owns a property located at Jinghe Industrial Park, Gaoling District, Xi'an City, Shaanxi Province.

The Company has obtained a written approval from the controlling shareholder of the Company pursuant to Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Disposal. The Company is in the course of preparation of the circular of the Disposal and will dispatch the same to the shareholders of the Company on due course.

For further details of the Disposal, please refer to the Company's announcements dated 10 March 2025, 12 March 2025 and 24 March 2025.

Save as disclosed above, there were no significant subsequent events that had occurred from 1 January 2025 up to the date of this announcement.

Other parts, sections or notes of this annual report referred to in this section of the annual report (the Report of the Directors) constitute part of the Report of the Directors.

By order of the Board
Sunfonda Group Holdings Limited

Mr. Wu Tak Lam
Chairman

Hong Kong, 26 March 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD STATEMENT

Sunfonda Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**our**") is pleased to present its Environmental, Social and Governance (ESG) Report (the "**Report**" or the "**ESG Report**"), which aims to describe our development and performance in all aspects of ESG in 2024 in response to the expectations and concerns of stakeholders for the sustainable development of the Group.

The Board firmly believes that enhanced talent management, cleaner operations and tightening emission control will help the Group to achieve its established mission and sustainable development goals. The Board considers that emphasising ESG management can enhance corporate brand image, reduce operating costs and protect the environment to build a green corporate image. The Board believes that the enhancement of staff training, the establishment of dedicated teams and the upgrading of equipment will contribute to the continuous improvement of the Group. The Board comprises both male and female directors to reflect diversified governance, and we will continue to enhance the diversity of directors in terms of age, gender and ESG-related experiences in the future.

The Board attaches great importance to ESG governance and assumes the responsibility for guiding the sustainable development of the Group. The Board regularly reviews the effectiveness of the ESG programme and encourages all departments to engage in ESG implementation. The Board is committed to overseeing ESG matters, organising the execution of the ESG strategy by each department through a dedicated ESG working group comprising senior management members, monitoring the Group's sustainable development goals and strategies, overseeing the Group's performance, and reviewing ESG reports. The Board has employed a number of approaches to strengthen the ESG governance structure. Each functional department and each dealership store of the Group is responsible for implementing the relevant objectives and plans set by the ESG working group, performing specific management work, recording and reporting data, etc.

The working group leads the preparation of the ESG report, and reports annually to the Board. The Board regularly reviews the performance of the plans and goals with the working group to monitor ESG performance, advises on the Group's ESG strategy and direction, and reviews the stakeholders engagement and materiality assessments and ESG reports, to ensure the Group's development direction and disclosure meets the expectations of the stakeholders. The Board will, where applicable, consider inviting relevant experts to provide advice on improving ESG performance, and enhancing staff training for continuous improvement.

Risk management in ESG related areas is critical for the Board. In order to promote comprehensive risk management within the Group, through the extensive understanding of the business by the Board and communication with different stakeholders, we have made basic assessments on respective relevant risks and incorporated relevant risks into the risk management and internal control system. Although the risks in all areas are at a low level, we will pay special attention to the long-term risks and policy and regulatory risks associated with the enhancement of climate resilience and adaptability, as well as the risks associated with managing the impacts of operations on the environment and natural resources. At the same time, the Group believes that our occupational safety statistics should be regularly assessed against our pre-determined targets, as these targets and assessments are effective indicators of production capacity and operational control.

The Board recognises that ESG can help the Group address a number of challenges, including navigating complex national and regional ESG standards, achieving net-zero transformation, driving decarbonisation commitments in business operations, proactively funding sustainable investments and clean technologies, and responding to supply chain disruptions and data security threats. The Board believes that through effective ESG governance, the Group will not only be able to enhance its brand image and competitiveness, but also secure better terms with its banks and suppliers. In the coming year, inflation and high fossil fuel prices, green technology developments, needs for job flexibility in the labour market and the acceleration of digital operations will have a significant impact on the Group's ESG strategy and goals. The Board will continue to monitor ESG performance, provide strategic advice and regularly review the effectiveness of the ESG objectives and programmes, ensuring that the Group makes steady progress on the path to sustainable development and creates more value for the future.

ABOUT THE REPORT

The Report presents our continuous commitment to environment and social responsibility, with a focus on our performance, data and the effectiveness of existing measures in respect of environmental, social and governance issues of the Group. The Report is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.sunfonda.com.cn).

Reporting Scope

The Report presents the environmental, social and governance performance of the Group for the financial year from 1 January 2024 to 31 December 2024 (the "**Reporting Period**"), with a focus on the Group's environmental, social and governance performance of the principal operations in the PRC, including the sales and after-sales services, automobile aftermarket business and supply chain of luxury and ultra-luxury brand automobiles as well as other mid-end brand automobiles.

Basis of Preparation

The Report has been prepared in accordance with Appendix C2 "Environmental, Social and Governance Reporting Guide" to the Listing Rules issued by the Stock Exchange. The principles of preparation are as follow:

1. Materiality: This Report relates to environmental, social and governance matters that have a significant impact on investors and other related parties.

2. Quantitative: If there are key performance indicators ("**KPI**"), the indicators should be measurable and be compared effectively where appropriate. Purposes and impact must also be stated for the indicators.

3. Balance: This Report should impartially present the Group's environmental, social and governance performance and avoids the inappropriate misleading of readers and omission of important data.

4. Consistency: This Report adopts a consistent method of statistics disclosure so that meaningful comparisons of information regarding environment, society and governance may be made in the future. Any future changes in methodology should be indicated in the Report.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group places great emphasis on stakeholder communication and strives to understand their concerns on the expectations, opinions and suggestions regarding environmental, social and governance issues. Such concerns are incorporated into the Group's operations and decision-making processes, with the ongoing goal of maximising shared value with all stakeholders. The Group's key stakeholders include Directors, customers, employees, shareholders and investors, regulators, suppliers and local communities. The communication channels are set out below:

Group of stakeholders	Communication channels	
Directors	❖ Board Meetings ❖ Questionnaire Survey Suggestion Box/Mailbox/Email ❖ Internal Management Communication	❖ Annual and Interim Reports ❖ Special Meetings ❖ Directors' Training/Study ❖ On-site Inspections
Customers	❖ Customer Review Forms ❖ Phone Calls/Emails ❖ Customer Visits	❖ Questionnaire Survey
Employees	❖ Regular Meetings ❖ Training for Occupational Health and Safety ❖ Internal Notice Boards	❖ Questionnaire Survey Opinion Collection Boxes/Mail Boxes/Emails ❖ Job Performance Assessment
Shareholders and Investors	❖ Annual Reports/Interim Reports ❖ Annual Results and Interim Results Announcements ❖ Corporate Website	
Regulatory Authorities	❖ Official Documents/Meetings ❖ Government Websites ❖ Written Reports/Visits	❖ Monitoring/Inspections and Assessments
Suppliers	❖ Audits for Suppliers ❖ Phone Calls/Emails ❖ Site Visits	❖ Questionnaire Survey
Local Community	❖ Participation in Community Activities ❖ Donation/Sponsorship	

The Group is constantly striving to better assess and identify the issues that are most important to our stakeholders. The materiality assessment is conducted independently by professional consultants to understand the expectations of our stakeholders and the challenges we face in global sustainable development. This helps us to develop our sustainable development strategy and identify core areas to improve our overall sustainable development performance for inclusion in the Report.

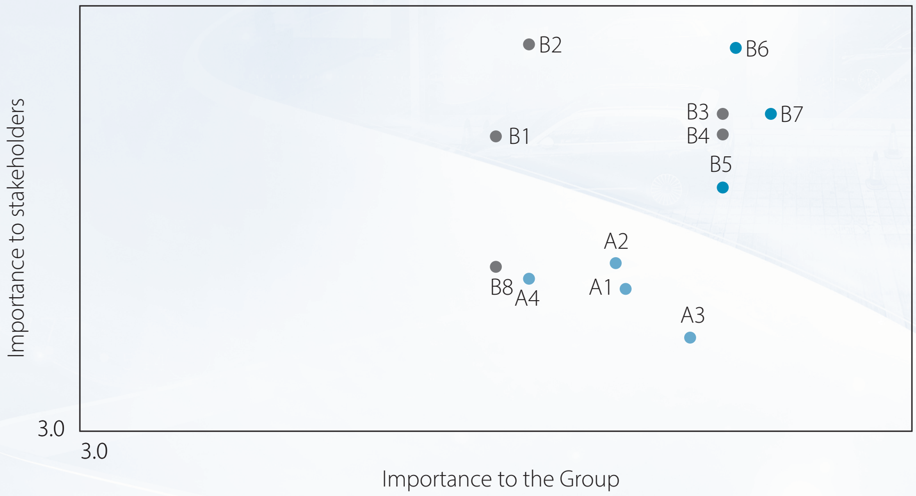
The Group carried out online surveys on stakeholders engagement in November and December 2024, and invited stakeholders such as directors, investors, employees (being senior-level management personnel, middle-level management personnel and supervisors, laborial staff), customers and suppliers/contractors, to participate in the survey, in which the reporting issues set out in the ESG Guidelines were rated according to their perceived importance to the Group or the stakeholder groups they represented. The materiality of each reporting issue was then determined by aggregating the materiality levels given by all participants. The materiality level for each stakeholder category is the average of all respondents within that stakeholder category. The overall materiality level across multiple stakeholder categories is the average of the materiality levels for each category.

Materiality Assessment Process

1. Identification	To identify major ESG issues that are considered relevant and important to our businesses and stakeholders based on the ESG guidelines issued by Hong Kong Stock Exchange, company policies and management strategies, characteristics of the industry, and business risks and opportunities.
2. Opinion Collection	To conduct a questionnaire survey and invite stakeholders including the board, employees, suppliers and customers to evaluate the importance of each issue from their own perspectives.
3. Prioritisation	To select the important issues, draw the materiality assessment matrix, and obtain the preliminary evaluation results, so as to determine the strategic focus of sustainable development and improve the governance of sustainable development.
4. Confirmation	The ESG working group will discuss about and identify the assessment result to get final results of the materiality assessment. Final results are reported to the Board.

To clearly illustrate the results, a materiality matrix below is used to place the importance rating given to each issue by the Group (including directors, investors and senior-level management personnel) and other stakeholders (including middle-level management personnel and supervisors, laborial staff, customers and suppliers/contractors).

Materiality Matrix



Mark:

Environment	Society	Governance
A1 Emission and Carbon Reduction	B1 Employment	B5 Supply Chain Management
A2 Uses of Resources	B2 Health and Safety	B6 Product Responsibility
A3 Environment and Natural Resources	B3 Development and Training	B7 Integrity Operations
A4 Climate Change	B4 Labour Standards	
	B8 Community Care	

Note: The scores of all the issues shown above are 3 or above according to the survey results. In order to show the relative distribution of each issue in a clearer manner, no issues with the score below 3 are shown in the chart above.

B6 Product Responsibility was identified as the most important issues in both stakeholder engagement and materiality assessment, while B4 Labour Standards and B5 Supply Chain Management were assessed as the least important issue. However, all issues are above the critical threshold of materiality (i.e., the materiality to the Group and its stakeholders is above 3.0), and therefore shall be disclosed in the forthcoming environmental, social and governance Report.

The table below summarizes the most important ESG issues expressed by different stakeholders.

Stakeholder Category	Most Important Issue
Directors	Most issues are of roughly equal importance
Senior-level Management Personnel	Most issues are of roughly equal importance
Middle-level Management Personnel and Supervisors	Most issues are of roughly equal importance
Laborial Staff	B2 Health and Safety
Customers	B6 Product Responsibility
Other Stakeholders	Most issues are of roughly equal importance

In response to the demands of relevant stakeholders, the policies and measures adopted by the Group for relevant stakeholders have been disclosed in the corresponding sections of the Report.

A ENVIRONMENTAL

A1 Emission and Carbon Reduction

Under the current global environmental conditions, climate change, sea level rise, frequent occurrence of extreme weather events and declining biodiversity are becoming increasingly serious issues. The Group recognises the significance of these challenges and has been committed to reducing emissions and lowering its carbon footprint. Our environmental strategy covers a wide range of areas, including carbon emissions management and waste management, aiming to promote sustainable development. The Group's environmental strategy includes energy conservation, reduction of carbon emissions, support for local suppliers, improvement of indoor air quality and reduction of waste generation and disposal. Through these measures, we aim to reduce direct and indirect greenhouse gas emissions, minimise the generation of hazardous and non-hazardous waste, and promote sustainable development.

Carbon emissions management is a core part of the Group's environmental strategy. We have been actively reducing carbon emissions and promote sustainable development by implementing a number of specific measures and policies. The Group aims to ensure that the annual growth in emissions will not exceed the growth in its main business. We regularly evaluate the effectiveness of our measures and conduct annual summaries to ensure the accomplishment of our environmental goals. To this end, the Group fully leverages on its industrial strengths and adopts the following key measures in its daily business operations to minimise emissions:

- **Promoting green transport:** Increasing sales of battery electric vehicle brands and promoting the use of electric vehicles within the Company;

- **Optimising energy use:** Prioritising the use of energy-efficient equipment, improving energy efficiency and promoting the use of renewable energy;

- **Reducing transport emissions:** Encouraging the use of video conferencing and reduce unnecessary business travels;

- **Supporting local suppliers:** Giving preference to local suppliers to reduce carbon emissions in the transport process;

- **Adopting environmentally friendly materials:** Giving priority to the use of environmentally friendly paint and related environmentally friendly materials in its car repair business operations; and

- **Improving indoor air quality:** Addition of air filters to the exhaust parts of the spray booths, and Installation and use of "volatile organic compounds (VOCs) online monitoring system" in spray booths of some stores, aiming to reduce the impact on air quality.

In terms of water resources management, the Group conducts wastewater discharge monitoring once a year, and holds a sewage discharge permit issued by the local environmental protection department. In the office environment, we prioritise the use of eco-friendly lighting systems, such as LED lights, and encourage our employees to switch off the lights when there is sufficient natural light so as to save energy. In order to reduce carbon emissions from transport, the Group avoids arranging long-distance face-to-face meetings and uses telephone or video conferencing instead. We also promote the use of electric cars as office vehicles in our branches as far as possible to reduce emissions. In addition, in order to enhance the indoor air quality of our offices, the Group has implemented a no-smoking policy and increased the number of green plants to create a healthier working environment.

The implementation of the above measures has helped the Group continue to achieve good results in fulfilling its social responsibilities, environmental protection and emission reduction.

During the Reporting Period, the levels of greenhouse gas (GHG) emissions in the operation process are as follows:

GHG Emissions		
GHG Emissions	**2024**	2023
Direct GHG emissions (t $CO_{2\text{-}e}$)	**1,333**	1,738
Energy indirect GHG emissions (t $CO_{2\text{-}e}$)	**10,916**	10,793
Other indirect GHG emissions (t $CO_{2\text{-}e}$)	**211**	323
Total GHG emissions (t $CO_{2\text{-}e}$)	**12,460**	12,854
Total GHG emission intensity (t $CO_{2\text{-}e}$)	**5.1**	4.07

Notes:

– The calculations were based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange, 2006 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Sixth Assessment Report, latest emission factor of the National Grid of China published by the Ministry of Ecology and Environment of the People's Republic of China (MEE).

– Direct emissions refer to the emissions from the Group's use of unleaded gasoline and diesel as well as natural gas, while the physical density of natural gas converted from volume to weight is the density at room temperature and pressure. Energy indirect emissions refer to emissions from purchased electricity. Other indirect emissions refer to emissions from the employees' air travels for business purposes

The increase in total GHG emissions intensity compared to the same period last year was mainly due to technical reasons. As the number of employees decreased compared to last year and there was no significant change in the scale and model of business operation, total GHG emissions intensity increased compared to last year in terms of calculation. However, the total GHG emissions decreased compared to the same period last year, reflecting the effectiveness of the Group's emission reduction measures implemented in 2024.

Waste management has become an important issue for both enterprises and governments. The Group recognises the importance of effective management of hazardous and non-hazardous waste for environmental protection and sustainable development, and has formulated a series of measures to achieve this goal. In the after-sales repair and maintenance of vehicles, wastes have been inevitably generated. The Group treats wastes in strict compliance with the requirements of laws and regulations by classifying waste into two categories, i.e., hazardous and non-hazardous waste, which are collected at a designated place.

For non-hazardous wastes, the Group gives priority to recycling or selling for reuse. We have set up waste segregation bins and encourage employees to develop good waste sorting habits. For hazardous waste, we have designated hazardous waste storage rooms, where different types of hazardous waste are segregated and stored in accordance with national standards; and we have established a long-term and stable relationship with suppliers licensed by the environmental protection bureau for their professional treatment.

The Group takes the submission of the annual hazardous waste discharge plan to the local environmental protection bureau at the beginning of each year as the waste management goal, aims to ensure that the annual waste growth will not exceed its main business growth. We regularly carry out reviews on the effectiveness of measures and annual summaries to ensure that the environmental targets are successfully achieved. To this end, the Group adopts the following key measures in its daily main business operations to maximise waste reduction:

- **Distinguishing between hazardous and non-hazardous waste:** Establishing designated hazardous waste storage rooms, where hazardous waste is sorted and stored in accordance with national standards.

- **Reducing waste generation:** Reducing the use of plastic products in construction activities; reducing the use of disposable products in offices; and using recyclable tableware in the staff canteen;

- **Prioritising recycling:** Collecting discarded/leftover metal parts and accessories for other production uses; and recycling office supplies for our offices, such as ink cartridges;

- **Enhancing management awareness:** Regular training on hazardous waste environmental protection is provided to employees to raise their environmental awareness; and

- **Regularly assessing the effectiveness of non-hazardous waste reduction:** Comparative analysis of hazardous waste management is conducted annually and monthly, and the effectiveness of the reduction measures is assessed by comparing the data with those of the previous month and the same period of the previous year.

During the Reporting Period, the levels of waste discharged in the operation process are as follows:

	Wastes Generated	
Type of waste	**2024**	2023
Non-hazardous waste (tonnes)	**462**	561
Non-hazardous waste intensity (tonnes per employee)	**0.19**	0.18
Hazardous waste (tonnes)	**623**	677
Hazardous waste intensity (tonnes per employee)	**0.26**	0.21

As the Group has increased efforts in the management of non-hazardous and hazardous waste discharge, the discharge of both types of waste for the Reporting Period reduced as compared with last year. With the growth of the Group's business, the Group will continue to strengthen the management of various types of waste emissions in the future, striving to achieve the goal of the growth of hazardous waste discharge not exceeding its business growth. The Group strictly complies with various environmental regulations of the PRC, such as Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, to keep in line with the standards. There was no relevant non-compliance that had a significant impact on the Group during the Reporting Period.

A2 Use of Resources

In this era of increasing environmental awareness, the Group is committed to promoting sustainable development, and has adopted a series of policies on the use of resources to ensure that the environmental impact of our business operations is minimised. Our policies cover a wide range of areas such as energy efficiency, water resources management, green office, packaging material control, aiming to achieve environmental goals through efficient use of resources.

The Group's energy efficiency goal is to strive for annual energy consumption growth not exceeding its main business growth. To this end, the Group has taken the following key measures in its daily main business operations to minimise energy consumption:

- Preferential use of energy efficient products;
- Promotion of "Green Travel" to encourage the use of staff transport to replace the individual use of private cars; and
- Affixing a reminder on air conditioners at the switch in the office so that employees are reminded that the temperature should be set at 25 degrees and turned off in spring and autumn and the operating time is from 10:00 to 17:00.

We endeavour to reduce the use of resources in our office operation, such as saving water, electricity and paper. We use computerised filing to replace printed original document filing, and have established an electronic application system and an electronic filing system to reduce unnecessary paper printing. In addition, we encourage our employees to recycle office stationery and paper products. For example, single-sided printed documents can be used as draft paper or printed on the back side for other purposes, and we promote the use of refillable pen cartridges and inked fountain pens.

We have also taken a number of other measures to further promote environmental protection. For example, we provide customers with recyclable carrier bags instead of single-use carrier bags and regularly recycle printer cartridges. In addition, we have planted plants in the office area to green the workplace and posted environmental signs at conspicuous locations to remind our employees to conserve energy and resources.

The Group actively cooperates with environmental authorities in organising various activities to educate and guide staff on environmental protection practices in their daily life and at work. The implementation of the above measures has helped the Group continue to achieve good results in the use of resources.

During the Reporting Period, the Group's energy consumption is as follows:

	Energy consumption	
Type of energy	**2024**	2023
Unleaded gasoline (thousand kWh)	**3,915**	4,338
Diesel (thousand kWh)	**40**	45
Natural gas (thousand kWh)	**2,095**	3,098
Electricity (thousand kWh)	**20,342**	18,926
Total energy consumption (thousand kWh)	**26,392**	26,407
Energy consumption intensity (thousand kWh per employee)	**10.82**	8.37

Notes:

– Energy conversion was based on CDP Technical Note: Conversion of fuel data to MWh. The physical density of natural gas converted from volume to weight adopted the density at room temperature and pressure.

– Based on past statistics, gas accounted for very little of the Group's total energy consumption and was not disclosed in line with the materiality principle.

Total energy consumption was similar to that of the same period last year, with the increase in electricity consumption likely to be related to the addition of the new sales centres. The operation of sales centres usually increases energy consumption, such as the use of electricity and air-conditioning, which will lead to an increase in electricity consumption. In addition, through the Group's series of energy structure transformation and energy saving measures, the Group's direct energy consumption has been effectively reduced. In the future, the Group will continue to strengthen its energy management.

In our vehicle repair business, we insist on using environmentally friendly paints and materials to ensure that every repair meets environmental standards. Our employees always follow the principle of conserving water and electricity in their work, which not only helps to reduce environmental pollution, but also effectively conserves resources. It is the Group's objective to ensure that the rate of growth in the use of resources will not exceed the rate of growth in its business, especially in terms of water consumption. Each of our stores has taken proactive measures to reduce water consumption according to the actual situation.

The Group mainly sources water from municipal pipelines, and there is no difficulty in obtaining suitable water source. During the Reporting Period, the Group's water consumption is as follows:

Water consumption	**2024**	2023
Water consumption (m^3)	**223,525**	268,581
Water consumption intensity (m^3 per employee)	**92**	85

The increase in water consumption intensity as compared to the same period last year was mainly due to technical reasons, as the number of employees decreased in the current year as compared to last year, while there was no significant change in the scale and mode of the main business, thus resulting in an increase in water consumption intensity as compared to last year in terms of calculation. However, the decrease in total water consumption compared to the same period last year demonstrated the effectiveness of the Group's water conservation measures implemented in 2024.

A3 Environment and Natural Resources

The Group is committed to minimising the environmental impact of its operations and continuously improving its environmental management practices. We promote the concept of environmental protection, advocate green office practices and encourage our employees to value every kilowatt-hour, every drop of water, every piece of paper and every litre of fuel. In terms of environmental education, we promote green travelling, use staff shuttle buses to reduce the use of private cars, and collaborate with the environmental protection department to educate our employees. As for animal conservation, we promote animal care and ecological protection. In respect of plant conservation, we replant plants every spring and regularly prune and maintain them. In the area of supporting sustainable diets, we provide our employees with three healthy meals a day. During he Reporting Period, the Group did not have any incidents which had a significant impact on the environment and natural resources. Such measures demonstrate our commitment to environmental protection and our market leadership.

A4 Climate Change

The Group attaches great importance to the risks posed by climate change, and has taken a number of measures to address these challenges. The following is a brief description of the major climate change risks faced by the Group and the measures taken to address them:

Climate Change Risks

- Policy and regulatory risks: Climate change may lead to changes in policies, laws and regulations, and the Group will need time and resources to respond to these changes.

- Market risk: As customers are increasingly concerned about climate change, they will give preference to green products. The Group may face market risk if it fails to provide green products to meet customer demand.

- Long-term risk: As the natural environment gradually changes as a result of climate change, viruses are becoming stronger and may cause pandemics, thus affecting employees' health.

Countermeasures

- Policy and regulatory response: The Group carefully studies the national laws, regulations, and policies related to climate change, and strives to adopt the best measures to reduce GHG emissions from its business operations.

- Market response: The Group has increased the sales of new energy vehicles to respond to China's carbon neutrality target and to meet customers' demand for green products.

- Long-term risk response: The Group has formulated the "Natural Disaster Emergency Plan" to minimise the impact of possible accidents in the event of severe weather disasters. Specific actions include:

  o Arranging each store to prepare for summer flood control in the summer with relatively heavy rainfall every year;

  o All stores store flood control materials for a long time to cope with the sudden flood season;

  o Purchasing insurance depending on the risk assessment to provide additional protection.

Through these measures, the Group not only assures the safety of the Company's properties and employees, but also strives to take all kinds of best measures to reduce GHG emissions in its actual operation process to proactively respond to the challenges posed by climate change.

B CHERISHING TALENTS

B1 Employment

Human capital is the driving force for corporate development, and talent is the key to corporate development. The Group attracts elite staff of the industry and provides them with a platform of fair competition so as to create a harmonious working environment and cooperative atmosphere, open a path for staff career development to realize their own values, and provide strong support for the Group's development.

The starting salary range of different position ranks is formulated according to the position rank, regional differences, market factors, branch scale and personal ability, with reference to the remuneration system of the Group, and the remuneration has certain competitive advantages in the same industry and region. Guided by the external market rate, the Group regularly evaluates the reasonableness of the starting salary range of employees at different ranks within the Group according to the Group's remuneration adjustment policy, post responsibilities and work contribution, so as to ensure the external competitiveness of the remuneration package. By providing competitive remuneration packages in the market, and based on the value of the position, the Group offers higher remuneration to employees with excellent performance to encourage continuous progress.

In recruitment process, the Group strictly abides by the Company's "Recruitment and Hiring System", actively expands a variety of recruitment channels, and widely attracts talents. The recruitment and employment adheres to the principle of "openness, equality, competition and merit", all applicants have equal opportunities, and are not treated differently according to their gender, race, religious beliefs and recommenders. The Group has established reasonable recruitment channels and promotion mechanism for key positions. Through selection and review, necessary evaluation and assessment of personnel promotion are carried out to obtain talents that meet the position requirements. Smooth internal talent flow mechanism can help employees find development opportunities within the Group. In adherence to the principle of attaching equal importance to morality and performance, the Group conducts comprehensive evaluation of promoted employees in respect of work evaluation, post-performance appraisal and performance appraisal according to post promotion evaluation mechanism.

The Group actively protects employees' basic rights and interests, understand their needs and enhances their physical and mental health so as to create a professional and efficient workforce. The Group provides annual leave, vacation, marriage leave, maternity leave, etc. The Group also provides employees with insurance coverage, maternity protection and other benefits, and organises various cultural and social activities from time to time to attract and retain outstanding talents. In order to ensure that employees have legitimate and reasonable rights and interests, the Group has set up a scientific employment management system to regulate and supervise the employment and promotion of employees, labour relations, staff diversity, treatment and equal opportunities, welfare and anti-discrimination, aiming to safeguard the legitimate rights and interests of employees. The employment contracts signed between the Group and employees sets out the term of employment and specifies the conditions for the dissolution and termination of the employment contracts. The Group handles dismissals and resignations reasonably and lawfully in strict accordance with applicable laws and regulations, conducts exit interviews with departing employees, understands the reasons for resignation, and listens to feedback and suggestions. The Group has established a culture of equal opportunities, work-life balance, anti-discrimination and employee diversity to create a "Zero Discrimination and Happy Workplace" for its employees.

As of 31 December 2024, the Group had a total of 2,440 employees, including 14 temporary workers and 17 apprentices or interns, and the remaining 2,409 full-time employees.

The number of employees and employee turnover rate of the Group by different categories are as follows:

Category	Number of employees (person)	Employee turnover Rate (%)
By Gender		
Male	1,474	57.26%
Female	966	53.31%
By Age Group		
16-24	136	89.71%
25-34	1,103	61.74%
35-44	1,037	44.65%
45-54	148	49.32%
55 and above	16	125.00%
By Geographical Region		
Mainland China	2,438	55.74%
Hong Kong	2	0.00%
Total	**2,440**	**55.74%**

Note: The calculations were based on the social KPI reporting guide issued by the Stock Exchange

Certain employees left the Group for their own reasons. The Group continued to increase its efforts in employee promotion and care. During the Reporting Period, the employee turnover rate was 55.74%, representing an increase as compared with that of last year. The Group strictly complies with relevant employment laws, including the Labour Law of the People's Republic of China, and has not been prosecuted for any breach of employment-related laws.

B2 Health and Safety

In today's highly competitive business environment, the health and safety of employees is the cornerstone of corporate success. As an industry leader, the Group is well aware of this and has always given top priority to occupational health and safety management. We believe that only in a safe and healthy working environment can our employees realise their full potential and create greater value for the Company. Therefore, we have adopted a series of measures to safeguard occupational health and safety and have achieved remarkable results.

The following are the major measures and achievements of the Group in occupational health and safety management:

- **Strict Compliance with Laws and Regulations:** We strictly comply with the Production Safety Law of the People's Republic of China, Prevention and Control of Occupational Diseases Law of the People's Republic of China, and have formulated a number of policies covering areas such as occupational health and safety, the provision of safety and protective tools, employee safety monitoring and training, and job safety monitoring of contractors.

- **Regular Reviews and Third-party Audits:** We conduct annual in-store inspections for occupational hazards and work with professional organisations to ensure that our health and safety standards are the highest in the industry.

- **Professional Training and Safe Environment:** We provide regular annual hazardous waste training to our employees and emphasise the importance of safety in our daily morning meetings to ensure a safe workplace.

- **High-risk Identification and Protective Measures:** We post danger signs in high-risk areas and at locations where high-altitude operations are conducted, and equip our after-sales workshops and specialised workers with professional protective tools and clothing to ensure their safe operation.

- **Sanitary Facilities and First Aid Equipment:** We provide adequate sanitary facilities, and equip with heat-reducing and first-aid supplies during the high temperature in summer to ensure the health and safety of our employees.

- **Fire Safety and Emergency Plan:** We conduct fire safety training no less than twice a year and install smoke- and fire-resistant roller shutter doors in built and reconstructed stores. We have formulated emergency plans to ensure that our employees can evacuate safely in case of danger.

- **Care for the Physical and Mental Health of Employees:** We are very concerned about the physical and mental health of our employees, advocate effective working methods and healthy living concepts, care for our employees and assist them in overcoming various life challenges, creating a workplace that feels like home. We arrange regular health check-ups for our employees to identify risks and health hazards early, and at the same time educate employees on health awareness.

During the Reporting Period, there was no incident that had an adverse impact on the health and safety of employees of the Group due to work, nor was there any major safety accident. The Group strictly abides by relevant safety laws and regulations, including the Labour Safety Law of the People's Republic of China and the Law on the Prevention and Treatment of Occupational Diseases, and was not prosecuted for any breach of occupational safety-related laws during the Reporting Period.

B3 Development and Training

The success of an enterprise depends not only on the quality of its products and services, but also the overall quality and professional skills of its employees. In response to market changes and business needs, the Group has formulated a series of career development policies, aiming at providing more learning opportunities to enhance the knowledge and skills of our employees so as to achieve its long-term corporate development goals. We recognise that employees are the most valuable assets of an enterprise. Through systematic training and development programmes, we not only enhance the professional competence of our employees, but also stimulate their potential and increase their job satisfaction and loyalty. Our human resources department has designed a complete system of training programmes based on the business needs and job requirements of the Company. These training programmes cover all levels from new recruits to senior management, and are designed for different positions to ensure that each employee can maximise their value in their respective roles.

Our training programmes cover different levels of needs, including:

- New Employee Induction Training: To help new employees quickly adapt to the working environment and understand the corporate culture.

- Supervisor Training: To enhance the leadership and management skills of frontline managers.

- Middle-level Management Training: To strengthen strategic thinking and decision-making abilities for middle management.

- Senior-level Management Training: To provide senior executives with forward-looking management concepts and practical experience.

In addition, we have designed specialised training courses for different positions, such as sales consultant training, after-sales technical training and finance training, focusing on the comprehensive development of both soft skills and technical expertise.

In terms of external training and collaborations, based on our business needs, we regularly arrange personnel to participate in various professional training organised by various entities such as external automobile manufactures, professional organizations and government departments. These training programmes help our employees develop a better understanding of the changes in and trends of the market and external environment, thereby improving their quality in all aspects. We also work with colleges and universities to carry out targeted talent training projects through school-enterprise cooperation. We select outstanding graduates through the campus job fair and incorporate them into our training programmes, bringing fresh talent into the Company.

In terms of career development, we manage career development planning by grasping the work status and related information of employees with promotion potential, and implementing specialised assessment and training for those who are eligible for promotion, thereby carrying out career development planning and management. We engage experienced employees to lead new employees in their development to enhance mutual communication among employees, improve their working abilities and skills through practice and exchange of ideas, impart knowledge, skills and work experience to help new employees master work skills in a short period of time and become competent for their jobs as soon as possible.

Through these multi-level and comprehensive training management strategies, we are committed to enhancing employees' overall quality and capabilities, laying a solid foundation for the Company's long-term development. The percentage of employees trained and the average training hours completed per employee of the Group by employee category are shown as follows:

Type	Percentage of employees trained	Average training hours completed per employee (hour)
By Gender		
Male	75.02%	21
Female	24.98%	11
By Employee Category		
Senior-level Management Personnel	2.82%	18
Middle-level Management Personnel	12.85%	16
Supervisor	7.40%	18
Laborial Staff	76.93%	17
Total	**85.82%**	**19**

Note: The calculations were based on the social KPI reporting guide issued by the Stock Exchange.

During the Reporting Period, the percentage of employees receiving training within the Group, as well as the average training hours per employee, recorded a slight decline as compared with the previous year. Looking ahead, the Group remains committed to enhancing employee participation in training programmes and improving their effectiveness.

B4 Labour Standards

The Group upholds strict standards in its labour policies, striving to safeguard employees' fundamental rights and create a healthy and safe working environment. We firmly oppose child labour and forced labour, implementing a series of measures to ensure the effective enforcement of these policies. To eliminate child labour and forced labour, the Group has established a detailed Recruitment Management System. During the recruitment process, we conduct rigorous verification of applicants' identification documents to ensure the accuracy of the information provided. Additionally, we require all candidates to have at least a high school education, preventing child labour at the source.

The Group strictly complies with relevant laws and regulations and has implemented multiple internal policies to safeguard employees' rights. Our system clearly stipulates that no deposits or security deposits shall be collected from employees to ensure that they will not be forced to work due to financial pressure. Furthermore, employees' identification documents shall not be withheld to protect the freedom and rights of employees, and wages shall be paid in full and on time to ensure the basic livelihood protection of employees. To promote work-life balance, we have formulated regulations such as the Attendance Management System, discouraging excessive overtime and ensuring that employees have proper working hours and adequate rest and leave. These measures help to improve the efficiency of our staff, promote their physical and mental health and eliminate the possibility of forced labour. To ensure the effective implementation of labour policies, the Group regularly undergoes routine inspections by local labour protection authorities. Based on the inspection results, we continuously improve relevant policies and measures to maximise the protection of employees' rights. Through these stringent labour policies and initiatives, the Group is committed to fostering a fair, just and transparent working environment, where each employee can work in a safe and healthy setting while achieving their personal and professional growth.

The Group strictly abides by the Labour Contract Laws of the PRC and the Employment Ordinance of Hong Kong, together with relevant regulations. As a result of the concerted efforts of the Group and its staff, the Group has not identified any non-compliance with the labour standards during the Reporting Period. No corrective action was required given that no violations of labour standards were identified during the Reporting Period.

B5 Supplier Management

The Group is well aware of the importance of supply chain management and continuously strives to build a win-win relationship with suppliers and to forge fair, open, efficient and mutual-trusting partnerships. We continuously optimize and improve the supplier management system and actively promote green procurement, which allow us to ensure smooth business operation and guarantee the quality and safety of all products and services through effective supplier management.

The Group carries out the bidding process for the actual selection of suppliers by establishing a bidding committee, and assigning specific persons to be responsible for organizing and completing the bidding review within the scope of their respective responsibilities. Suppliers' company size, product quality, product services and the supplier's brand influence, delivery capability and reputation are taken into account as the basis for the bidding review. After confirming the bidding with a supplier, we formally issue the "Notice of Successful Bidding" and the "Supplier Qualification Certificate" to the successful supplier to ensure that both parties commence formal co-operation. To ensure that our suppliers continue to provide high quality products and services, we have established a supplier evaluation and termination mechanism. At the end of each year, we conduct performance evaluations of our suppliers and determine whether to continue our collaboration based on the actual cooperation outcomes. All products provided by suppliers shall have legitimate intellectual property rights, and the agreements include relevant confidentiality clauses.

In accordance with the relevant national and local regulations, the Group has formulated corresponding management procedures for suppliers of various products and services, including the supplier code and the supplier bidding and evaluation mechanisms. The Group also conducts random checks on multidimensional information such as industrial and commercial information, judicial proceedings, intellectual property rights and equity structure of suppliers through third parties such as Qixinbao or Qichacha to understand their possible environmental and social risks.

In order to promote the use of environmental products and services, the Group requires suppliers to comply with relevant environmental standards and regulations. When purchasing materials and engaging services, the Group will also give priority to the environmental performance and certification of suppliers. Before establishing cooperation with us, suppliers must undergo a series of review procedures which comprehensively review their performance in quality, environment and safety, and can cooperate with us only after passing relevant review procedures. The Group conducts audit and risk rating on suppliers. If a supplier is found to have seriously violated the contracted responsibilities and operational rules, the cooperation will be terminated to ensure that the procurement is compliant with laws and regulations, and the quality, environment and safety of the supply chain are in line with the Group's policy.

During the Reporting Period, the Group's suppliers were mainly automobile related suppliers including automobile manufacturers as well as decoration suppliers, totalling 40, all of which were from Mainland China. These included 16 new automobile brands and 24 decoration suppliers. The above evaluation and management mechanism was applied to these 40 suppliers of the Group.

B6 Product Responsibility

Product responsibility is the foundation of our corporate development. The Group attaches great importance to product responsibility, sells products and provides services in strict accordance with the quality assurance policies of the respective manufacturers of each brand, provides products that meet national and industry standards and have product qualification certificates in the course of business operations, formulates relevant management policies and measures that exceed the requirements of laws and regulations to ensure product quality and safety, the accuracy of product descriptions in promotional messages and the quality of after-sales services, and keeps sensitive customer information confidential.

The Group adheres to the service principle of "customer first", and strives to fully respect the needs of the customers while providing sincere and quality services to them, not only focusing on service results but also emphasising the experience of the service process. The Group takes customer complaints seriously and regards each of them as an opportunity for us to make correction and improvement. In this regard, the Group has established comprehensive customer complaints procedures, pursuant to which customers can raise complaints and give us opinions through email, telephone, mail or in person, and we respond promptly to customer needs, communicate proactively and provide satisfactory solutions. Complaints received via any of these channels will be handled by the responsible person of the respective department, who will then communicate with customers and propose solutions. For handling of major customer complaints, the Group implements the mechanism of joint operation across different departments for the purpose of customer satisfaction. If neither party is able to reach a negotiated solution during the dialogue and negotiation process and a dispute arises with the customer, we will consider including a third-party organisation to conduct mediation to resolve the issue. The Group will internally file documents, conduct summary and analysis on the complaint cases, and organise special training and discussion. By drawing conclusion and learning from the experience, we will improve our service quality and enhance our service standard on a continuous basis. The Group received 9 complaints about product quality and services this year, which were followed up and resolved in accordance with the above-mentioned response measures.

The promotional materials from all channels in the Group's brand stores must be legally authorised by the copyright owner to avoid infringement. The Group requires all sales staff to provide accurate and truthful information to customers during sales. When providing after-sales services, we will provide customers with an interactive and open platform to make enquiries about product details and give feedback. The promotional materials from all channels in the brand stores must comply with relevant regulations, and the content must meet the requirements of brand manufacturers and their product standards and requirements. The relevant departments of the Group will also periodically inspect the marketing materials in stores.

In respect of product quality control, the Group conducts business operations in strict accordance with manufacturers' quality assurance policy of various brands. Prior to the sale of products, we will carry out safety inspections and will only sell products that have passed testing. For product recall procedures, in order to safeguard the interests of customers to the greatest extent, as an automobile dealer, the Group keeps strict records to ensure that the process can be traced back, fully cooperates with automobile manufacturers in respect of their recall policies, and provides follow-up services for recalls in accordance with the manufacturer's policies to ensure orderly completion within specified deadlines.

The Group implements stringent confidentiality policies to protect customers' privacy, strengthens the management over customer information, avoids collecting personal information that is unrelated to the service scenarios, and formulates the corresponding system for the filing and access to customer information. Users are informed of the rules governing the handling of personal information in a concise, clear and understandable manner, and are notified of any changes on a timely basis. Customer information is collected for the purpose of customer communication, relationship maintenance, and analysis and classification. Customer information is determined in accordance with certain procedures, and can only be accessed by a limited range of personnel within a certain period of time. Copying and extraction, sending and receiving, transmission and carrying-out are strictly controlled. The Group regularly reviews its measures and monitors any suspected leakage.

The Group strictly complies with the Law of the People's Republic of China on Protection of Consumer Rights and Interests and other relevant regulations. During the Reporting Period, there was no significant event that constitutes a non-compliance with product responsibility regulations.

B7 Integrity Operations

The Group has established sound corporate governance and integrity operation systems with zero tolerance to corruption of any form. In this regard, we have formulated various anti-corruption policies, including anti-bribery policies, conflict of interest reporting policies, anti-fraud policies, open bidding policies, confidential policies and independent auditing policies. Meanwhile, the Legal Department and the Internal Audit Department of the Group have been assigned to supervise and put an end to any form of corruption, including extortion and money laundering, and has establish a whistle-blowing channel to keep the Group informed of any corruption. In addition, an external auditor and other external bodies are engaged to supervise the Group's integrity operations from time to time. The Group also provides appropriate anti-corruption training to directors and staff from time to time.

During the Reporting Period, the Group did not have any cases of corruption or any other cases related to any breach of integrity operations. The Group strictly abides by the relevant anti-corruption and anti-bribery laws, and was not prosecuted for any violation of relevant laws including the Corruption Punishment Regulation of the People's Republic of China during the Reporting Period.

B8 Community Care

Being part of the community, we see the support of local members as the driver of our success. Whilst pursuing business growth, we are devoted to giving back, so that the love and care in the community can benefit more people in need. To this end, the Group actively integrates into the community and maintains good communication and interaction therewith. For example, it has specially appointed the general administration department to be responsible for active response and involvement in community events, such as public welfare campaigns, study assistance, charitable donation, environmental protection events and fitness team building activities.

PROSPECT

Against the backdrop of a rapidly growing global electric vehicle market, the electric vehicle dealership business is experiencing significant development opportunities. Currently, with the rise of new energy brands, major luxury automotive brands are accelerating their electric vehicle launch plans, presenting an unprecedented opportunity for electric vehicle dealerships. The Group is committed to promoting the sales, after-sales service and supply chain management of electric vehicles while striving for sustainable development.

The rapid expansion of new energy brands is a trend that cannot be ignored. Our new energy brand portfolio primarily consists of luxury automotive brands and their niche models. Although the market share of electric vehicles within traditional luxury brands remains relatively low, this proportion is increasing year by year. Many luxury brands have already announced their electric vehicle launch plans for the coming years, while traditional automotive manufacturers are unveiling their new energy strategies, aiming to progressively increase the proportion of new energy sales.

To support our dealers, major automakers are offering subsidies and incentives to facilitate the growth of the new energy business. Anticipating this shift, we have proactively developed a strategic roadmap for new energy, establishing dedicated new energy sales and management teams at both the Group and dealership levels. Through market research and customer demand analysis, we continuously refine our new energy business model to maintain customer loyalty, endeavour to expand our customer base, and conduct precise market positioning for new energy vehicles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to achieve sustainable development of our electric vehicle dealership business, we have employed a number of strategies: through marketing promotion and education, we convey the advantages of electric vehicles and the concept of environmental protection to consumers so as to enhance our brand influence; we build charging services in our shops for the convenience of our customers to enhance their experience; we provide professional electric vehicle knowledge training to our sales and after-sales teams so as to ensure that they are able to provide high-quality services; we select customers who have a sense of environmental protection and social responsibility; we select customers who have a sense of environmental protection and social responsibility; and we also select suppliers with environmental awareness and social responsibility to promote the development of a green supply chain and fulfil our corporate social responsibility.

The future looks highly promising. As the electric vehicle market continues to mature and consumer awareness of environmental sustainability increases, the electric vehicle dealership business will witness broader growth prospects. We will stay focused on the sales and services of luxury and ultra-luxury electric vehicle brands, and aggressively advance our new energy business while building an efficient, transparent and sustainable supply chain, so as to ensure product quality, service excellence and social responsibility. Through rigorous supplier management and sustainable supply chain strategies, we not only guarantee the efficiency and stability of our supply network, but also make positive contributions to society and the environment. These efforts will enhance our competitive advantage and drive us towards achieving our long-term sustainability goals. The outlook for sustainable development in the electric vehicle dealership business is highly encouraging. We will continue our efforts to embrace challenges and strive for even greater success and achievements.

HKEx ESG Reporting Guide Index

A	Environmental	Section
Aspect A.1	Emissions	A1
KPI A.1.1	The types of emissions and respective emissions data	There were no major sources of emissions within the scope of the Report, and vehicle movement does not form part of its principal business, so there is no pollutant emission data
KPI A.1.2	Greenhouse gas emissions in total and intensity	A1
KPI A.1.3	Total hazardous waste produced and intensity	A1
KPI A.1.4	Total non-hazardous waste produced and intensity	A1
KPI A.1.5	Description of emissions target(s) set and steps taken to achieve them	A1
KPI A.1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	A1
Aspect A.2	Uses of Resources	A2
KPI A.2.1	Direct and/or indirect energy consumption by type in total and intensity	A2
KPI A.2.2	Water consumption in total and intensity	A2
KPI A.2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	A2
KPI A.2.4	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	A2
KPI A.2.5	Total packaging material used for finished products and with reference to per unit produced	No amount of product packaging materials used is disclosed in the Report as no additional product packaging was required for automobile sales and after-sales service
Aspect A.3	Environment and Natural Resources	A3
KPI A.3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	A3
Aspect A.4	Climate Change	A4
KPI A.4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	A4

B	Social	Section
Aspect B.1	Employment	B1
KPI B.1.1	Total workforce by gender, employment type, age group and geographical region	B1
KPI B.1.2	Employee turnover rate by gender, age group and geographical region	B1
Aspect B.2	Health and Safety	B2
KPI B.2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	No work-related fatalities occurred in the past three years including the Reporting Period
KPI B.2.2	Lost days due to work injury	There was a total of 402 lost days due to work injury during the Reporting Period
KPI B.2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	B2
Aspect B.3	Development and Training	B3
KPI B.3.1	The percentage of employees trained by gender and employee category	B3
KPI B.3.2	The average training hours completed per employee by gender and employee category	B3
Aspect B.4	Labour Standards	B4
KPI B.4.1	Description of measures to review employment practices to avoid child and forced labour	B4
KPI B.4.2	Description of steps taken to eliminate such practices when discovered	No non-compliance occurred during the Reporting Period
Aspect B.5	Supply Chain Management	B5
KPI B.5.1	Number of suppliers by geographical region	B5
KPI B.5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	B5
KPI B.5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	B5
KPI B.5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	B5

B	Social	Section
Aspect B.6	Product Responsibility	B6
KPI B.6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	During the Reporting Period, the recall rate was 0.019% in line with the recall policies of automobile manufacturers
KPI B.6.2	Number of products and service-related complaints received and how they are dealt with	B6
KPI B.6.3	Description of practices relating to observing and protecting intellectual property rights	B6
KPI B.6.4	Description of quality assurance process and recall procedures	B6
KPI B.6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	B6
Aspect B.7	Anti-corruption	B7
KPI B.7.1	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	No legal cases regarding corrupt practices during the Reporting Period
KPI B.7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	B7
KPI B.7.3	Description of anti-corruption training provided to directors and staff	B7
Aspect B.8	Community Investment	B8
KPI B.8.1	Focus areas of contribution	B8
KPI B.8.2	Resources contributed to the focused area	No resources were utilised in any area during the Reporting Period

INDEPENDENT AUDITORS' REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel電話: +852 2846 9888
Fax傳真: +852 2868 4432
ey.com

To the shareholders of Sunfonda Group Holdings Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

Opinion

We have audited the consolidated financial statements of Sunfonda Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 120 to 208, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	**How our audit addressed the key audit matter**
Vendor rebate receivables	
The Group recognised volume-related vendor rebates on an accrual basis according to the terms of the supplier contracts. As at 31 December 2024, the rebate receivables recognised were RMB310,770,000. The balance of rebate receivables was significant and the process of accruing the rebates was complex. Information of the rebate receivables is disclosed in note 21 Prepayments, other receivables and other assets to the financial statements.	Our audit procedures included, among others, checking the rebate policies adopted against the terms of the relevant supplier contracts and checking the calculation of the rebate receivables based on the rebate policies. We also checked the subsequent receipts of the rebates.
Deferred tax assets	
As at 31 December 2024, deferred tax assets recognised were RMB65,189,000. The deferred tax assets were recognised based on management's estimation of future taxable profits that would be available for utilising the deferred tax assets. As at 31 December 2024, deferred tax assets have not been recognised on accumulated tax losses of RMB300,141,000. The process of estimating the amount of the future taxable profits was complex, and involved estimates and judgements that would be affected by future actual operations, tax regulations, market or economic conditions. Information of the deferred tax assets and the unrecognised tax losses is disclosed in note 29 Deferred tax to the financial statements.	Our procedures included, among others, evaluating the assumptions and methodologies used by the Group in estimating future taxable profits. We evaluated and tested management assessment on available taxable profits by comparing it to the Group's business plans approved by those charged with governance, expected future profit forecasts, associated growth rates, and historical financial and tax information. We checked the adequacy of the relevant disclosures of deferred tax assets and unrecognised temporary differences.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current non-financial assets (other than goodwill)	
As at 31 December 2024, the carrying amount of non-current non-financial assets (other than goodwill) was RMB2,171,297,000, which was material to the consolidated financial statements. The management performs an impairment test where an indication of impairment exists or when annual impairment testing for an asset is required. In assessing value in use, the discounted cash flow method was used with estimations and judgements. The Group's disclosures about the impairment of non-financial assets are included in note 3 to the financial statements, which explains the major judgements and estimations that management made in the assessment.	Our audit procedures, among others, included an evaluation of the determination of the cash-generating units, the key assumptions used in the cash flow forecast and other data used by the Group. We also involved our valuation specialists to assist us in evaluating the associated growth rates and the discount rates applied. We checked the adequacy of the relevant disclosures of non-financial assets (other than goodwill).

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

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 consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wu Hsu Lung.

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5(a)	**8,608,890**	10,977,823
Cost of sales and services	6(b)	**(8,638,707)**	(10,557,688)
Gross (loss)/profit		**(29,817)**	420,135
Other income and gains, net	5(b)	**622,290**	477,408
Selling and distribution expenses		**(445,434)**	(543,186)
Administrative expenses		**(238,524)**	(241,189)
(Loss)/Profit from operations		**(91,485)**	113,168
Finance costs	7	**(96,199)**	(95,172)
(Loss)/Profit before tax	6	**(187,684)**	17,996
Income tax expense	10	**(25,345)**	(6,130)
(Loss)/Profit for the year		**(213,029)**	11,866
Attributable to:			
Owners of the parent		**(213,029)**	11,866
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted (RMB)		**(0.36)**	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(213,029)**	11,866
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,002**	(1,283)
Other comprehensive income for the year, net of tax	**1,002**	(1,283)
Total comprehensive income for the year	**(212,027)**	10,583
Attributable to:		
Owners of the parent	**(212,027)**	10,583

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,591,686**	1,847,499
Right-of-use assets	14(a)	**570,029**	693,722
Intangible assets	15	**9,582**	10,449
Prepayments	16	**22,301**	22,237
Goodwill	17	**10,284**	10,284
Deferred tax assets	29	**65,189**	63,976
Other non-current assets	18	**163,852**	–
Total non-current assets		**2,432,923**	2,648,167
CURRENT ASSETS			
Inventories	19	**1,011,521**	1,277,491
Trade receivables	20	**40,536**	37,307
Prepayments, other receivables and other assets	21	**873,087**	1,016,344
Financial assets at fair value through profit or loss	22	**5,397**	2,665
Pledged deposits	23	**652,186**	579,065
Cash in transit	24	**2,137**	14,917
Short-term deposits	25	**59,901**	93,280
Cash and cash at banks	25	**587,471**	653,932
Total current assets		**3,232,236**	3,675,001
CURRENT LIABILITIES			
Bank loans and other borrowings	26	**1,619,952**	1,811,700
Trade and bills payables	27	**953,153**	823,280
Other payables and accruals	28	**277,525**	380,676
Lease liabilities	14(b)	**9,573**	16,780
Income tax payable		**18,707**	25,642
Total current liabilities		**2,878,910**	3,058,078
NET CURRENT ASSETS		**353,326**	616,923
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,786,249**	3,265,090

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	26	**442,963**	709,402
Lease liabilities	14(b)	**55,245**	71,854
Deferred tax liabilities	29	**34,044**	20,986
Total non-current liabilities		**532,252**	802,242
Net assets		**2,253,997**	2,462,848
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**377**	377
Reserves	32	**2,253,620**	2,462,471
Total equity		**2,253,997**	2,462,848

Director
Wu Tak Lam

Director
Chiu Man

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2024

		Attributable to owners of the parent								
	Note	Share capital[32] RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2024		**377**	**87,282**	**118,045**	**188,530**	**157,947**	**11,418**	**40,392**	**1,858,857**	**2,462,848**
Loss for the year		–	–	–	–	–	–	–	(213,029)	(213,029)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	–	1,002	–	1,002
Total comprehensive income for the year		–	–	–	–	–	–	1,002	(213,029)	(212,027)
Transfer from retained profits		–	–	–	1,600	–	–	–	(1,600)	–
Equity-settled share award expense	31	–	–	–	–	–	3,176	–	–	3,176
At 31 December 2024		**377**	**87,282***	**118,045***	**190,130***	**157,947***	**14,594***	**41,394***	**1,644,228***	**2,253,997**

* These reserve accounts comprise the consolidated reserves of RMB2,253,620,000 (2023: RMB2,462,471,000) in the consolidated statement of financial position.

		Attributable to owners of the parent								
	Note	Share capital[32] RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023		377	97,842	118,045	179,645	157,947	11,408	41,675	1,855,876	2,462,815
Profit for the year		–	–	–	–	–	–	–	11,866	11,866
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(1,283)	–	(1,283)
Total comprehensive income for the year		–	–	–	–	–	–	(1,283)	11,866	10,583
Transfer from retained profits		–	–	–	8,885	–	–	–	(8,885)	–
Final 2022 dividend declared		–	(10,560)	–	–	–	–	–	–	(10,560)
Equity-settled share award expense	31	–	–	–	–	–	10	–	–	10
At 31 December 2023		377	87,282*	118,045*	188,530*	157,947*	11,418*	40,392*	1,858,857*	2,462,848

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Operating activities			
(Loss)/profit before tax:		**(187,684)**	17,996
Adjustments for:			
Depreciation and impairment of items of property, plant and equipment	13	**177,439**	168,960
Depreciation of right-of-use assets	14	**27,959**	48,074
Amortisation of intangible assets	15	**867**	858
Interest income	5(b)	**(13,636)**	(11,247)
Net gain on disposal of items of property, plant and equipment	5(b)	**(13,993)**	(10,365)
Net gain on disposal of right-of-use assets	5(b)	**(2,824)**	(963)
Equity-settled share award expense	6(a)	**3,176**	10
Fair value (gain)/loss, net:			
Financial products	5(b)	**(663)**	400
Finance costs	7	**96,199**	95,172
Loss on disposal of subsidiaries	5(b)/33	**6,000**	–
Accrual of impairment of inventories	6(c)	**5,932**	9,824
		98,772	318,719
Increase in pledged bank deposits		**(73,121)**	(190,926)
Decrease in cash in transit		**12,780**	2,281
(Increase)/decrease in trade receivables		**(9,075)**	334
Decrease/(increase) in prepayments, other receivables and other assets		**117,523**	(148,935)
Decrease in an amount due from a related party		**–**	5,090
Decrease in inventories		**223,721**	59,564
Increase in trade and bills payables		**133,958**	341,970
Increase/(decrease) in other payables and accruals		**39,754**	(3,203)
Cash generated from operations		**544,312**	384,894
Tax paid		**(21,126)**	(19,207)
Net cash generated from operating activities		**523,186**	365,687

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CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(257,533)**	(338,542)
Proceeds from disposal of items of property, plant and equipment		**119,738**	118,906
Purchase of intangible assets		**–**	(1,162)
Interest received		**13,903**	10,363
Purchase of financial assets at fair value through profit or loss		**(2,069)**	–
Proceeds from disposal of subsidiaries	33	**24,861**	–
(Increase)/decrease in time deposits with maturity over three months		**(51,300)**	747
Net cash used in investing activities		**(152,400)**	(209,688)
Financing activities			
New bank loans and other borrowings		**5,830,376**	7,990,639
Repayment of bank loans and other borrowings		**(6,244,273)**	(7,953,545)
Principal portion of lease payments		**(11,658)**	(25,453)
Interest paid		**(97,373)**	(121,635)
Dividends paid		**–**	(10,560)
Net cash used in financing activities		**(522,928)**	(120,554)
Net (decrease)/increase in cash and cash equivalents		**(152,142)**	35,445
Cash and cash equivalents at the beginning of year		**746,215**	709,179
Effect of foreign exchange rate changes, net		**1,002**	1,591
Cash and cash equivalents at the end of year	25	**595,075**	746,215
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**587,471**	653,932
Short-term deposits with maturity less than three months		**7,604**	92,283
		595,075	746,215

1. CORPORATE AND GROUP INFORMATION

Sunfonda Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 January 2011 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The registered office address of the Company is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 May 2014.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the sale and service of motor vehicles in the People's Republic of China (hereafter, the "PRC").

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is Golden Speed Enterprises Limited, which was incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2024 are as follows:

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
新豐泰(香港)有限公司 (Sunfonda (Hong Kong) Limited)	Hong Kong 1997	Issued capital of HK$1,501,000	–	100%	Investment holding
Grand Forever Enterprises Limited	Tortola, the BVI 2011	Registered capital of US$50,000 and paid-in capital of US$2,001	100%	–	Investment holding
陝西新豐泰汽車有限責任公司* (Shaanxi Sunfonda Automobile Co., Ltd.)	PRC/Mainland China 2000	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰汽車技術開發有限責任公司* (Shaanxi Sunfonda Automobile Technology Development Co., Ltd.)	PRC/Mainland China 2001	Registered and paid-in capital of RMB531,284,500	–	100%	Sale and service of motor vehicles
西安新銘洋豐田汽車銷售服務有限公司* (Xi'an Xinmingyang Toyota Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2003	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

Continued/...

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
陝西凱盛汽車銷售服務有限公司* (Shaanxi Kaisheng Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2006	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
陝西信捷汽車有限責任公司* (Shaanxi Xinjie Automobile Co., Ltd.)	PRC/Mainland China 2006	Registered and paid-in capital of RMB13,000,000	–	100%	Sale and service of motor vehicles
西安鈞盛雷克薩斯汽車銷售服務有限公司* (Xi'an Junsheng Lexus Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2006	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
山西盈捷汽車銷售服務有限公司* (Shanxi Yingjie Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2009	Registered and paid-in capital of RMB13,204,500	–	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰信捷汽車有限責任公司* (Ordos Sunfonda Xinjie Automobile Co., Ltd.)	PRC/Mainland China 2010	Registered and paid-in capital of RMB26,846,750	–	100%	Sale and service of motor vehicles
陝西新豐泰博奧汽車有限責任公司* (Shaanxi Sunfonda Boao Automobile Co., Ltd.)	PRC/Mainland China 2010	Registered and paid-in capital of RMB55,199,805	–	100%	Sale and service of motor vehicles
鄂爾多斯市新豐泰凱盛汽車有限責任公司* (Ordos Sunfonda Kaisheng Automobile Co., Ltd.)	PRC/Mainland China 2010	Registered and paid-in capital of RMB29,733,148	–	100%	Sale and service of motor vehicles
西安新豐泰之星汽車銷售服務有限公司*** (Xi'an Sunfonda Zhixing Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2009	Registered and paid-in capital of HK$84,000,000	–	100%	Sale and service of motor vehicles
蘇州新豐泰汽車銷售服務有限公司** (Suzhou Sunfonda Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2011	Registered capital of HK$52,000,000 and paid-in capital of HK$45,000,000	–	100%	Sale and service of motor vehicles
蘭州新豐泰汽車銷售有限責任公司* (Lanzhou Sunfonda Automobile Sales Co., Ltd.)	PRC/Mainland China 2011	Registered and paid-in capital of RMB38,104,012	–	100%	Sale and service of motor vehicles

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1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
陝西新豐泰迎賓汽車銷售服務有限公司* (Shaanxi Sunfonda Yingbin Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2011	Registered and paid-in capital of RMB27,187,450	–	100%	Sale and service of motor vehicles
延安新豐泰博奧汽車有限責任公司* (Yan'an Sunfonda Boao Automobile Co., Ltd.)	PRC/Mainland China 2011	Registered and paid-in capital of RMB36,408,200	–	100%	Sale and service of motor vehicles
陝西新豐泰駿美汽車銷售服務有限公司* (Shaanxi Sunfonda Junmei Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2012	Registered and paid-in capital of RMB50,000,000	–	100%	Sale and service of motor vehicles
無錫新豐泰汽車有限責任公司* (Wuxi Sunfonda Automobile Co., Ltd.)	PRC/Mainland China 2013	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
揚州新豐泰博奧汽車銷售服務有限公司* (Yangzhou Sunfonda Boao Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2013	Registered and paid-in capital of RMB30,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰紅旗汽車銷售服務有限公司* (Xi'an Sunfonda Hongqi Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2013	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
寧夏新豐泰信捷汽車銷售服務有限公司** (Ningxia Sunfonda Xinjie Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2013	Registered and paid-in capital of HK$49,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰尚眾汽車銷售服務有限公司* (Shaanxi Sunfonda Shangzhong Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2013	Registered and paid-in capital of RMB26,000,000	–	100%	Sale and service of motor vehicles
北京新豐泰博奧汽車銷售服務有限公司* (Beijing Sunfonda Boao Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2014	Registered and paid-in capital of RMB70,000,000	–	100%	Sale and service of motor vehicles

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1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
渭南新豐泰博奧汽車銷售服務有限公司* (Weinan Sunfonda Boao Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
陝西新豐泰福生汽車銷售服務有限公司* (Shaanxi Sunfonda Fusheng Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
新豐泰(中國)投資有限公司** (Sunfonda (China) Investment Co., Ltd.)	PRC/Mainland China 2015	Registered and paid-in capital of US$89,232,599	–	100%	Investment holding
陝西新豐泰銘威汽車銷售服務有限公司* (Shaanxi Sunfonda Mingwei Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2014	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
銀川順馳路捷汽車銷售服務有限公司* (Yinchuan Shunchi Lujie Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2014	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
延安新豐泰鈞盛雷克薩斯汽車 銷售服務有限公司* (Yan'an Sunfonda Junsheng Lexus Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2015	Registered and paid-in capital of RMB15,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰涇河物流開發有限公司* (Xi'an Sunfonda Jinghe Logistics Development Co. Ltd.)	PRC/Mainland China 2013	Registered and paid-in capital of RMB19,171,896	–	100%	Logistics service
陝西新豐泰金達實業開發有限公司* (Shaanxi Sunfonda Jinda Industrial Development Co. Ltd.)	PRC/Mainland China 2014	Registered and paid-in capital of RMB5,000,000	–	100%	Storage service
西安豐泰信捷汽車銷售服務有限公司* (Xi'an Fun Time Xinjie Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2017	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles

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1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
渭南市宗申寶泰汽車銷售服務有限公司* (Weinan Zongshen Baotai Automobile Sales & Service Co., Ltd.)	PRC/Mainland China 2012	Registered and paid-in capital of RMB63,000,000	–	100%	Sale and service of motor vehicles
西安泰愛車網路技術開發銷售服務有限公司* (Xi'an Sunfonda Automobile Technology Development Co., Ltd.)	PRC/Mainland China 2015	Registered and paid-in capital of RMB8,000,000	–	100%	Internet service and technology development
陝西新豐泰二手車交易市場有限公司* (Shaanxi Sunfonda Second-hand Car Transaction Market Co., Ltd.)	PRC/Mainland China 2015	Registered and paid-in capital of RMB1,000,000	–	100%	Sale and service of second-hand cars
陝西新豐泰新能源汽車銷售服務有限公司* (Shaanxi Sunfonda New Energy Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2016	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
甘肅新豐泰汽車銷售服務有限公司* (Gansu Sunfonda Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2017	Registered and paid-in capital of RMB5,500,000	–	100%	Sale and service of motor vehicles
蘭州新豐泰華寶汽車銷售服務有限公司* (Lanzhou Sunfonda Huabao Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2017	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
南京新豐泰汽車銷售服務有限公司* (Nanjing Sunfonda Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2018	Registered and paid-in capital of RMB40,000,000	–	100%	Sale and service of motor vehicles
西安新豐泰海寶汽車銷售服務有限公司* (Xi'an Sunfonda Haibao Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2019	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
西安鈞盛丰泰雷克薩斯汽車銷售服務 有限公司* (Xi'an Junsheng Fun Time Lexus Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2020	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles

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1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
西安新丰泰凱達汽車銷售有限公司* (Xi'an Sunfonda Kaida Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2020	Registered capital of RMB45,000,000 and paid-in capital of RMB20,000,000	20%	80%	Sale and service of motor vehicles
銀川鈞盛雷克薩斯汽車銷售服務有限公司* (Yinchuan Junsheng Lexus Automobile Sales Service Co., Ltd.)	PRC/Mainland China 2019	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
渭南海眾汽車銷售服務有限公司* (Weinan Haizhong Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2017	Registered and paid-in capital of RMB25,000,000	–	100%	Sale and service of motor vehicles
陝西宗泰實業發展有限公司* (Shaanxi Zongtai Industrial Development Co., Ltd.)	PRC/Mainland China 2018	Registered and paid-in capital of RMB100,000,000	–	100%	Commercial Management
蘭州豐泰榮嘉商貿有 限責任公司* (Lanzhou Fengtai Rongjia Trading Co. Ltd.)	PRC/Mainland China 2021	Registered and paid-in capital of RMB30,000,000	–	100%	Commercial Management
武漢豐泰海寶汽車銷售服務有限公司* (Wuhan Sunfonda Haibao Automobile Sales Services Co., Ltd.)	PRC/Mainland China 2021	Registered and paid-in capital of RMB20,000,000	–	100%	Sale and service of motor vehicles
臨夏豐泰凱達汽車銷售服務有限公司* (Linxia Sunfonda kaida Automobile Sales&Services Co., Ltd.)	PRC/Mainland China 2021	Registered and paid-in capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
銀川豐泰海寶汽車銷售服務有限公司* (Yinchuan Fengtai Haibao Automobile Sales & Service Co., Ltd.)	PRC/Mainland China 2022	Registered capital of RMB16,000,000 and paid-in capital of RMB11,200,000	–	100%	Sale and service of motor vehicles
陝西新豐泰報廢汽車回收拆解有限公司* (Shaanxi Sunfonda Scrap Car Recycling & Dismantling Co., Ltd.)	PRC/Mainland China 2022	Registered capital of RMB10,000,000 and paid-in capital of RMB1,000,000	–	100%	Recycle and disassemble of motor vehicles
北京新豐泰新能源汽車銷售服務有限公司* (Beijing Sunfonda New Energy Vehicle Sales & Service Co., Ltd.)	PRC/Mainland China 2022	Registered capital of RMB10,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles

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1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 are as follows: *(Continued)*

Company name	Place and date of registration/ incorporation and place of business	Registered/ paid-in/issued capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
蘭州豐泰凱達汽車銷售服務有限公司* (Lanzhou Sunfonda Kaida Automobile Sales&Services Co.,Ltd.)	PRC/Mainland China 2022	Registered capital of RMB10,000,000	–	100%	Sale and service of motor vehicles
蘭州豐泰裡商貿有限公司* (Lanzhou Fun Time Lane)	PRC/Mainland China 2024	Registered capital of RMB5,000,000	–	100%	Commercial Management
蘭州市豐泰騰達汽車銷售服務有限公司* (Lanzhou Fengtai Tengda Automobile Sales Service Co.,Ltd.)	PRC/Mainland China 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
銀川豐泰騰達汽車銷售服務有限公司* (Yinchuan Fengtai Tengda Automobile. Sales Service Co.,Ltd.)	PRC/Mainland China 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
西安豐泰鈞程汽車銷售有限公司* (Xi'an Fengtai Juncheng Automobile Sales Co. Ltd.)	PRC/Mainland China 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles
西安豐泰捷程汽車銷售有限公司* (Xi'an Fengtai Jiecheng Automobile Sales Co.. Ltd.)	PRC/Mainland China 2024	Registered capital of RMB5,000,000 and paid-in capital of RMB5,000,000	–	100%	Sale and service of motor vehicles

* These companies are registered as limited liability companies under PRC law.

** These companies are registered as wholly-foreign-owned enterprises under PRC law.

*** This company is registered as a Sino-foreign equity joint venture under PRC law.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards - Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

The application of HKFRS 18 will have no impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss and other comprehensive income. Except for HKFRS 18, the directors of the Company anticipate that these new and revised HKFRSs are not expected to have a material impact on the Group's financial performance and financial position in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

Fair value measurement

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is controlled or jointly controlled by a person identified in (a);

(vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(vii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Category	Estimated useful life	Estimated residual value
Buildings	10 to 20 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Plant and machinery	5 to 10 years	5%
Furniture and fixtures	3 to 5 years	5%
Motor vehicles	4 to 5 years	5%

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

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

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

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.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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

Software	5 to 10 years
Dealership agreements	40 years

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Buildings	2 to 11 years
Land use rights	36 to 66 years

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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

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

Impairment of financial assets

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

General approach

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets 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 and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables.

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

The Group's financial liabilities include trade and bills payables, other payables and bank loans and other borrowings.

Subsequent measurement

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

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

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

Derecognition of financial liabilities

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

- 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.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

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

Other income

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

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

Logistic income and storage income are recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

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

Contract liabilities

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

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.

Share-based payments

The Company operates a share award scheme and a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details of the fair value are given in note 31 to the financial statements.

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

Other employee benefits

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

Borrowing costs

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

Dividends

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for 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 RMB65,189,000 as at 31 December 2024 (2023: RMB63,976,000). The amount of unrecognised tax losses at 31 December 2024 was RMB300,141,000 (2023: RMB67,001,000). Further details are contained in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB10,284,000 (2023: RMB10,284,000). Further details are given in note 17.

Impairment of non-financial assets (other than goodwill)

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

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at the end of the reporting period.

Leases – Estimating the incremental borrowing rate

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

4. OPERATING SEGMENT INFORMATION

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

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

Information about geographical areas

Since all of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Chinese Mainland and over 90% of the Group's non-current assets and liabilities were located in Chinese Mainland, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information in accordance with HKFRS 8 Operating Segments is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

Revenue represents the net invoiced value of goods sold and the value of services rendered after allowances for returns and trade discounts, where applicable.

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**8,608,890**	10,977,823

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Types of goods or services		
Revenue from sale of motor vehicles	**7,454,640**	9,717,294
Revenue from after-sales services	**1,154,250**	1,260,529
Total revenue from contracts with customers	**8,608,890**	10,977,823
Timing of revenue recognition		
At a point in time	**8,608,890**	10,977,823

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

(a) Revenue *(Continued)*

(ii) Performance obligations

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

Sale of motor vehicles

Each sale of motor vehicles is a single performance obligation. The transaction price for a vehicle sale is determined with the customer at the time of sale. The performance obligation is satisfied upon delivery of the motor vehicles. The Group generally receive payment directly from the customer at the time of sale or from the third-party financial institutions within 30 days following the sale.

After-sales services

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

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

	2024 **RMB'000**	2023 RMB'000
Sale of motor vehicles	**119,642**	111,687
After-sales services	**58,741**	60,902
Total contract liabilities	**178,383**	172,589

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

(b) Other income and gains, net:

	2024 RMB'000	2023 RMB'000
Commission income	**525,092**	397,719
Logistics and storage income	**23,854**	26,798
Interest income	**13,636**	11,247
Advertisement support received from motor vehicle manufacturers	**12,524**	7,739
Net gain on disposal of items of property, plant and equipment	**13,993**	10,365
Net gain on disposal of right-of-use assets	**2,824**	963
Government grants	**3,314**	1,447
Fair value gain/(loss), net:		
Financial assets at fair value through profit or loss – mandatorily classified as such, including those held for trading	**663**	(400)
Loss on disposal of subsidiaries	**(6,000)**	–
Others	**32,390**	21,530
Total	**622,290**	477,408

6. (LOSS)/PROFIT BEFORE TAX

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

(a) Employee benefit expense (including directors' and chief executive's remuneration (note 8))

	2024 RMB'000	2023 RMB'000
Wages and salaries	**222,971**	268,366
Equity-settled share award expense	**3,176**	10
Other welfare	**47,003**	53,441
Total	**273,150**	321,817

6. (LOSS)/PROFIT BEFORE TAX *(Continued)*

(b) Cost of sales and services

	2024 RMB'000	2023 RMB'000
Cost of sales of motor vehicles	**7,914,248**	9,801,305
Others*	**724,459**	756,383
Total	**8,638,707**	10,557,688

* Employee benefit expenses of RMB46,613,000 (2023: RMB56,165,000) were included in the cost of sales and services.

(c) Other items

	2024 RMB'000	2023 RMB'000
Depreciation of items of property, plant and equipment	**177,439**	168,960
Depreciation of right-of-use assets	**27,959**	48,074
Amortisation of intangible assets	**867**	858
Auditors' remuneration	**2,280**	2,280
Advertising and business promotion expenses	**52,634**	70,099
Loss on disposal of subsidiaries	**6,000**	–
Lease payments not included in the measurement of lease liabilities	**3,579**	1,453
Bank charges	**4,280**	4,240
Accrual of impairment of inventories	**5,932**	9,824

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings and other borrowings	**101,957**	116,653
Interest expense on lease liabilities	**3,567**	4,982
Less: Interest capitalised	**(9,325)**	(26,463)
Total	**96,199**	95,172

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December 2024				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity–settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
-Mr. Wu Tak Lam	–	1,290	–	10	1,300
-Ms. Chiu Man[(i)]	–	645	–	10	655
-Mr. Deng Ning	–	419	835	44	1,298
-Ms. Chen Wei	–	274	584	44	902
	–	2,628	1,419	108	4,155
Independent non-executive directors:					
-Mr. Song Tao[(iv)]	182	–	–	–	182
-Dr. Liu Xiaofeng	204	–	–	–	204
-Dr. Han Qinchun[(ii)]	185	–	–	–	185
-Mr. Liu Qiming[(iii)]	18	–	–	–	18
	589	–	–	–	589
	589	2,628	1,419	108	4,744

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	Year ended 31 December 2023				
	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Equity–settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
-Mr. Wu Tak Lam	–	1,500	–	10	1,510
-Ms. Chiu Man(i)	–	800	–	10	810
-Mr. Deng Ning	–	646	–	40	686
-Ms. Chen Wei	–	414	–	40	454
	–	3,360	–	100	3,460
Independent non-executive directors:					
-Mr. Liu Jie	100	–	–	–	100
-Mr. Song Tao(iv)	200	–	–	–	200
-Dr. Liu Xiaofeng	210	–	–	–	210
-Dr. Han Qinchun(ii)	113	–	–	–	113
	623	–	–	–	623
	623	3,360		100	4,083

(i) The Company's chief executive is Ms. Chiu Man, who is also an executive director of the Company.

(ii) Dr. Han Qinchun was appointed as an independent non-executive director of the Company on 18 May 2023.

(iii) Mr. Liu Qiming was appointed as an independent non-executive director of the Company on 22 November 2024.

(iv) Mr. Song Tao tendered his resignation as an independent non-executive director of the Company on 22 November 2024.

During the year ended 31 December 2024, no share awards were granted. Details of the share award scheme are set out in note 31 to the financial statements. The fair value of share awards granted in previous year, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included two directors (2023: three), details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining three (2023: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**3,436**	3,179
Equity-settled share award expense	**842**	–
Pension scheme contributions	**98**	58
Total	**4,376**	3,237

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

	Number of employees 2024	 2023
HK$500,001 to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	3	2

During the year ended 31 December 2024, no share awards were granted. Details of are included in the disclosures in note 31 to the financial statements. The fair value of such share awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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

	2024 RMB'000	2023 RMB'000
Current Chinese Mainland corporate income tax	**13,500**	31,678
Deferred tax (note 29)	**11,845**	(25,548)
Total	**25,345**	6,130

The Company incorporated in the Cayman Islands is not subject to income or capital gains tax under the law of the Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The subsidiary incorporated in the BVI is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate for the Chinese Mainland subsidiaries is 25% from1 January 2008.

Certain subsidiaries of the Group enjoyed preferential CIT rates which were lower than 25% during the reporting period as approved by the relevant tax authorities or operated in designated areas with preferential CIT policies in the PRC.

10. INCOME TAX *(Continued)*

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

	2024 **RMB'000**	2023 RMB'000
(Loss)/profit before tax	**(187,684)**	17,996
Tax at the applicable tax rate (25%)	**(46,921)**	4,498
Preferential tax rate reduction	**(1,306)**	(2,298)
Adjustment in respect of current tax of previous periods	**1,263**	(387)
Expenses not deductible for tax	**1,522**	1,483
Tax losses utilised from previous periods	**(1,102)**	(3,430)
Tax losses recognised from previous periods	**–**	(3,572)
Tax losses and temporary differences not recognised	**71,889**	9,836
Tax charge at the Group's effective rate	**25,345**	6,130

11. DIVIDENDS

No dividends were declared and paid by the Company during the years ended 31 December 2024 and 2023.

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

The calculation of the basic loss (2023: earnings) per share amount is based on the loss (2023: profit) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 600,000,000 (2023: 600,000,000) outstanding during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

The calculation of basic loss/earnings per share are based on:

	2024 **RMB'000**	2023 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(213,029)**	11,866

	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year	**600,000,000**	600,000,000
(Loss)/earnings per share		
Basic (RMB)	**(0.36)**	0.02

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024							
Cost	1,242,584	222,683	222,110	132,889	275,729	713,048	2,809,043
Accumulated depreciation and impairment	(534,695)	(92,756)	(155,930)	(99,463)	(78,700)	–	(961,544)
Net carrying amount	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499
At 1 January 2024, net of accumulated depreciation	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499
Additions	24,275	14,685	5,657	4,978	105,736	83,083	238,414
Disposals	(195)	(4,586)	(459)	(894)	(98,289)	–	(104,423)
Disposal of subsidiaries (note 33)	(33,248)	(6,116)	(1,568)	(693)	(5,325)	(241)	(47,191)
Depreciation provided during the year	(60,081)	(38,087)	(14,870)	(12.910)	(52,813)	–	(178,761)
Transfer to buildings, leasehold improvements, plant and machinery	551,594	24,280	282	–	–	(576,156)	–
Transfer to other non-current asset (note18)	–	–	–	–	–	(163,852)	(163,852)
At 31 December 2024, net of accumulated depreciation	1,190,234	120,103	55,222	23,907	146,338	55,882	1,591,686
At 31 December 2024							
Cost	1,769,600	244,823	214,942	125,032	216,965	55,882	2,627,244
Accumulated depreciation and impairment	(579,366)	(124,719)	(159,720)	(101,125)	(70,627)	–	(1,035,558)
Net carrying amount	1,190,234	120,103	55,222	23,907	146,338	55,882	1,591,686

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023							
Cost	1,196,622	159,993	204,191	126,598	246,858	638,171	2,572,433
Accumulated depreciation and impairment	(480,307)	(73,983)	(147,035)	(92,908)	(75,741)	–	(869,974)
Net carrying amount	716,315	86,010	57,156	33,690	171,117	638,171	1,702,459
At 1 January 2023, net of accumulated depreciation	716,315	86,010	57,156	33,690	171,117	638,171	1,702,459
Additions	3,523	29,601	25,423	13,425	184,251	166,318	422,541
Disposals	(1,732)	–	(3,396)	(1,842)	(101,571)	–	(108,541)
Depreciation provided during the year	(56,350)	(28,625)	(14,361)	(12,856)	(56,768)	–	(168,960)
Transfer	46,133	42,941	1,358	1,009	–	(91,441)	–
At 31 December 2023, net of accumulated depreciation	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499
At 31 December 2023							
Cost	1,242,584	222,683	222,110	132,889	275,729	713,048	2,809,043
Accumulated depreciation and impairment	(534,695)	(92,756)	(155,930)	(99,463)	(78,700)	–	(961,544)
Net carrying amount	707,889	129,927	66,180	33,426	197,029	713,048	1,847,499

As at 31 December 2024, the application for the property ownership certificates of certain buildings with an aggregate net book value of approximately RMB312,413,000 (2023: RMB184,423,000) was still in progress. Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial titles to these buildings as at 31 December 2024 and 2023.

At 31 December 2024, certain of the Group's buildings with an aggregate net book value of approximately RMB697,234,000 (2023: RMB374,588,000) were pledged as security for the Group's bank borrowings (note 26(a)).

At 31 December 2023, certain of the Group's construction in progress with an aggregate net book value of approximately 428,483,000 were pledged as security for the Group's bank borrowings (note 26(a)).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings in its operations. Leases of buildings generally have lease terms between 2 and 20 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 19 to 58 years, and no ongoing payments will be made under the terms of these land leases. The rest of the leases have lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Buildings and lands RMB'000	Land use rights RMB'000	Total RMB'000
As at 1 January 2023	95,865	630,384	726,249
Addition	31,405	–	31,405
Disposal	(9,703)	–	(9,703)
Depreciation charge	(35,588)	(18,641)	(54,229)
Including: amount capitalised	–	(6,155)	(6,155)
As at 31 December 2023 and 1 January 2024	81,979	611,743	693,722
Addition	1,930	–	1,930
Disposal	(11,642)	(49,495)	(61,137)
Disposal of subsidiaries (note 33)	–	(32,519)	(32,519)
Depreciation charge	(14,242)	(17,725)	(31,967)
Including: amount capitalised	–	(4,008)	(4,008)
At 31 December 2024	58,025	512,004	570,029

At 31 December 2024, certain land use rights of the Group with an aggregate net book value of approximately RMB344,684,000 (2023: RMB289,486,000) were pledged as securities for the Group's bank borrowings (note 26(a)).

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**88,634**	94,973
New leases	**1,930**	31,405
Accretion of interest recognised during the year	**3,567**	4,982
Payments	**(14,088)**	(32,060)
Disposal	**(15,225)**	(10,666)
Carrying amount at 31 December	**64,818**	88,634
Analysed into:		
Current portion	**9,573**	16,780
Non-current portion	**55,245**	71,854

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**3,567**	4,982
Depreciation charge of right-of-use assets	**27,959**	48,074
Expense relating to leases of short-term or low-value assets (included in selling and distribution expenses, and administrative expenses)	**3,579**	1,453
Total amount recognised in profit or loss	**35,105**	54,509

15. INTANGIBLE ASSETS

31 December 2024

	Software RMB'000	Dealership agreements RMB'000	Total RMB'000
Cost at 1 January 2024, net of accumulated amortisation	**3,102**	**7,347**	**10,449**
Addition	**–**	**–**	**–**
Amortisation provided during the year	**(652)**	**(215)**	**(867)**
At 31 December 2024	**2,450**	**7,132**	**9,582**
At 31 December 2024			
Cost	**12,155**	**8,643**	**20,798**
Accumulated amortisation	**(9,705)**	**(1,511)**	**(11,216)**
Net carrying amount	**2,450**	**7,132**	**9,582**

31 December 2023

	Software RMB'000	Dealership agreements RMB'000	Total RMB'000
Cost at 1 January 2023, net of accumulated amortisation	2,583	7,562	10,145
Addition	1,162	–	1,162
Amortisation provided during the year	(643)	(215)	(858)
At 31 December 2023	3,102	7,347	10,449
At 31 December 2023			
Cost	12,155	8,643	20,798
Accumulated amortisation	(9,053)	(1,296)	(10,349)
Net carrying amount	3,102	7,347	10,449

The Group's principal identifiable intangible asset represents a dealership agreement in Chinese Mainland with a certain vehicle manufacturer acquired from a third party. The dealership agreement does not include a specified contract period or termination arrangement. The dealership agreement is amortised over 40 years, which is management's best estimation of its useful life.

16. PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepayments for purchase of land use rights	**15,000**	15,000
Prepayments for purchase of items of property, plant and equipment	**7,301**	7,237
Total	**22,301**	22,237

17. GOODWILL

	RMB'000
At 1 January 2023 and 2024	
Cost	10,794
Accumulated impairment	(510)
Net carrying amount	10,284
Cost at 1 January 2023 and 2024, net of accumulated impairment, and at 31 December 2023 and 2024	10,284
At 31 December 2023 and 2024:	
Cost	10,794
Accumulated impairment	(510)
Net carrying amount	10,284

Impairment testing of goodwill

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

Goodwill acquired through business combinations has been allocated to the relevant 4S dealership business from which the goodwill was resulted. The individual 4S dealership business is treated as a cash-generating unit for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 2.2% (2023: 2.3%) for all years. The discount rate applied to the cash flow projections beyond the one-year period is 12% (2023: 12%).

17. GOODWILL *(Continued)*

Assumptions used in the value in use calculation

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

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

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

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Sensitivity to changes in assumptions

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

18. OTHER NON-CURRENT ASSETS

	2024 RMB'000
Buildings	163,852

As at 31 December 2024, the application for the sales permits of buildings with an aggregate net book value of approximately RMB163,852,000 was still in progress.

At 31 December 2024, the buildings with an aggregate carrying amount of approximately RMB158,781,000 (2023: nil) were pledged as securities for the Group's bank loans and other borrowings (note 13 and note 26(a)).

19. INVENTORIES

	2024 RMB'000	2023 RMB'000
Motor vehicles	**958,738**	1,204,767
Spare parts	**88,804**	102,813
	1,047,542	1,307,580
Less: Impairment	**(36,021)**	(30,089)
Total	**1,011,521**	1,277,491

At 31 December 2024, certain of the Group's inventories with aggregate carrying amounts of approximately RMB498,076,000 (2023: RMB665,455,000) and RMB406,219,000 (2023: RMB275,604,000) were pledged as securities for the Group's bank loans and other borrowings (note 26(a)) and the Group's bills payable (note 27), respectively.

20. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**40,536**	37,307

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.

20. TRADE RECEIVABLES *(Continued)*

An ageing analysis of the trade receivables as at each reporting date (based on the invoice date) is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**38,163**	35,925
More than 3 months but less than 1 year	**1,338**	882
Over 1 year	**1,035**	500
Total	**40,536**	37,307

As at 31 December 2024, no provision for impairment of trade receivables was accrued.

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

The information about the credit risk exposure on the Group's trade receivables using a provision matrix is disclosed in note 40 to the financial statements.

An ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2024 **RMB'000**	2023 RMB'000
Neither past due nor impaired	**39,501**	36,807
Over 1 year past due but not impaired	**1,035**	500
Total	**40,536**	37,307

20. TRADE RECEIVABLES *(Continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 **RMB'000**	2023 RMB'000
Prepayments and deposits to suppliers	**330,058**	450,954
Vendor rebate receivables	**310,770**	338,325
VAT recoverable	**109,769**	105,617
Others	**122,490**	121,448
Total	**873,087**	1,016,344

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **RMB'000**	2023 RMB'000
Financial products	**5,397**	2,665

The financial products were wealth management products issued by financial institutions. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. PLEDGED BANK DEPOSITS

	2024 RMB'000	2023 RMB'000
Deposits pledged with banks as collateral against credit facilities granted by the banks and bills payable	**652,186**	579,065

Pledged bank deposits earn interest at interest rates stipulated by financial institutions.

As at 31 December 2024, certain of the Group's pledged bank deposits with an aggregate carrying amount of approximately RMB550,690,000 (2023: RMB445,057,000) were pledged as securities for the Group's bills payable (note 27).

As at 31 December 2024, certain of the Group's pledged bank deposits with aggregate carrying amounts of approximately RMB99,376,000 (2023: RMB108,104,000),and nil (2023: US$3,657,000 (equivalent to RMB25,904,000)) were pledged as securities for the Group's bank loans and other borrowings (note 26(a)) and others.

24. CASH IN TRANSIT

	2024 RMB'000	2023 RMB'000
Cash in transit	**2,137**	14,917

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

25. CASH AND CASH AT BANKS AND SHORT-TERM DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and cash at banks	**587,471**	653,932
Short-term deposits	**59,901**	93,280
	647,372	747,212
Less: time deposits with maturity of over three months	**(52,297)**	(997)
Cash and cash equivalents	**595,075**	746,215
RMB	**497,781**	622,090
HKD	**16,097**	24,159
USD	**80,718**	98,612
EUR	**479**	517
JPY	**–**	837
	595,075	746,215

As at 31 December 2024, the cash and cash equivalents of the Group denominated in RMB amounted to RMB497,781,000 (2023: RMB622,090,000) in Chinese Mainland. The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. BANK LOANS AND OTHER BORROWINGS

	2024			2023		
	Effective interest rate (%)	**Maturity**	**Amount RMB'000**	Effective interest rate (%)	Maturity	Amount RMB'000
Current						
Bank loans	**2.85-5.8**	**2025**	**1,337,664**	2.9-5.8	2024	1,464,660
Other borrowings	**2.28-8.5**	**2025**	**282,288**	1.3-8.5	2024	347,040
Total – current			**1,619,952**			1,811,700
Non-current						
Bank loans	**4.35-5.8**	**2026-2033**	**442,963**	3.5-5.8	2025-2033	709,402
Total – non-current			**442,963**			709,402
Total			**2,062,915**			2,521,102
Bank loans and other borrowings represent:						
– secured loans (a)			**1,315,493**			1,818,526
– unsecured loans			**747,422**			702,576
			2,062,915			2,521,102

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,337,664**	1,464,660
In the second year	**97,500**	324,568
In the third to fifth years, inclusive	**214,485**	200,886
Over five years	**130,978**	183,948
	1,780,627	2,174,062
Other borrowings repayable:		
Within one year	**282,288**	347,040
	2,062,915	2,521,102

26. BANK LOANS AND OTHER BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2024, certain of the Group's bank loans and other borrowings are secured by:

(i) mortgages over the Group's land use rights situated in Chinese Mainland, which had an aggregate carrying value of approximately RMB344,684,000 (2023: RMB289,486,000) (note 14);

(ii) mortgages over the Group's buildings, which had an aggregate net book value of approximately RMB697,234,000 (2023: RMB374,588,000) (note 13);

(iii) mortgages over the Group's construction in progress an aggregate carrying amount of approximately nil (2023: RMB428,483,000) (note 13);

(iv) mortgages over the Group's inventories, which had an aggregate carrying amount of approximately RMB498,076,000 (2023: RMB665,455,000) (note 19); and

(v) mortgages over the Group's bank deposits, which had an aggregate carrying amount of approximately RMB 99,376,000 (2023: RMB108,104,000 US$3,657,000 (equivalent to RMB25,904,000)) (note 23);

(b) As at 31 December 2024, all bank loans and other borrowings were in RMB (2023: HK$54,400,000 (equivalent to RMB49,298,000) denominated in Hong Kong dollars).

27. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**95,820**	121,454
Bills payable	**857,333**	701,826
Trade and bills payables	**953,153**	823,280

27. TRADE AND BILLS PAYABLES *(Continued)*

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

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**592,307**	470,210
3 to 6 months	**353,937**	317,114
6 to 12 months	**3,669**	32,070
Over 12 months	**3,240**	3,886
	953,153	823,280

The trade and bills payables are non-interest-bearing. The trade and bills payables are normally settled on 90 to180 days terms.

As at 31 December 2024, the Group's bills payable are secured by mortgages over the Group's inventories and bank deposits, which had an aggregate carrying value of approximately RMB406,219,000 (2023: RMB275,604,000) (note 19) and RMB550,690,000 (2023: RMB445,057,000) (note 23), respectively.

28. OTHER PAYABLES AND ACCRUALS

		2024 **RMB'000**	2023 RMB'000
Payables for purchase of items of property, plant and equipment		**42,267**	116,000
Contract liabilities	(a)	**139,459**	178,383
Staff payroll and welfare payables		**29,306**	26,208
Tax payable (other than income tax)		**10,416**	14,703
Others		**56,077**	45,382
		277,525	380,676

28. OTHER PAYABLES AND ACCRUALS *(Continued)*

(a) Details of contract liabilities are as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Short-term advances received from customers			
Sale of motor vehicles	**98,698**	**119,642**	**111,687**
After-sales services	**40,761**	**58,741**	**60,902**
Total contract liabilities	**139,459**	**178,383**	**172,589**

Contract liabilities include short-term advances received to deliver new automobiles or to provide after-sales services. The decrease in contract liabilities in 2024 was mainly due to the decrease in short-term advances received from customers in relation to the sales of new automobiles at the end of the year.

29. DEFERRED TAX

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 future taxable profits RMB'000	Inventory impairment RMB'000	Accrued payroll and social welfare RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	33,971	4,143	2,571	1,044	41,729
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 10)	19,946	3,136	(2,000)	21,114	42,196
At 31 December 2023	53,917	7,279	571	22,158	83,925
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year (note 10)	(5,756)	(3,470)	(571)	(8,646)	(18,443)
At 31 December 2024	48,161	3,809	–	13,512	65,482

The Group also has tax losses arising in Chinese Mainland of RMB300,141,000 (2023: RMB67,001,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

29. 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 year are as follows:

	Fair value adjustment arising from acquisition of a subsidiary RMB'000	Depreciation charges in less than depreciation allowances RMB'000	Capitalisation of interest expense and others RMB'000	Withholding Tax RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	2,186	13,337	5,014	3,750	–	24,287
Deferred tax charged/(credited) in the consolidated statement of profit or loss during the year (note10)	(78)	(6,528)	2,759	–	20,495	16,648
At 31 December 2023	2,108	6,809	7,773	3,750	20,495	40,935
Deferred tax charged/(credited) in the consolidated statement of profit or loss during the year (note10)	(78)	1,186	293	–	(7,999)	(6,598)
At 31 December 2024	2,030	7,995	8,066	3,750	12,496	34,337

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

The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB2,110,000,000 and RMB2,180,000,000 at 31 December 2024 and 2023, respectively.

30. SHARE CAPITAL

Authorised

	2024 No. of shares of US$0.0001 each	2023 No. of shares of US$0.0001 each
Ordinary shares	**1,000,000,000**	1,000,000,000

Shares

	No. of shares of US$0.0001 each	Equivalent to RMB'000
Issued and fully paid: ordinary shares	**600,000,000**	600,000,000

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares US$'000	Equivalent nominal value of ordinary shares RMB'000
As at 1 January 2023 and 31 December 2023	600,000,000	60	377
As at 1 January 2024 and 31 December 2024	600,000,000	60	377

31. SHARE-BASED PAYMENTS

(a) Pre-IPO share award scheme

The Company's Pre-IPO Share Award Scheme was approved and adopted on 8 January 2014 for the purpose of recognising and rewarding the contribution of the selected employees of the Group and motivating their contribution to the future development of the Group.

For the implementation of the Pre-IPO Share Award Scheme, a Management Trust was established by Top Wheel Limited, which was fully owned by Mr. Wu Tak Lam and Ms. Chiu Man on 8 January 2014 with Cantrust (Far East) Limited acting as the trustee. On the same date, Top Wheel Limited transferred, for nil consideration, 9,000,000 shares in the Company to the Management Trust pursuant to the Pre-IPO Share Award Scheme. The vesting in full of the share award would, under the present capital structure of the Company, have no impact on the additional ordinary shares of the Company.

The following awarded shares were outstanding under the scheme during the year:

	2024 Number of awarded shares '000	2023 Number of awarded shares '000
At 1 January	**3,809,600**	67
Granted during the year	**–**	3,809,600
Vested during the year	**(3,809,600)**	(67)
At 31 December	**–**	3,809,600

Under the Pre-IPO Share Award Scheme, the vesting period is five years during which the awarded shares granted to any particular selected employee will vest on each anniversary of the grant date of the relevant awards in equal portions.

No share awards were granted for the year ended 31 December 2024.

The fair value of share awards granted was estimated, by reference to the market value of the share awards as at the date of grant, taking into account the terms and conditions upon which the share awards were granted.

31. SHARE-BASED PAYMENTS *(Continued)*

(a) Pre-IPO share award scheme *(Continued)*

The Group recognised a share award expense of RMB3,176,000 (2023: RMB10,000) during the year ended 31 December 2024.

At the end of the reporting period, the Company had no (2023: no) awarded shares outstanding under the Pre-IPO Share Award Scheme.

(b) Share option scheme

On 18 January 2014, a share option scheme was approved and adopted by the then shareholder (the "Share Option Scheme") for the purposes of recognising and rewarding the contribution of the selected employees of the Group and motivating their contribution to the future development of the Group.

No share options were granted under the Share Option Scheme during the years ended 31 December 2024 and 2023.

32. RESERVES

(i) 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 company law to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

32. RESERVES *(Continued)*

(iv) Capital reserve

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

33. DISPOSAL OF SUBSIDIARIES

In July 2024, the Group disposed of 100% equity interests in Suzhou Sunfonda Toyota Motor Sales and Service Co., Ltd. Yangzhou Sunfonda Junsheng Lexus Automobile Sales & Service Co., Ltd. and Wuxi Sunfonda Kaida Automobile Sales&Service Co., Ltd. to an individual for a total consideration of RMB41,096,000.

	2024 RMB'000
Net assets disposed of:	
Property, plant and equipment	47,190
Land use rights	32,519
Cash and bank balances	16,235
Trade receivables	5,846
Prepayments and other receivables	62,163
Short term loans	(44,290)
Trade payables	(4,085)
Accruals and other payables	(69,171)
Tax payable	689
Subtotal	47,096
Loss on disposal of three subsidiaries	(6,000)
Total consideration	41,096
Satisfied by:	
Cash	41,096

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of three subsidiaries is as follows:

	2024 RMB'000
Cash consideration	41,096
Cash and bank balances disposed of	(16,235)
Net inflow of cash and cash equivalents in respect of the disposal of three subsidiaries	24,861

34. EMPLOYEE RETIREMENT BENEFITS

Under the People's Republic of China ("PRC") state regulations, the employees of the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The subsidiaries in Mainland China are required to make contributions to the local social security bureau at 10% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in Mainland China.

For the year ended 31 December 2024, there is no forfeited contribution under the retirement schemes and Pension Scheme which may used by the Group to reduce the contribution in future years.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions of right-of-use assets and lease liabilities of RMB1,930,000 (2023: RMB31,405,000), RMB1,930,000 (2023: RMB31,405,000), respectively, and non-cash disposals to right-of-use assets and lease liabilities of RMB11,642,000 (2023: RMB9,703,000) and RMB14,088,000 (2023: RMB10,666,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2024

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2024	**2,521,102**	**88,634**
Changes from financing cash flows	**(413,897)**	**(15,225)**
Disposal of subsidiaries	**(44,290)**	**–**
New leases	**–**	**1,930**
Interest expense	**–**	**3,567**
Disposal of leases	**–**	**(14,088)**
At 31 December 2024	**2,062,915**	**64,818**

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities *(Continued)*

2023

	Bank and other loans RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000
At 1 January 2023	2,481,133	94,973	–
Changes from financing cash flows	37,094	(32,060)	(10,560)
New leases	–	31,405	–
Interest expense	–	4,982	–
Disposal of leases	–	(10,666)	–
Foreign exchange movement	2,875	–	–
Final 2022 dividend declared	–	–	10,560
At 31 December 2023	2,521,102	88,634	–

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date were as follows:

2024

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	**–**	**40,536**	**40,536**
Financial assets included in prepayments, other receivables and other assets	**–**	**450,402**	**450,402**
Financial assets at fair value through profit or loss	**5,397**	**–**	**5,397**
Pledged bank deposits	**–**	**652,186**	**652,186**
Cash in transit	**–**	**2,137**	**2,137**
Cash and cash at banks and short-term deposits	**–**	**647,372**	**647,372**
Total	**5,397**	**1,775,491**	**1,780,888**

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the reporting date were as follows: (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**953,153**
Financial liabilities included in other payables and accruals	**98,344**
Bank loans and other borrowings	**2,062,915**
Total	**3,114,412**

2023

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	37,307	37,307
Financial assets included in prepayments, other receivables and other assets	–	459,773	459,773
Financial assets at fair value through profit or loss	2,665	–	2,665
Pledged bank deposits	–	579,065	579,065
Cash in transit	–	14,917	14,917
Cash and cash at banks and short-term deposits	–	747,212	747,212
Total	2,665	1,838,274	1,840,939

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	823,280
Financial liabilities included in other payables and accruals	161,382
Bank loans and other borrowings	2,521,102
Total	3,505,764

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair Values	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets at fair value through profit or loss	**5,397**	2,665	**5,397**	2,665

Management has assessed that the fair values of cash and cash at banks, short-term deposits, cash in transit, amounts due from related parties, pledged bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts. The Group's own non-performance risk for bank loans and other borrowings as at 31 December 2024 was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy *(Continued)*

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**5,397**	**–**	**–**	**5,397**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	2,665	–	–	2,665

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 2023.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: nil).

38. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group at the reporting date not provided for in these financial statements are as follows:

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Buildings	**3,701**	23,656

39. RELATED PARTY TRANSACTIONS AND BALANCES

Mr. Wu Tak Lam and Ms. Chiu Man are collectively the Controlling Shareholders (the "Controlling Shareholders") of the Group. They are also the key management personnel and considered to be related parties of the Group.

Mr. Zhao Yijian is a close family member of the Controlling Shareholders and considered to be a related party of the Group.

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

(a) Transactions with a related party

The following transactions were carried out with a related company during the year:

		2024 RMB'000	2023 RMB'000
(i)	Sales of motor vehicles and spare parts		
	Yangzhou Sunfonda Automobile Co., Ltd.*	**246**	2,001
(ii)	Purchase of motor vehicles and spare parts		
	Yangzhou Sunfonda Automobile Co., Ltd. *	**107**	10,874

* Yangzhou Sunfonda Automobile Co., Ltd. is controlled by Mr. Zhao Yijian.

39. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) Transactions with a related party *(Continued)*

As at 31 December 2024 and 2023, the amount due from Yangzhou Sunfonda Automobile Co., Ltd was nil.

The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group

	2024 RMB'000	2023 RMB'000
Short term employee benefits	**3,628**	4,442
Equity-settled share award expense	**2,003**	–
Post-employment benefits	**152**	140
Total compensation paid to key management personnel	**5,783**	4,582

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 23), short-term deposits, and cash and cash at banks (note 25).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 26. Borrowings at variable rates expose the Group to the risk of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on long term floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
RMB	**50**	**(687)**	**(515)**
RMB	**(50)**	**687**	**515**
2023			
RMB	50	(2,295)	(1,721)
HKD	50	(201)	(151)
RMB	(50)	2,295	1,721
HKD	(50)	201	151

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group's businesses are located in Chinese Mainland and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in US$ and HK$ and certain loans denominated in HK$.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Chinese Mainland which had HK$ as their functional currency and the Group did not have material foreign currency transactions in Chinese Mainland during the year.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, short-term deposits, cash and cash at banks, trade and other receivables, an amount due from a related party included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	40,536	40,536
Financial assets included in prepayments, other receivables and other assets	450,402	–	450,402
	450,402	40,536	490,938

As at 31 December 2023

	12-month ECLs	Lifetime ECLs	
	Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	–	37,307	37,307
Financial assets included in prepayments, other receivables and other assets	459,773	–	459,773
	459,773	37,307	497,080

For trade receivables to which the Group applies the simplified approach for impairment. For the financial assets included in prepayments, other receivables and other assets to which the Group applies the general approach for impairment, there was no recent history of default. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. No loss allowance was provided because management estimated that the expected credit loss rate was less than 1‰ and the expected credit losses as at 31 December 2024 were not significant.

As at 31 December 2024, all pledged bank deposits, short-term deposits, and cash and cash at banks were deposited in reputable financial institutions without significant credit risk.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2024					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Bank loans and other borrowings	**–**	**505,682**	**1,103,025**	**441,881**	**146,469**	**2,197,057**
Lease liabilities	**–**	**3,983**	**10,490**	**40,451**	**26,023**	**80,947**
Trade and bills payables	**95,819**	**517,323**	**340,011**	**–**	**–**	**953,153**
Financial liabilities included in other payables and accruals	**56,077**	**10,566**	**31,701**	**–**	**–**	**98,344**
Total	**151,896**	**1,037,554**	**1,485,227**	**482,332**	**172,492**	**3,329,501**

	As at 31 December 2023					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Bank loans and other borrowings	–	555,568	1,351,224	598,845	195,305	2,700,942
Lease liabilities	–	11,115	10,953	51,261	38,531	111,860
Trade and bills payables	121,454	362,848	338,978	–	–	823,280
Financial liabilities included in other payables and accruals	45,382	29,000	87,000	–	–	161,382
Total	166,836	958,531	1,788,155	650,106	233,836	3,797,464

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2024.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes bank loans and other borrowings trade and bills payables and other payables and accruals, less cash and cash at banks, short-term deposits, cash in transit and pledged bank deposits. The gearing ratios as at the reporting dates were as follows:

	2024 **RMB'000**	2023 RMB'000
Bank loans and other borrowings	**2,062,915**	2,521,102
Trade and bills payables	**953,153**	823,280
Other payables and accruals	**277,525**	380,676
Less: Pledged bank deposits	**(652,186)**	(579,065)
Cash in transit	**(2,137)**	(14,917)
Short-term deposits	**(59,901)**	(93,280)
Cash and cash at banks	**(587,471)**	(653,932)
Net debt	**1,991,898**	2,383,864
Total equity	**2,253,997**	2,462,848
Total equity and net debt	**4,245,895**	4,846,712
Gearing ratio	**46.9%**	49.2%

41. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the announcement made on 10 March 2025, the Company entered into an equity transfer agreement related to disposal of 100% equity interests in a subsidiary for an aggregated consideration of RMB81.92 million.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 **RMB'000**	2023 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**399,130**	445,936
CURRENT ASSETS		
Prepayments, other receivables and other assets	**293**	265
Cash and cash equivalents	**7,811**	10,422
Total current assets	**8,104**	10,688
CURRENT LIABILITIES		
Other payables and accruals	**(759)**	(142)
NET CURRENT ASSETS	**7,345**	10,545
TOTAL ASSETS LESS CURRENT LIABILITIES	**406,475**	456,481
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	**–**	49,298
NET ASSETS	**406,475**	407,183
EQUITY		
Share capital	**377**	377
Reserves (note)	**406,098**	406,806
Total equity	**406,475**	407,183

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated gains/(losses) RMB'000	Total RMB'000
At 31 December 2022 and 1 January 2023	97,842	320,214	(6,488)	7,722	419,290
Total comprehensive income for the year	–	–	(242)	(1,682)	(1,924)
Final 2022 dividend declared	(10,560)	–	–	–	(10,560)
At 31 December 2023 and 1 January 2024	87,282	320,214	(6,730)	6,040	406,806
Total comprehensive income for the year	–	–	1,388	(2,096)	(708)
Final 2023 dividend declared	–	–	–	–	–
At 31 December 2024	87,282	320,214	(5,342)	3,944	406,098

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2025.

FINANCIAL SUMMARY

31 DECEMBER 2024

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**8,608,890**	10,977,823	10,923,678	11,639,221	10,634,418
Cost of sales and services	**(8,638,707)**	(10,557,688)	(10,207,944)	(10,645,937)	(9,885,623)
Gross (loss)/profit	**(29,817)**	420,135	715,734	993,284	748,795
Other income and gains, net	**622,290**	477,408	281,205	360,082	187,176
Selling and distribution expenses	**(445,434)**	(543,186)	(507,486)	(521,868)	(410,523)
Administrative expenses	**(238,524)**	(241,189)	(252,676)	(271,467)	(218,691)
(Loss)/profit from operations	**(91,485)**	113,168	236,777	560,031	306,757
Finance costs	**(96,199)**	(95,172)	(107,377)	(93,705)	(103,022)
(Loss)/profit before tax	**(187,684)**	17,996	129,400	466,326	203,735
Income tax expense	**(25,345)**	(6,130)	(48,135)	(120,475)	(58,546)
(Loss)/profit for the year	**(213,029)**	11,866	81,265	345,851	145,189
Attributable to:					
Owners of the parent	**(213,029)**	11,866	81,265	345,851	145,189
Non-controlling interests	**–**	-	–	-	–
	(213,029)	11,866	81,265	345,851	145,189

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**5,665,159**	6,323,168	5,913,487	5,879,162	5,036,259
Total liabilities	**3,411,162**	3,860,320	3,450,672	3,440,341	2,877,971
Non-controlling interests	**–**	-	–	-	–
Equity attributable to owners of the parent	**2,253,997**	2,462,848	2,462,815	2,438,821	2,158,288