# 新焦點汽車技術控股有限公司*
# New Focus Auto Tech Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)* Stock Code: 360

## ANNUAL REPORT 2023

* For identification purpose only

# CONTENTS

# CORPORATE INFORMATION

### Directors

**Executive Director**

Tong Fei *(Chairman)*

**Independent Non-executive Directors**

Li Qingwen
Huang Bo
Zhang Kaizhi

### Chief Executive Officer

Zhao Yufeng

### Chief Financial Officer

Chen Long

### Company Secretary

Liu Xiaohua

### Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111 Cayman Islands

### Principal Place of Business in Hong Kong

5/F, 180 Hennessy Road
Wan Chai
Hong Kong

### Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark, 11 Pedder St., Central
Hong Kong

### Legal Advisers

CFN Lawyers
27/F, Neich Tower
128 Gloucester Road, Wan Chai
Hong Kong

### Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman KY1-1100
Cayman Islands

### Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

### Stock Code

360

### Website

https://www.nfa360.com

# CHAIRMAN'S STATEMENT

In 2023, the global landscape was navigating complexities through a business environment still full of challenges, as national economies were on the road to recovery.

Faced with these challenges, New Focus Auto Tech Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") optimized and adjusted its development strategy, organizational structure, business planning and product line layout and injected new impetus into the Company for future sustainable, efficient and healthy development. The Group's subsidiaries, New Focus Lighting and Power Technology (Shanghai) Co., Ltd.* (紐福克斯光電科技（上海）有限公司) ("**New Focus Lighting & Power (Shanghai)**"), New Focus Lighting and Power Technology (Qingdao) Co., Ltd.* (紐福克斯光電科技（青島）有限公司) ("**New Focus Lighting & Power (Qingdao)**") and New Focus Technology (Beijing) Co., Ltd.* (紐福克斯科技（北京）有限公司) ("**New Focus (Beijing)**"), played an active role in achieving good results.

New Focus Lighting & Power (Shanghai) launched the "Lean Manufacturing and Digital Plant" project in November 2023 to continue the pursuit of optimal balance between costs, quality and efficiency. In terms of the foreign trade business, mass production and shipment have begun for the high-end power management module products, which are customized and developed for global industry leaders, marking the acceleration of the Company's business layout in all aspects of the electric tools field. In terms of the domestic trade business, the Company vigorously implemented the "parallel development of commercial and passenger vehicles (商乘並舉)" strategy by gaining new customers and the mass production of new products in various commercial and passenger vehicle fields, laying a solid foundation for future business growth. The construction work of the industrial park of New Focus Lighting & Power (Qingdao) in Laixi City, Qingdao (the "**Industrial Park**") has also commenced and part of the production plant has been topped out.

While endeavoring to promote the growth of the Group's own business, we also vigorously developed and sought external investment opportunities. In July 2023, New Focus (Beijing) completed its investment in Tianjin Hongzhuo Enterprise Management Center (Limited Partnership)* (天津宏卓企業管理中心（有限合夥）) ("**Tianjin Hongzhuo**"), which formed an ecological matrix with the Group's resources that promoted the development opportunities of the Group in the fields of new energy and new materials. In September 2023, New Focus (Beijing) further completed its investment in Jinyi (Mianyang) Hydrogen Energy Technology Co., Ltd.* (錦宜（綿陽）氫能科技有限公司) ("**Jinyi**"), which is principally engaged in comprehensive hydrogen energy solutions and commercialized operations. Relying on the production capacity of leading domestic hydrogen fuel cell and electrolytic water hydrogen production, Jinyi will contribute to the building of an industry-leading hydrogen energy business segment of the Group.

# CHAIRMAN'S STATEMENT

Setting growth as the top priority in 2024, the Group will extend the applicable scenarios of foreign trade terminals in-depth and focus on emerging overseas markets such as Southeast Asia, Australia, the Middle East and South Africa, in an effort to create a second growth curve for its business regions apart from North America. Meanwhile, for the domestic trade business, the Group will provide customers with more valuable product solutions through platformization and modularization. It will actively realize industry chain integration and industrial synergy layout through foreign investment, pivoting on high-quality investment projects in the new energy and new material industries.

Looking forward, we will also keep adhering to the concept of "Technology leads industry, investment drives innovation (科技引領產業，投資驅動創新)", firmly lead technological innovation and continuously explore opportunities for new business and partnerships. We will increase investment to promote the development of various fields such as new energy conversion, storage, production and application. At the same time, we will strengthen team building and cultivate more industry talents to lay a solid foundation for the long-term development of the Company.

On behalf of the board (the "**Board**") of directors of the Company (the "**Directors**"), I would like to express my appreciation for the dedication of all our staff and the support from various parties in society.

# MANAGEMENT DISCUSSION AND ANALYSIS

***Overview***

During the year ended 31 December 2023 (the "**Year**"), the Group focused on the research and development ("**R&D**"), manufacturing and sales of automotive electronic products, the construction and development of automobile dealership networks and the R&D, sales and provision of integrated solutions for hydrogen fuel cells. The automotive electronic products that the Group produces mainly include inverters, chargers, multi-functional power packs and cooling and heating boxes, which are mainly sold to the markets of the People's Republic of China (the "**PRC**" or "**China**"), North America and Europe. The Group's automobile dealership and services business is operated mainly in the Inner Mongolia Autonomous Region for automobile sales, automotive aftersales services, and the distribution of car insurance products and automobile financial products. The Group also commenced its hydrogen-fuel cell related business in the second half of the Year, which mainly provides hydrogen-related products and solutions to governments and customers in the field of the Internet Data Center ("**IDC**"). Such business has not yet generated any revenue for the Year as the construction of the relevant plants and production lines has commenced but has not yet been completed.

***Results Highlights***

**Revenue**

During the Year, the consolidated revenue of the Group was approximately RMB555,377,000 (2022: RMB591,671,000), representing a decrease of approximately 6.13%.

The consolidated revenue from the manufacturing and trading business of the Group during the Year was approximately RMB412,043,000 (2022: RMB450,389,000), representing a decrease of approximately 8.51%, which was mainly attributable to the decline in export sales revenue resulting from the impact of Sino-US tariff policy on the foreign trade customers of the manufacturing business during the Year.

The consolidated revenue from the Group's automobile dealership and services business during the Year amounted to approximately RMB143,334,000 (2022: RMB141,282,000), representing an increase of approximately 1.45%. Such increase was mainly attributable to an increase in the revenue of some of the Group's automobile dealership and services outlets after the end of COVID-19 pandemic prevention and control policies.

**Gross profit and gross profit margin**

The consolidated gross profit of the Group for the Year was approximately RMB95,568,000 (2022: RMB101,347,000), representing a decrease of approximately 5.70%. The gross profit margin increased from 17.13% to 17.21%. The decrease in gross profit was mainly attributable to the decrease in consolidated revenue for the Year as compared with 2022. The increase in gross profit margin was primarily attributable to the higher average exchange rate of the United States Dollar (USD) against the Renminbi (RMB) during the Year as compared with 2022.

During the Year, the gross profit of the Group's manufacturing business was approximately RMB88,009,000 (2022: RMB90,662,000), representing a decrease of approximately 2.93%. The gross profit margin increased from approximately 20.13% to approximately 21.36%. The decrease in gross profit was mainly attributable to the decrease in consolidated revenue for the Year as compared with 2022. The increase in gross profit margin was primarily attributable to the higher average exchange rate of USD against RMB during the Year as compared with 2022, leading to an increase in gross profit margin of foreign trade revenue denominated in USD.

During the Year, the gross profit of the Group's automobile dealership and services business was approximately RMB7,559,000 (2022: RMB10,685,000), representing a decrease of approximately 29.26%. The gross profit margin decreased from approximately 7.56% to approximately 5.27%. The decrease in gross profit and gross profit margin was primarily due to the decrease in the proportion of revenue from business with higher gross profit margin during the Year.

**Other income and gains and losses**

Other revenue for the Year was approximately RMB15,858,000 (2022: RMB7,255,000). The increase was mainly attributable to an interest income of approximately RMB5,315,000 from the loans granted by the Group to JingHang DaYun (Beijing) Technology Co., Ltd.* (京行大運(北京)科技有限公司) ("**Jinghang Dayun**") and receipt of revenue for management and consultation fees of approximately RMB2,728,000 from the provision of supply chain management services to upstream and downstream enterprises for the Year, while no such revenue was recorded in 2022.

Other gains, net for the Year was approximately RMB2,786,000 (2022: RMB8,350,000). The decrease in other gains was mainly attributable to the decrease in exchange gain recorded by the Company as compared with 2022 due to smaller exchange rates appreciation of the USD and Hong Kong Dollar (HKD) against the RMB for the Year as compared with 2022.

**Expenses**

Net allowance for expected credit losses on trade receivables and other receivables for the Year was approximately RMB64,736,000 (2022: RMB21,002,000). The increase in impairment loss was mainly due to the provision for expected credit losses of approximately RMB58,701,000 for the Year as a result of a decrease in the fair value of the collaterals for the amount due from former related parties, which were pledged by the equity shares and the creditor's right, under other receivables of the Group. As two independent third parties (namely, Fujian Nanping Dafeng Electric Co., Ltd. (福建南平大豐電器有限公司) ("**Fujian Nanping**") (formerly known as Ningbo Yafeng Electric Co., Ltd.* (寧波亞豐電器有限公司) and Beijing Aiyihang Auto Service Ltd.* (北京愛義行汽車服務有限責任公司) ("**Beijing Aiyihang**")) failed to repay the arrears as scheduled, the Group made a provision for expected credit losses of RMB18,000,000 in respect of these two other receivables in 2022, and no such loss was recorded for the Year. For the reasons for, and other details of, the aforementioned receivables due from Fujian Nanping and Beijing Aiyihang and their impairment, please refer to the section headed "Impairment of Other Receivables" in the 2022 annual report and the section headed "Collection of Receivables" in this annual report.

The distribution costs for the Year were approximately RMB37,709,000 (2022: RMB42,023,000), representing a decrease of approximately 10.27%, which was mainly attributable to the decrease in wages and bonuses for sales personnel, depreciation and amortisation charges, market charges and other expenses as a result of the adjustment to the business structure and operating scale of the automobile dealership and services business during the Year.

The administrative expenses for the Year were approximately RMB65,621,000 (2022: RMB56,990,000), representing an increase of approximately 15.14%, which was mainly due to the expansion in the scale of the Group's manufacturing and trading business during the Year, which resulted in an increase in the wages of the relevant managerial staff and other administrative expenses. In addition, there was an increase in legal service fees paid during the Year.

The finance costs for the Year amounted to approximately RMB25,213,000 (2022: RMB30,506,000), representing a decrease of approximately 17.35%, which was mainly attributable to the decrease in the average monthly borrowing amount and weighted average borrowing rate of bank and other borrowings for the Year as compared with 2022.

**Loss before taxation**

The loss before taxation of the Group for the Year was approximately RMB83,669,000 (2022: RMB43,899,000). The increase in loss was mainly due to the allowance for differences in expected credit losses on trade receivables and other receivables for the Year increased by approximately RMB43,734,000 as compared with 2022.

**Taxation**

The income tax expenses for the Year were approximately RMB4,727,000 (2022: RMB3,898,000).

**Loss attributable to equity shareholders of the Company**

The loss attributable to equity shareholders of the Company for the Year was approximately RMB87,320,000 (2022: RMB48,503,000). The increase in loss was mainly due to an increase in the allowance for expected credit losses on trade receivables and other receivables. The loss per share for the Year was approximately RMB0.51 cents (2022: RMB0.68 cents).

**Financial Position and Liquidity**

The Group continued to maintain a stable financial position during the Year and the liquidity of assets of the Group remained healthy. The Group had a net cash inflow from operating activities of approximately RMB413,598,000 (2022: net cash outflow of approximately RMB221,118,000) and the change from outflow to inflow was mainly due to the recovery of prepayments paid to suppliers in 2022 during the Year.

Non-current assets were approximately RMB770,392,000 as at 31 December 2023 (31 December 2022: RMB140,165,000).

Net current assets were approximately RMB29,210,000 as at 31 December 2023 (31 December 2022: RMB609,764,000) with a current ratio of 1.04 (31 December 2022: 1.65).

Gearing ratio (calculated by dividing total liabilities by total assets) was approximately 52.01% as at 31 December 2023 (31 December 2022: 58.49%).

As at 31 December 2023, the total bank and other borrowings of the Group were approximately RMB304,110,000 (31 December 2022: RMB306,149,000), of which approximately 18.23% were made in HKD and approximately 81.77% were made in RMB. All of the borrowings are subject to fixed interest rates, of which approximately RMB225,634,000 shall be repayable within one year, and approximately RMB78,476,000 shall be repayable after two years but within five years.

The Group's need for borrowings was generally stable during the Year. As at 31 December 2023, the committed borrowing facilities available to but not utilised by the Group amounted to approximately RMB35,960,000.

## *Material Loan Transactions*

**A maximum of RMB505,005,000 loan**

As disclosed in the announcement dated 30 March 2023 and the circular dated 27 July 2023 of the Company, New Focus Lighting & Power (Qingdao) (as lender) a wholly-owned subsidiary of the Company and Jinghang Dayun (as borrower) entered into a loan agreement (the "**Loan Agreement**") on 15 December 2022, pursuant to which New Focus Lighting & Power (Qingdao) had agreed to grant an unsecured loan of RMB205,005,000 to Jinghang Dayun for a term of three months from the date of the Loan Agreement at an interest rate of 5% per annum. On 31 December 2022, Jinghang Dayun assigned Baotou Shuo Zheng Trading Co., Ltd.* (包頭市碩正商貿有限公司) ("**Baotou Shuozheng**") and Shanghai Yaran Equity Investment Management Co., Ltd.* (上海亞冉股權投資管理有限公司) ("**Shanghai Yaran**") to repay the loans of RMB150,000,000 and RMB30,000,000, respectively, on behalf of it, with a total repayment of loans of RMB180,000,000 (the "**Repaid Loans**"). New Focus Lighting & Power (Qingdao) and Jinghang Dayun entered into an extension agreement ("**Extension Agreement**") to extend the maturity date of the remaining loan (i.e. RMB25,005,000) to one year from the date of the Extension Agreement.

On 1 January 2023, New Focus Lighting & Power (Qingdao) entered into a supplemental agreement (the "**Supplemental Agreement**") with Jinghang Dayun, Baotou Shuozheng and Shanghai Yaran on the Repaid Loans, respectively, pursuant to which New Focus Lighting & Power (Qingdao) refunded RMB150,000,000 and RMB30,000,000 to Baotou Shuozheng and Shanghai Yaran, respectively, with the total amount of the outstanding loans resuming back to RMB205,005,000.

On 3 January 2023, New Focus Lighting & Power (Qingdao) (as lender) entered into a second loan agreement (the "**Second Loan Agreement**") with Jinghang Dayun (as borrower), pursuant to which New Focus Lighting & Power (Qingdao) agreed to grant a further unsecured loan of not more than RMB300,000,000 to Jinghang Dayun for a term commencing from the date of the Second Loan Agreement until 30 April 2023 (the "**Second Loan**"), with an interest rate of 5% per annum. According to the Loan Agreement, the Extension Agreement, the Supplemental Agreement and the Second Loan Agreement (collectively, the "**Loan Agreements**"), New Focus Lighting & Power (Qingdao) has advanced an aggregate of RMB477,780,875 to Jinghang Dayun, of which RMB205,005,000 was advanced under the Loan Agreement and the Supplemental Agreement and RMB272,775,875 was advanced under the Second Loan Agreement. As at the date of this annual report, the principal amount of the loans of RMB25,004,000 together with the accrued interests were still outstanding.

## *Collection of Receivables*

**Recovery of Lifeng Dingsheng Receivables**

The deposits, prepayments and other receivables (the "**Receivables**") mainly included an aggregate amount of approximately RMB561,509,000 due from Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (內蒙古利豐鼎盛汽車有限公司) ("**Lifeng Dingsheng**") and its subsidiaries and associates to Inner Mongolia Chuangying Automobile Co., Ltd.* (內蒙古創贏汽車有限公司) ("**Inner Mongolia Chuangying**", a wholly-owned subsidiary of the Company), together with its subsidiaries ("**Lifeng Dingsheng Receivables**") as of 31 December 2023. The management of the Group will continue to monitor the repayment status of Lifeng Dingsheng, and will also liquidate the pledged equity interests and creditor's right in a reasonable manner in due course in order to collect the Lifeng Dingsheng Receivables.

**Recovery of Fujian Nanping Receivable**

On 20 September 2018, the Company (as lender) and Fujian Nanping entered into a loan agreement to provide an unsecured loan in the principal amount of RMB3,000,000 to Fujian Nanping for a term of one year with an interest rate of 5% per annum, and the repayment date was subsequently extended to 21 September 2022, but Fujian Nanping still had not repaid on time. In the end, on 28 July 2023, the Company entered into a settlement agreement with Fujian Nanping, pursuant to which, Fujian Nanping had repaid an amount of RMB1,500,000 to the Company in December 2023 and is expected to repay the remaining principal amount of the loan of RMB1,500,000 to the Company by 30 June 2024 as scheduled.

**Recovery of Beijing Aiyihang Receivable**

On 22 November 2019, New Focus Lighting & Power (Shanghai), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement in relation to the disposal of a non-wholly owned subsidiary, Beijing Aiyihang. According to the equity transfer agreement, if the audited net assets and net profit of Beijing Aiyihang meet certain conditions within 36 months from the date of signing the agreement, Beijing Aiyihang should repay the arrears in the sum of RMB50,000,000 to the Group, otherwise it should repay the arrears in the sum of RMB35,000,000. New Focus Lighting & Power (Shanghai) initiated arbitration proceedings against Beijing Aiyihang at the end of 2022, demanding Beijing Aiyihang to repay the remaining arrears of RMB15,000,000 due in November 2022. The tribunal has already sat in 2023, but no ruling had been made as of the date of this annual report.

## *Capital Structure*

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy position of liquidity during the Year. To manage liquidity risks, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its capital requirements from time to time.

Approximately 80% of the revenue of the Group's manufacturing business was generated from the export of its products settled in USD, while other businesses were all in China. As such, the Group's cash and cash equivalents and borrowings are denominated in RMB and USD.

As at 31 December 2023, the total assets of the Group were approximately RMB1,479,781,000 (31 December 2022: RMB1,693,440,000), which included: (1) share capital of approximately RMB1,490,706,000 (31 December 2022: approximately RMB1,490,706,000); (2) reserves of approximately RMB(780,560,000) (31 December 2022: approximately RMB(787,722,000)); and (3) liabilities of approximately RMB769,635,000 (31 December 2022: RMB990,456,000).

## *Financial Guarantees and Pledge of Assets*

As at 31 December 2023, the net book values of inventory, investment properties, property, plant and equipment, and right-of-use assets pledged as security for the Group's bank and other borrowings totaled approximately RMB142,385,000 (31 December 2022: RMB127,581,000).

### *Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures*

The Group did not have any material acquisitions and disposal of subsidiaries, associates or joint ventures during the Year.

### *Significant Investments*

As of the date of this annual report, save for the issue of bonds as disclosed under the section headed "Material Events after the Reporting Period" in "Management Discussion and Analysis" of this annual report, the Group had no specific plans for material future investments or acquisitions of capital assets.

The significant investments of the Group during the Year are as follows:

**Establishment of Tianjin Hongzhuo**

On 2 July 2023, New Focus (Beijing) entered into a partnership agreement ("**Partnership Agreement**") with Tianjin Yun Qi Tian Technology Co., Ltd* (天津雲啟天科技有限公司) ("**Tianjin Yun Qi Tian**"), Yanshi Hongyuan 11 (Pingtan) Investment Partnership (Limited Partnership)* (焰石鴻源11號(平潭)投資合夥企業(有限合夥)) ("**Yanshi Hongyuan**") and Beijing Xifu Technology Co., Ltd.* (北京嘻福科技有限公司) ("**Beijing Xifu**") for the establishment of Tianjin Hongzhuo. According to the Partnership Agreement, the total amount of capital commitments made by each of the partners to Tianjin Hongzhuo is RMB290,200,000, of which Tianjin Yun Qi Tian (as general partner) and Yanshi Hongyuan (as general partner and executive partner) will each contribute RMB100,000, while New Focus (Beijing) and Beijing Xifu (as limited partners) will contribute RMB140,000,000 and RMB150,000,000, respectively.

On 3 July 2023, Tianjin Hongzhuo entered into an investment agreement for the investment in a project in the upstream area of the carbon fiber new material industry among the reserve projects. The pre-investment valuation of the project was RMB144,000,000, and Tianjin Hongzhuo has made an equity investment in the project by way of a capital contribution of RMB140,000,000 for an approximately 49.30% equity interest thereof. The business of the project mainly includes the planning, design, construction, operation and maintenance of industrial high-pressure steam pipeline projects required for the production of key state-owned enterprises in Jilin Province. Upon completion of the construction of these pipelines, the project will provide pipeline leasing services under a lease model and receive pipeline rental fees. Since August 2023, the project company has commenced the planning and construction of the pipeline works, and it is expected that the completion will take place in May 2024, after which the gas pipeline will be put into operation and ventilated and start to charge pipeline rental fees on a continuous and stable basis. Given that the project is still under its construction stage, investment income and operating results have not yet been recorded during the Year.

As of the date of this annual report, New Focus (Beijing) and Beijing Xifu had completed the capital contribution of RMB140,000,000 and RMB150,000,000 to Tianjin Hongzhuo, respectively. Please refer to the announcements of the Company dated 2 July 2023 and 19 July 2023 for further details of the establishment of Tianjin Hongzhuo.

**Establishment of Jinyi and Mianyang New Hydrogen New Energy Technology Partnership (Limited Partnership)* (綿陽新氫新能源科技合夥企業(有限合夥)) (“Mianyang New Hydrogen”)**

On 26 September 2023, New Focus (Beijing) jointly established Jinyi with Botong Mingda (Tianjin) Hydrogen Energy Technology Co., Ltd.* (博通明達(天津)氫能科技有限公司) (“**Botong**”) and Shanghai Refire Energy Technology Co., Ltd.* (上海重塑能源科技有限公司) (“**Shanghai Refire**”), with a registered capital of RMB100,000,000, of which RMB60,000,000 will be contributed by New Focus (Beijing). Jinyi is principally engaged in comprehensive hydrogen energy solutions and commercialized operations.

On 27 September 2023, New Focus (Beijing) and Newtec Lighting and Power Technology Co., Ltd.* (紐泰克光電科技有限公司) (“**Newtec**”) (an indirect wholly-owned subsidiary of the Company) entered into a partnership agreement (the “**Partnership Agreement**”) with Mianyang Science and Technology City New District Xintou Industrial Development Co., Ltd.* (綿陽科技城新區新投產業發展有限責任公司) (“**Mianyang Xintou**”) for the establishment of Mianyang New Hydrogen. According to the Partnership Agreement, the total amount of capital commitments made by each of the partners to Mianyang New Hydrogen is RMB291,000,000, of which New Focus (Beijing) (as limited partner) and Newtec (as general partner) will contribute RMB145,000,000 and RMB1,000,000, respectively, while Mianyang Xintou (as limited partner) will contribute RMB145,000,000. Mianyang New Hydrogen is an indirect approximately 50.17%-owned subsidiary of the Company.

On 6 October 2023, Mianyang New Hydrogen entered into an investment agreement with Jinyi to contribute RMB50,000,000 in the registered capital of Jinyi, and a convertible loan agreement with Jinyi for the provision of a convertible loan of up to RMB235,000,000 to Jinyi for a term of 8 years at an interest rate of 6% per annum. The Group will thus directly (40%) and indirectly (through Mianyang New Hydrogen, approximately 33.33%) interested in an aggregate of approximately 73.33% equity interest in Jinyi.

On 25 December 2023, Newtec, New Focus (Beijing), Mianyang Xintou and Mianyang Kejicheng Chuangye Fund Partnership (Limited Partnership)* (綿陽科技城創業投資基金合夥企業(有限合夥)) (“**Mianyang Kejicheng**”) entered into an agreement supplemental to the Partnership Agreement (the “**Supplemental Agreement**”), pursuant to which, Mianyang Xintou was replaced by its approximately 99.01%-owned subsidiary, Mianyang Kejicheng as the limited partner to Mianyang New Hydrogen.

As of the date of this annual report, the capital contributions of an aggregate of RMB291,000,000 to Mianyang New Hydrogen had been completed in accordance with the Partnership Agreement and the Supplemental Agreement, meanwhile Mianyang New Hydrogen had completed the contribution of RMB50,000,000 towards Jinyi, and provided the convertible loan in the amount of RMB235,000,000 to Jinyi.

Please refer to the announcements of the Company dated 25 September 2023, 6 October 2023 and 28 December 2023 for further details of the establishment of Jinyi and Mianyang New Hydrogen.

**Purchase of fuel cell systemic integration production line**

On 6 October 2023, Jinyi (as purchaser) purchased a fuel cell systemic integration production line and its related equipment, as well as procedural design, debugging, training and guidance, and development, deployment and debugging services for a software platform from Zheda Tongbo (Tianjin) Technology Co., Ltd.* (哲達通博（天津）科技有限公司) (as vendor) at an aggregate consideration of RMB298,000,000 (tax inclusive) (the "**Purchase Agreement**") to set up the fuel cell systemic integration production lines for its business operations.

Jinyi has paid the first instalment of RMB230,000,000 under the Purchase Agreement, comprising (i) RMB150,000,000, being 95% of the payment for equipment and fixtures; (ii) RMB31,000,000, being 44% of the payment for the installation, debugging and training; and (iii) RMB49,000,000, being 70% of the payment for the software platform. As of the date of this annual report, the matching of the master engineering plan, site plan, equipment production lines and plans for the production lines had been completed. The workshop construction and custom manufacturing of the on-site production lines and the installation of the on-site production lines will be completed by 30 June 2024 and 30 July 2024, respectively. It is expected that the overall inspection and acceptance of the fuel cell systemic integration production line will be completed by 31 August 2024 due to certain delays in all stages of validation and commissioning compared to the original scheduled delivery time. For more details of the purchase of production line, please refer to the announcement of the Company dated 6 October 2023.

**Self-Constructed Industrial Park of the Group**

As disclosed in the circular dated 29 July 2021, the Group proposed to build Qingdao Laixi Automotive Electronics Industrial Park in Laixi City, Qingdao City, Shandong Province, the PRC, which was intended to be developed into a production plant of the Group for the manufacturing of electric components of new energy vehicles.

On 6 October 2023, New Focus Lighting & Power (Qingdao) entered into a construction agreement with Shandong Vion Project Management Co., Ltd.* (山東威奧項目管理有限公司) (the "**Contractor**"), pursuant to which the Contractor will be responsible for the construction work of the Industrial Park, including the new production plant for the manufacturing of electric components of new energy vehicles, and other supporting facilities, at the consideration of RMB290,212,000. As of 31 December 2023, New Focus Lighting & Power (Qingdao) had already paid an aggregate of RMB207,000,000 in accordance with the construction agreement.

As of the date of this annual report, the construction work of the Industrial Park had taken place. Please refer to the announcement dated 6 October 2023 and the circular dated 28 November 2023 of the Company for further details of the construction agreement.

### *Exchange Risks*

The Group's automobile dealership and services business mainly operates in China, with the settlement currency being RMB. Hence, there is no exchange risk.

Approximately 80% of the turnover from the Group's manufacturing business was generated from the export of its products settled in USD. The raw materials used to produce such products were purchased in RMB. Therefore, the depreciation of USD against RMB would normally have an adverse effect on the profitability of the Group's manufacturing business. The Group managed its exposure to USD foreign currency risks by making USD borrowings to mitigate against such exchange risks. As at 31 December 2023, the Group did not borrow in USD borrowings (31 December 2022: USD7,202,000).

### Other Material Risks and Uncertainties

The Group faces other material risks and uncertainties, which mainly include the future development of China's economy and China-US relations. Should China's economy head towards a downturn, consumers will suffer a negative impact on their willingness and ability to purchase new vehicles and automobile-related products and services, which will in turn reduce the operating revenue of the domestic sales of the Group's manufacturing business and automobile dealership and services business. As the US is a major export market for the Group's manufacturing business, the worsening China-US relations will affect the results of the Group's manufacturing business. The Group will pay close attention to the economic trend of China, and address such risks and uncertainties in a timely manner by streamlining staffing and reducing other expenses reasonably to cut costs. Meanwhile, the Group will strive to expand the domestic market for its manufacturing business, so as to reduce the reliance on the export market.

### Contingent Liabilities

The contingent liabilities of the Group were approximately RMB12,178,000 (31 December 2022: Nil) for the Year, which was attributable to the lawsuit filed by a third party against a subsidiary of the Company. For details, please refer to the section headed "Lawsuits" in this annual report.

### Lawsuits

**Ningbo Jiche against Inner Mongolia Chuangying**

As stated in the Company's announcement dated 5 June 2023, Inner Mongolia Chuangying was served with a summons as one of the defendants and was required to attend a court hearing on 28 June 2023 in a lawsuit filed by Ningbo Jiche Trading Co., Ltd.*(寧波極車貿易有限公司) ("**Ningbo Jiche**") as the plaintiff. Ningbo Jiche alleged that Inner Mongolia Chuangying breached a sales contract (the "**Sales Contract**") between them by not paying the outstanding amount of RMB8,506,800 in accordance with the Sales Contract. The claims of Ningbo Jiche against Inner Mongolia Chuangying are as follows:

(1) request before the court for a ruling that Inner Mongolia Chuangying shall pay the outstanding amount of RMB8,506,800 and compensate Ningbo Jiche for losses due to the overdue payment (calculated based on RMB8,506,800, multiplied by 1.5 times of the one-year loan prime rate (LPR) published by the National Interbank Funding Center authorized by the People's Bank of China commencing from 9 October 2019 until the actual payment date). The calculated loss was RMB2,160,106.9 as of 14 April 2023;

(2) request before the court for a ruling that Inner Mongolia Chuangying shall pay RMB1,010,680 as liquidated damages;

(3) request before the court for a ruling that Inner Mongolia Chuangying shall compensate Ningbo Jiche the legal fees of RMB500,000; and

(4) request before the court for a ruling that Inner Mongolia Chuangying shall bear the litigation costs and the preservation fees.

The above-mentioned case has been ordered by Hohhot Huimin District People's Court to be transferred to the Beijing Dongcheng District People's Court for trial. The trial time has not yet been fixed, so there is no substantive progress with the case. Owing to the ongoing litigation and the uncertainty regarding the implementation and execution of the post-trial rulings, the principal amount of contingent liabilities that may be caused to the Group as a result of these litigation matters is approximately RMB12,178,000. Please refer to the announcement of the Company dated 5 June 2023 for further details of the lawsuits.

**Chifeng Lifeng against Inner Mongolia Chuangying**

As disclosed in the Company's announcements dated 19 June 2023 and 29 August 2023, Inner Mongolia Chuangying was served with a summons as one of the defendants and was required to attend a court hearing in a lawsuit filed by Chifeng Lifeng Vehicle Store Co., Ltd.* (赤峰市利豐汽車行有限公司) ("**Chifeng Lifeng**") as the plaintiff. Chifeng Lifeng alleged that Inner Mongolia Chuangying had breached twelve equity transfer agreements (collectively, the "**Equity Transfer Agreements**") entered into between them by failing to pay the equity transfer consideration of RMB5,191,960 under one of the Equity Transfer Agreements and the equity transfer consideration of RMB34,200,000 in aggregate under the remaining eleven Equity Transfer Agreements. Chifeng Lifeng requested before the court for the ruling that Inner Mongolia Chuangying and Lifeng Dingsheng shall (i) compensate Chifeng Lifeng for an aggregate amount of RMB39,998,791.96; and (ii) bear all costs including the litigation costs, the preservation fees and others.

During the court proceedings that took place on 11 September 2023, Chifeng Lifeng applied for the withdrawal of the whole lawsuit and Inner Mongolia Chuangying received a ruling in respect of the aforesaid withdrawal from the court on 25 September 2023. As the aforesaid cases was concluded, no contingent liabilities would be caused to the Group. Please refer to the announcements of the Company dated 19 June 2023, 29 August 2023 and 25 September 2023 for further details of the lawsuits.

### *Employees and Remuneration Policy*

During the Year, the Group employed a total of 684 full-time employees (31 December 2022: 785), of which 142 (31 December 2022: 154) were managerial staff. The Group's remuneration policies are formulated to attract talent and retain quality staff. The remuneration package for the Group's employees includes wages, rewards (such as performance-based bonuses) and allowances. The Group also provides social security insurance and benefits to its employees, and formulates and implements its share option scheme as an incentive scheme of the Group. Details of the share option scheme are set out in the section headed "Report of the Directors" of this annual report. The Group emphasizes the importance of staff development and provides relevant training programs on an ongoing basis with reference to its strategic objectives and the performance of its staff.

### *Environmental Policies and Performance*

The Group has been continuously promoting the establishment and improvement of environment-related management mechanisms and systems. Such systems require all the employees of the Group to comply with the applicable environmental laws and regulations in their daily work. The automobile distribution branches of the Group have obtained approvals from environmental protection authorities prior to the commencement of operations and strictly complied with applicable environmental laws and regulations in the subsequent operations, so as to minimize the damage to the environment. The manufacturing business of the Group proactively incorporates the concept of environmental protection into product design and manufacturing, with a view to providing energy-saving and environmentally friendly products to customers. The Group encourages its employees to save energy and treasure resources.

### *Compliance with Laws and Regulations*

During the Year, save for certain incidents relating to non-compliance of the Listing Rules, the Group complied with the relevant laws and regulations which had a significant impact on the operations of the Group in all material respects, covering various aspects such as labor, fire prevention, environmental protection and product liability, including but not limited to the Law of Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Law of Prevention and Control of Noise Pollution of the People's Republic of China (《中華人民共和國噪聲污染防治法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law on Product Quality of the People's Republic of China (《中華人民共和國產品質量法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

### *Relationship with Employees, Customers and Suppliers*

The Group attaches great importance to the relationships with its employees, customers, suppliers and other relevant parties given such relationships are key to the Group's sustainable development. The Group adheres to the principles of legality, fairness, reasonableness and mutual benefit in its daily operations and duly handles the relationships with its employees, customers, suppliers and other relevant parties.

### *Industrial Development, Business Progress and Outlook*

**Automobile Dealership and Services Business**

According to the latest production and sales figures of the automobile industry released by the China Association of Automobile Manufacturers, the sales volume of passenger cars in Mainland China amounted to approximately 26,063,000 for the Year, representing an increase of approximately 10.6% as compared to 2022. Although the market is getting warmer and the demand for car purchases is further released, the market competition on passenger vehicles in China is still intensifying this year. With the rapid increase in the market shares of new energy vehicles, the market size of traditional fuel vehicles is gradually shrinking, which will bring more intense competition in price. The industry in which the Group operates is still under significant pressure and challenges.

In 2023, after the withdrawal of the authorization of the automobile brands under the Group's dealership, our original customer base continued to diminish, and business related to the sales of new vehicles came to a halt, with only a portion of the maintenance business remaining to address customer issues passed from previous operations, such as providing services related to extended warranties and prepaid maintenance and insurance.

The Group mainly implemented the following operating strategies for the automobile dealership and services business in 2023:

First, we closed outlets with no brand license and comprehensive retail stores; and

Second, we laid off underperforming redundant employees due to business integration.

**Manufacturing Business**

In 2023, the Group's manufacturing business was affected by the shrinking export market, resulting in a decrease in the total number of orders of our export business. On one hand, as the exports to the North America market accounted for approximately 70% of the Group's manufacturing business, the impact of weak consumption and inflation in North America caused a decline of approximately 13% in the revenue from exports of the Group's manufacturing business as compared to the same period of 2022, which was mainly resulting from more and more foreign customers seeking non-PRC manufacturing suppliers against the backdrop of the intensifying deterioration in Sino-US relations. The Group managed to maintain the overall scale of foreign trade orders by continuously identifying appropriate OEM manufacturers in Vietnam for its manufacturing business. During the Year, revenue from the pre-installation business increased by 72% as compared to that of 2022 amidst the surge in exports of new energy vehicles and heavy trucks. The gross profit margin of the manufacturing business increased during the Year as a result of a higher average exchange rate of USD against RMB as compared with 2022. After deducting the impact of the higher exchange rate of USD, the operating profit of the Group's manufacturing business decreased slightly as compared to 2022.

The R&D of high-power inverters and energy storage products progressed smoothly. Well-known international customers received the first batch of new products after trial production. The follow-up R&D of the series of products are progressing. At the same time, the Group launched the "Lean Production and Digital Chemical Plant" project in its manufacturing business to meet the new industrial requirements, and further strengthened the Company's transformation, reduced costs, increased efficiency and enhanced manufacturing capabilities to embrace more market opportunities.

**Hydrogen-Related Business**

The Group's hydrogen-related business, as a provider of hydrogen fuel cell research and development, sales and holistic solutions, provides hydrogen-related products and solutions to government and leading customers in the IDC sector. Profits will be generated from the sale of equipment, hydrogen consultancy fees and service fees for the provision of hydrogen services.

Currently, the Group's operating entity in the hydrogen-related industry has entered into an investment agreement with the local government of Mianyang City, Sichuan Province in relation to a hydrogen-related construction project. For the construction project, the selection of the plant site was completed and the contract in relation to the procurement of the production line was also entered into, with contract payment having been made in accordance with the contractual terms.

## PROSPECTS

The Group's principal businesses have a vast market with still much room for growth. The Group will continue to strengthen its management to enhance the operating results of all of its businesses as soon as possible.

### *Use of Proceeds from the Subscription*

The Company completed the issue of 10,449,312,134 new ordinary shares (with an aggregate nominal value of approximately HK$1,044,931,213) under specific mandate to Daodu (Hong Kong) Holding Limited (the "**Subscriber**") at the subscription price of HK$0.059 per subscription share (the "**Subscription**") for an aggregate consideration of HK$616,509,415.906 on 21 December 2022. The closing price of the shares as quoted on the Stock Exchange on 28 May 2021, being the date of the subscription agreement, was HK$0.085 per share.

The intended and actual usage of the net proceeds raised from the Subscription of approximately HK$615 million (i.e. net issue price of approximately HK$0.059 per share) are set out as follows:

| | Amount of net proceeds allocated *HK$ million (approximate)* | Revised amount of net proceeds allocated after amendment on 25 September 2023 *HK$ million (approximate)* | Net proceeds utilized during the Year *HK$ million (approximate)* | Net proceeds utilized up to 31 December 2023 *HK$ million (approximate)* | Net proceeds unutilized up to 31 December 2023 *(Note 1)* *HK$ million (approximate)* | Expected timetable for utilizing the unused proceeds *(Note 2)* |
|---|---|---|---|---|---|---|
| **Enhancement of the Company's manufacturing capability** | | | | | | |
| – purchase of land use rights in Economic Development Zone, Laixi City, Qingdao City, Shandong Province | 65.00 | 43.69 | – | – | 43.69 | By 31 December 2024 |
| – construction of new production plants and other supporting facilities | 335.00 | 234.40 | 234.40 | 234.40 | – | N/A |
| – purchase of related production equipment in the PRC for production of automotive parts for new energy vehicles | 46.00 | – | – | – | – | N/A |
| **Repayment of the outstanding bank and other loans of the Group** | 111.00 | 111.00 | 23.00 | 111.00 | – | N/A |
| **General working capital of the Group** | | | | | | |
| – procurement costs of the Group's manufacturing business and automobile dealership and service business | 41.00 | – | – | – | – | N/A |
| – remuneration of the Group's employees | 9.00 | 1.40 | 1.40 | 1.40 | – | N/A |
| – the Group's other daily expenses | 8.00 | – | – | – | – | N/A |
| **Capital contribution to Jinyi and Mianyang New Hydrogen** | – | 224.51 | 224.51 | 224.51 | – | N/A |
| **Total** | 615.00 | 615.00 | 483.31 | 571.31 | 43.69 | |

*Notes:*

1. As disclosed in the announcements of the Company dated 30 March 2023 and 24 April 2023 and in the 2022 annual report of the Company, due to the industrial development plan (including land bidding plans, optimization of the industrial orientation) of, and pending the introduction of more favourable policies to the auto industry by the Qingdao Laixi Municipal Government, the net proceeds from the Subscription could not be immediately applied as intended for the construction and production of the Industrial Park in the short term. As such, the Company has applied approximately RMB474 million for the commodities trading business from December 2022 to March 2023 and also approximately RMB273 million for the Second Loan. All the zinc ingot purchased for the purpose of commodities trading have been sold, and the proceeds from such sale (including the RMB474 million net proceeds from the Subscription) have been received by the Group and the Second Loan has been repaid in April 2023.

2. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

Please refer to the announcements of the Company dated 28 May 2021, 13 September 2021, 21 December 2022, 30 March 2023 and 24 April 2023 and the circular of the Company dated 29 July 2021, respectively, for further details of the Subscription.

## *Material Events after the Reporting Period*

### Issue of Bonds

On 11 March 2024, (i) the Board approved the issue of unlisted and unsecured bonds (the "**Bonds**") in the aggregate principal amount of not more than HK$70,000,000 in one or multiple tranches. The maturity date of the Bonds is 31 December 2027 with an interest rate of 12% per annum; and (ii) the Company has entered into a distribution agreement with Bluestone Securities (HK) Co., Limited (the "**Distributor**") pursuant to which the Distributor has agreed to act as the selling agent of the Company to distribute the Bonds on a best effort basis within a year from 11 March 2024.

As of the date of this annual report, the Bonds with an aggregate principal amount of HK$3,000,000 had been subscribed.

Please refer to the announcement of the Company dated 11 March 2024 for further details of the Bonds.

Profiles of the Directors and senior management of the Company as at the date of this annual report are set out below:

## *Executive Director*

**Mr. Tong Fei**

Mr. Tong, aged 41, is an executive Director with postgraduate qualifications. He obtained his master's degree in business administration from Peking University (北京大學) in 2012. Mr. Tong was appointed as the director of business development department of China Resources Leasing Co., Ltd.* (華潤租賃有限公司), the assistant president of Huazhong Finance Leasing Co., Ltd.* (華中融資租賃有限公司), the managing director of Century Huazhong Capital Management Co., Ltd.* (世紀華中資本管理有限公司) and the general manager of Beijing Senwo Capital Management Co., Ltd.* (北京森沃資本管理有限公司). In respect of his professional qualifications, Mr. Tong obtained the fund qualification certificate (基金從業資格證) from the Asset Management Association of China (中國證券投資基金業協會) in 2016. He has extensive knowledge and experience in financial management and capital operation. Mr. Tong joined the Group in July 2019. Mr. Tong is also a director of certain subsidiaries of the Company.

## *Independent Non-executive Directors*

**Mr. Li Qingwen**

Mr. Li, aged 68, is an independent non-executive Director, and graduated from Harbin Engineering University (哈爾濱工程大學) and received a master's degree in economics. He has been the president of Carbingo Academy* (汽車評價研究院) and Beijing Invisible Unicorn Information Science and Technology* (北京隱形獨角獸信息科技院) since 2017. Mr. Li was an independent director of Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司) (listed on Shenzhen stock exchange, stock code: 000625) from March 2016 to June 2022, and has been an independent director of each of Xuchang Yuandong Drive Shaft Co., Ltd.* (許昌遠東傳動軸股份有限公司) (listed on Shenzhen stock exchange, stock code: 002406) since June 2020 and Jiangsu Lopal Tech. Co., Ltd.* (江蘇龍蟠科技股份有限公司) (listed on Shanghai stock exchange, stock code: 603906) since March 2020. Mr. Li joined the Group in January 2023.

**Mr. Huang Bo**

Mr. Huang, aged 36, is an independent non-executive Director, and received an Executive Master of Business Administration ("EMBA") in the Joint Training Program between Peking University (北京大學) and the University of Hong Kong in 2021. Mr. Huang has been working in Baker Tilly China Certified Public Accountants (天職國際會計師事務所中國區) since 2010, with his current position being the director of consultancy services. Mr. Huang focuses on providing clients with solutions such as strategic development, management optimization, policy research, risk control, etc., and is particularly experienced at providing consultancy services for state-owned enterprises and administrative institutions. Mr. Huang is an international certified management consultant and a senior risk manager. He is also a science and technology evaluation expert of the Chengdu Science and Technology Bureau* (成都市科學技術局), which provides various special services, such as consultation and demonstration, evaluation and acceptance evaluation, and is committed to promoting the scientization, standardization and modernization of technological management and decision-making. Mr. Huang joined the Group in June 2023.

**Mr. Zhang Kaizhi**

Mr. Zhang, aged 50, is an independent non-executive Director, and graduated from the Zhongnan University of Economics and Law (中南財經政法大學), and is also a Chinese certified public accountant and appraiser, with securities practitioner and fund practitioner qualifications. Mr. Zhang is currently studying in an EMBA program at the National Tsing Hua University (國立清華大學) in Hsinchu City, Taiwan. Mr. Zhang has been a partner of Shenzhen Jiuan Certified Public Accountants (Special General Partnership)* (深圳久安會計師事務所（特殊普通合夥）) since October 2021. Mr. Zhang served as the deputy director of the financial department of Hubei Sanlida Building Materials Industry Group Co., Ltd.* (湖北三利達建材工業集團有限公司) and the manager of the financial department of the Netherlands Anyunlong Group (Shanghai) Company* (荷蘭安運隆集團（上海）公司) from December 1993 to November 1999; the deputy general manager of Hubei Dawei Assets Appraisal Co., Ltd.* (湖北大維資產評估有限公司) from December 1999 to August 2005; and a partner of each of Shenzhen Cexin Hongye Certified Public Accountants (General Partnership)* (深圳策信泓業會計師事務所（普通合夥）) and Shenzhen Guotai Certified Public Accountants (General Partnership)* (深圳國泰會計師事務所（普通合夥）) from August 2005 to October 2021. Mr. Zhang joined the Group in June 2023.

## *Senior Management*

**Mr. Zhao Yufeng**

Mr. Zhao, aged 48, is the chief executive officer of the Company since August 2020, and has overall responsibilities for the operations and management of the Company. Mr. Zhao is also a director of certain subsidiaries of the Company.

Mr. Zhao graduated from the Hebei University of Science and Technology (河北科技大學) in 1997 with a bachelor's degree. Prior to joining the Group, he served successively as a vice president of Shanghai investment banking department and the general manager of Over-The-Counter department No. 5 of Jianghai Securities Co., Ltd.* (江海證券有限公司), and the general manager and chairman of Shanghai Guofu Guangqi Cloud Computing Technology Co., Ltd.* (上海國富光啟雲計算科技股份有限公司). Mr. Zhao has extensive knowledge and experience in financial management and capital operation.

**Mr. Chen Long**

Mr. Chen, aged 34, is the chief financial officer of the Company, and is responsible for the financial management related work of the Group.

Mr. Chen graduated from Shanghai University (上海大學) in 2015 with a master's degree in economics and is also a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Mr. Chen was a senior manager of the Shanghai investment banking department of Jianghai Securities Co., Ltd.* (江海證券有限公司) and the deputy general manager of Shanghai Guofu Guangqi Cloud Computing Technology Co., Ltd.* (上海國富光啟雲計算科技股份有限公司). Mr. Chen joined the Group in July 2020.

**Mr. Shao Ming**

Mr. Shao, aged 41, is a vice president of the Company, and is responsible for the operation and management of the Group's manufacturing business. Mr. Shao is also a director of New Focus Lighting & Power (Shanghai), a subsidiary of the Company.

Mr. Shao graduated from Harbin Institute of Technology in 2005, majoring in mechanical design, manufacturing and automation, and obtained a master's degree in business administration from Tsinghua University in 2023. Mr. Shao previously worked at Chery Automobile Sales Co., Ltd.* (奇瑞汽車銷售有限公司) and Joyerauto Dealership Group* (惠通陸華汽車經銷商集團). Mr. Shao Ming has extensive management experience in the automobile manufacturing industry, as well as experience in product research and development and supplier standard management. Mr. Shao joined the Group in July 2023.

**Mr. Li Kaiqi**

Mr. Li, aged 39, is a vice president of the Company, and is responsible for the operation and management of the Group's new energy business, international market business and industrial investment. Since March 2024, Mr. Li has also been responsible for the internal control management of the Group.

Mr. Li graduated from China University of Political Science and Law in 2008 with a bachelor's degree in law, and obtained a master's degree in international economic law in 2011 from Transnational Law and Business University (國際法律經營大學) in Korea. Mr. Li served as a lawyer in the Ministry of Commerce's international investment legal affairs pool, was selected as a foreign-related lawyer talent in Beijing Lawyers Association, and is a member of China New Energy International Alliance* (新能源海外發展聯盟). Mr. Li previously worked at Zhonglun Law Firm (Beijing)* (北京中倫律師事務所), Zhonghong Zhuoye Group Co., Ltd.* (中弘卓業集團有限公司) and Beijing Senwo Capital Management Co., Ltd.* (北京森沃資本管理有限公司). Mr. Li has extensive experience in corporate compliance, mergers and acquisitions, investment and financing business and corporate management. Mr. Li joined the Group in January 2023.

The Board hereby presents this Corporate Governance Report in the Company's annual report for the Year.

### *Corporate Governance Practices*

The Board believes good corporate governance practice is the key to business growth and effective management of the Group. The Company has adopted the principles set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Listing Rules on the Company's corporate governance structure and operations in the manner as stated in this annual report.

In the opinion of the Board, the Company had complied with the code provisions set out in the CG Code throughout the Year, except for the following deviations:

Code provision C.2.1 requires that the division of responsibilities between the Chairman and the Chief Executive Officer should be clearly established and set out in writing. Although the division of responsibilities between the Chairman and the Chief Executive Officer has not been set out in writing by the Company during the Year, based on the close communication between Mr. Tong Fei, the Chairman of the Company, and Mr. Zhao Yufeng, the Chief Executive Officer of the Company, the division of responsibilities between them in practice is very clear and therefore the management of the Group will not be affected as a result. Since 28 March 2024, the Company has complied with the relevant regulations by setting out in writing the division of responsibilities between the Chairman and the Chief Executive Officer.

Code provision D.1.2 requires that the management should provide all members of the Board with monthly updates. The management of the Company maintained timely communication with the Board during the Year, but failed to provide, on a monthly basis, the Board with the required monthly updates until May 2023. This situation has been improved since May 2023.

Code provision D.2.5 requires that the issuer should have an internal audit function. The Company did not have a specific internal audit function during the Year, but instead mainly relied on certain functional departments of the Company to carry out part of the internal audit functions. During the Year, the Company has engaged an independent internal control consultant to conduct an investigation on the Group's internal control and a report was issued by the consultant to the Board for discussion and reference, based on which, relevant internal control systems prepared by functional departments of the Company were approved in August 2023 and January 2024, respectively. In addition, the Board and the management also focused on rectification with a view to improving the Company's internal controls as a whole. The Board discussed the necessity of establishing an independent internal audit function, as well as the details of the reporting lines and costs of the internal audit function at the Board meetings held in October 2023 and January 2024, respectively. Furthermore, at a meeting held on 28 March 2024, the Board appointed suitable personnel to be in charge of the internal audit in order to establish an internal audit function.

The Company also had the following non-compliance with the Listing Rules during the Year:

**Delay in Publication of the 2022 Annual Results**

The delay in publication of the 2022 annual results until 24 April 2023 constituted non-compliance with Rule 13.49(1) of the Listing Rules.

**Non-compliance with the Notification, Announcement and Shareholders' Approval Requirements for the Loan Transactions with Jinghang Dayun**

As one of the applicable percentage ratios under the Listing Rules exceeded 25%, each of the Loan Agreements constituted a major transaction for the Company under Chapter 14 of the Listing Rules and should have been subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules. The entering into the Loan Agreement as well as the Second Loan Agreement also constituted an advance to an entity under Rule 13.13 of the Listing Rules as the assets ratio exceeded 8%, which shall be subject to the disclosure requirement under Rule 13.15 of the Listing Rules. The Company regrets that it did not duly comply with the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules by omitting to issue an announcement and circular for shareholders' approval at the time of provision of the loans.

Please refer to the announcements of the Company dated 30 March 2023 and 24 April 2023 and the circular of the Company dated 27 July 2023 for further details of the Loan Agreements.

**Delay in Disclosure of the Change of Use of Proceeds from the Subscription**

As disclosed in the announcements of the Company dated 30 March 2023 and 24 April 2023 and in the 2022 annual report of the Company, the Company has applied approximately RMB474 million for the commodities trading business from December 2022 to March 2023 and also approximately RMB273 million for the Second Loan, which deviated from the intended use of proceeds as disclosed before. All the zinc ingot purchased for the purpose of commodities trading have been sold, and the proceeds from such sale (including the RMB474 million net proceeds from the Subscription) have been received by the Group and the Second Loan has been repaid in April 2023.

**Minimum Number of Independent Non-executive Directors**

Following the resignations of Mr. Hu Yuming and Ms. Shi Jing as independent non-executive Directors on 14 March 2023, the number of the independent non-executive Directors and the members of each of the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company had fallen below the minimum number required under Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules during the Year.

Following the subsequent appointments of Mr. Huang Bo and Mr. Zhang Kaizhi as independent non-executive Directors on 12 June 2023, the number of the independent non-executive Directors and the members of each of the Audit Committee, the Remuneration Committee and the Nomination Committee recomplied with the minimum number required under Rules 3.10, 3.21, 3.25 and 3.27A of the Listing Rules.

### *Securities Transactions of Directors*

The Company 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 for dealings in securities of the Company by the Directors or relevant employees as defined in the Model Code. Having made specific enquiry to all Directors by the Company, all Directors confirmed that they had complied with the requirements set out in the Model Code during the financial year ended 31 December 2023.

### *Corporate Culture*

The Group's vision and mission, values and culture are as follows:
**Vision**: To be a world-class converter in the new energy sector
**Mission**: To realise efficient and reliable energy conversion
**Slogan**: Technology leads industry, investment drives innovation

The Group is committed to building energy conversion systems in the new energy sector and achieving full coverage across the energy conversion market through research and development, production and sales of consumer-grade, commercial-grade and industrial-grade products. Meanwhile, the Company will extend its industrial layout via industrial funds and other means to diversify energy conversion scenarios, so as to lay a solid foundation for the Company's next target of becoming a "Little Giant" enterprise with the features of specialisation, refinement, uniqueness and innovation.

**Values and corporate culture**

**Specialisation** – We passionately deliver what our customers need, ensuring the provision of flawless products and services, while maintaining customer satisfaction and loyalty.

- The Company's keen perception of customer needs and market changes guides business strategy and operational decisions.

- The Company's focus in its culture reflects the persistence and dedication of its employees to their work as well as their unremitting pursuit of providing quality products and services.

Below are the photos of training and on-site inspections of 7S management measures and standards implemented by the subsidiaries of the Group to improve efficiency and quality at production sites:

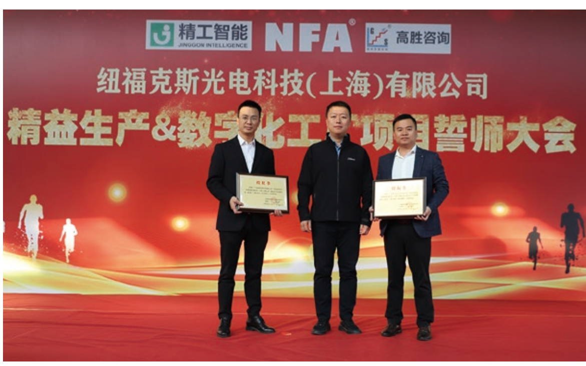
**Coordination** – We are united by embracing the spirit of diversity, equity and inclusiveness

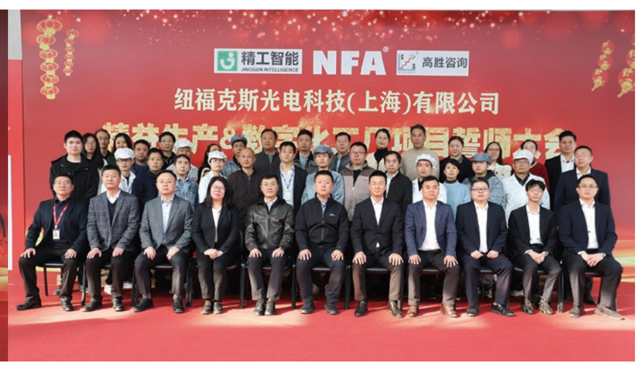
- The Company integrates and leverages the geographical and professional strengths of its member enterprises, demonstrating the spirit of coordination and encouraging teamwork to achieve greater success.

- The spirit of coordination permeates the co-operative relationships between departments within the Company and our partners, facilitating the achievement of efficient business operations and quality customer service.

- The Company's culture promotes openness, trust and knowledge sharing while encouraging employees to support, learn from and co-operate with each other to achieve common goals.

Below are the photos of the oath-taking rally for the "Lean Manufacturing and Digital Plant" project held by the subsidiaries of the Group:

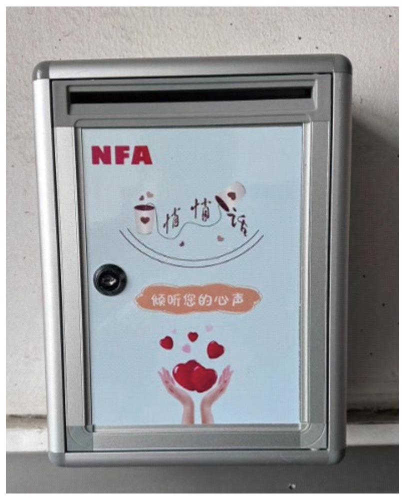


The Group is principally engaged in the operation of manufacturing and hydrogen-related businesses. In terms of the manufacturing business, we focus on the research and development, manufacturing and sales of energy conversion products. With the integration of an internal supply chain, improvement of production efficiency and investment in research and development resources, we continue to enhance product innovation and competitiveness, and are committed to its own plant development. In terms of the hydrogen-related business, as a provider of hydrogen fuel cell research and development, sales and holistic solutions, the Group provides hydrogen-related products and solutions to the government and leading customers in the logistics and computing sector.

Since its establishment in 1989, we have kept pace with the times in our business model to keep ahead of our peers. In recent years, we have paid close attention to national strategic emerging industries and high-tech fields, and actively invested in hydrogen and other new energy sectors. Under the premise of focusing on the Group's main business, we carefully select the direction of industrial investment and form an ecological matrix by integrating with those resources in emerging industries while providing quality pre-installed and post-installed products.

The Group has established a code of conduct (including the Reporting System for Anti-corruption, Anti-bribery and Anti-misconduct (《反貪污、反賄賂和不當行為舉報管理制度》) to combat and prevent the occurrence of bribery, corruption, extortion and other illegal activities within the Group. A whistle-blowing policy is included in the code of conduct to encourage employees, suppliers and customers of the Group to report any such alleged illegal activities within the Group. The subsidiaries of the Group have also placed "Waiting for Suggestion Boxes" (pictured at right) at several locations in the production plants to provide an anonymous channel for employees to express their opinions at any time in an unmonitored environment, and arrange to make relevant measures and responses after collecting opinions in a timely manner.




Our corporate culture emphasises teamwork, innovation and customer commitment. We encourage communication and co-operation among our employees to develop their technical and operational skills so as to find success in the changing markets. We attach importance to employee feedback, and the Board makes decisions and formulates strategies accordingly. In terms of environmental, social and governance matters, we adopt measures to support a culture of sustainability and incorporate it into our environmental, social and governance report. The Board believes that the Group's vision, values and strategies are in line with our corporate culture. During the Year, a number of initiatives were undertaken to maintain a desirable corporate culture, which ensured the circulation of information and technology within the Group, fostered the development of forward-thinking and assisted the Board in its decision making and strategy formulation through employee feedback.

During the Year, the Group continued to bolster its corporate culture framework through various strategic initiatives. The relevant achievements and details are discussed in the section headed "Chairman's Statement" in this annual report. The key performance indicators reflecting the financial capability and business objectives of the Group are set out in the section headed "Performance Highlights" in this annual report. For more details of the incentives that support our culture of sustainability, and for the measures to evaluate and monitor our culture, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

Please refer to the Company's website for more information on our corporate values, strategies and culture.

## *Board of Directors*

### Responsibilities and Delegation

The Board is responsible for the overall management of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively, and acting in the interests of the Company and its shareholders as a whole at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company (the "**Company Secretary**") and senior management. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board. The Board strives to implement appropriate measures and internal control procedures to ensure that the Company runs its business pursuant to all applicable legal and regulatory requirements with prudence and integrity.

The senior management are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions in a timely manner. Each of the Directors is entitled to obtain such records of the Company as are necessary to enable him/her to make informed decisions. Biographical details of the Directors and their relationships with other members of the Board (if any) are set out under the section headed "Profiles of the Directors and Senior Management" in this annual report.

Issues reserved for discussion and approval by the Board include the following: (i) corporate strategies; (ii) annual budget and annual business plans; (iii) annual and interim results; (iv) internal control and risk management; (v) major acquisitions, disposals and capital transactions; and (vi) other significant operational and financial matters.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim financial statements for the Board's approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control and risk management systems, and compliance with relevant statutory requirements and rules and regulations. The executive Director should assume individual responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The independent non-executive Directors will provide independent advice to the Board and share their knowledge and experience with other members of the Board.

**Board Composition**

The Directors who held office during the Year and/or up to the date of this annual report were:

*Executive Director*
Mr. Tong Fei *(Chairman, with effect from 24 November 2023)*

*Non-executive Director(s)*
Mr. Wang Zhenyu *(resigned on 12 January 2023)*
Mr. Zhang Jianxing *(Acting Chairman, resigned on 12 January 2023)*

*Independent non-executive Director(s)*
Mr. Li Qingwen *(appointed on 12 January 2023)*
Mr. Huang Bo *(appointed on 12 June 2023)*
Mr. Zhang Kaizhi *(appointed on 12 June 2023)*
Mr. Hu Yuming *(resigned on 14 March 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*

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

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and serving on Board committees, all independent non-executive Directors made various contributions to the effective direction of the Company. Apart from regular Board meetings, the Chairman (including the Acting Chairman) also held meetings with the independent non-executive Directors without the presence of other Directors during the Year.

**Appointment and Re-election of Directors**

All Directors are appointed for a fixed term of three years. The articles of association of the Company (the "**Articles**") require that one-third of the Directors (including executive and non-executive Directors) retire from office by rotation each year. The Directors to retire each year shall be those appointed by the Board during that year and those who have been longest in office since their last re-election or appointment. A retiring Director is eligible for re-election.

Apart from the service agreement or letter of appointment (as the case may be) entered into by each non-executive Director, none of them has signed any form of service contract with the Company or any of its subsidiaries.

**Chairman and Chief Executive Officer**

C.2.1 of the CG Code requires that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Zhang Jianxing served as the Acting Chairman of the Board from 1 July 2019 until his resignation on 12 January 2023. Since then, Mr. Tong Fei has been appointed as the Acting Chairman and subsequently appointed as the Chairman of the Board, effective from 24 November 2023; whereas the functions of Chief Executive Officer were and are performed by Mr. Zhao Yufeng. The Chairman (including the Acting Chairman) is responsible for the leadership and effective running of the Board, while Mr. Tong Fei (as the executive director) and the Chief Executive Officer are delegated with the authority to manage the daily business operations of the Group together in all aspects effectively.

**Continuous Professional Development of Directors**

Under code provision C.1.4 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All Directors are encouraged to attend relevant training courses at the Company's expense. During the Year, the Company organized various trainings conducted by the legal advisers of the Company for the Directors and senior management. The trainings covered topics such as continuing obligations, Directors' responsibilities and notifiable transactions. Reading materials on regulatory updates were provided to the Directors for their reference and study. Directors are requested to provide their training records to the Company Secretary for record-keeping.

| | **Corporate governance/ updates on laws, rules and regulations/finance/business** | |
|---|---|---|
| **Name of Directors** | **Read materials** | **Attended seminars/ briefings** |
| Mr. Tong Fei | ✓ | ✓ |
| Mr. Li Qingwen *(appointed on 12 January 2023)* | ✓ | |
| Mr. Huang Bo *(appointed on 12 June 2023)* | ✓ | ✓ |
| Mr. Zhang Kaizhi *(appointed on 12 June 2023)* | ✓ | ✓ |
| Mr. Wang Zhenyu *(resigned on 12 January 2023)* | – | – |
| Mr. Zhang Jianxing *(resigned on 12 January 2023)* | – | – |
| Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)* | – | – |
| Mr. Hu Yuming *(resigned on 14 March 2023)* | – | – |
| Mr. Lin Lei *(resigned on 12 January 2023)* | – | – |
| Mr. Zhang Xiaoya *(resigned on 12 January 2023)* | – | – |

### *Board Committees & Corporate Governance Functions*

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee (dissolved on 12 January 2023) for overseeing particular aspects of the Company's affairs. The Audit Committee, the Remuneration Committee and the Nomination Committee have been established with defined written terms of reference, which are posted on the Company's website (www.nfa360.com) and the Stock Exchange's website (www.hkexnews.hk). All Board committees report to the Board on their decisions or recommendations.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

**Audit Committee**

The Audit Committee comprised/comprises the following members:

Mr. Zhang Kaizhi *(Chairman) (appointed on 12 June 2023)*
Mr. Li Qingwen *(appointed on 12 January 2023)*
Mr. Huang Bo *(appointed on 12 June 2023)*
Mr. Hu Yuming *(Chairman) (resigned on 14 March 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Mr. Wang Zhenyu *(resigned on 12 January 2023)*

The terms of reference of the Audit Committee have been determined with reference to the CG Code. The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system, internal audit function and associated procedures and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Year, the Audit Committee had performed, among others, the following:

- review and discussion of interim financial results and report for the six months ended 30 June 2023 and discussion with the management of the accounting principles and practices adopted by the Group;

- approval of the appointment of PRO-WIS Risk Advisory Services Limited ("**PRO-WIS**") as the independent internal control adviser;

- review and discussion of the internal control review done by PRO-WIS, follow up with the review results and the implementation of the remedial steps taken;

- review and discussion of the internal control report prepared by PRO-WIS;

- discussion on and recommendation of the re-appointment of the external auditors; and

- review of the internal control, financial reporting and risk management systems and their effectiveness and the need for an internal audit function of the Group.

The external auditors were invited to attend the meetings of the Audit Committee held during the Year to discuss with the Audit Committee members issues arising from the audit and financial reporting matters.

**Remuneration Committee**

The Remuneration Committee comprised/comprises the following members:

Mr. Li Qingwen *(appointed as Chairman on 14 March 2023)*
Mr. Huang Bo *(appointed on 12 June 2023)*
Mr. Tong Fei *(appointed on 12 January 2023)*
Mr. Hu Yuming *(Chairman) (resigned on 14 March 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*
Mr. Zhang Jianxing *(resigned on 12 January 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, among others, (i) to make recommendations to the Board on the Company's policy and structure for Directors and senior management's remuneration and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and (ii) to determine, with delegated responsibility, the remuneration packages of individual executive Director(s) and the Company's senior management (i.e. code provision E.1.2(c)(i) of the CG Code is adopted).

During the Year, the Remuneration Committee had performed, among others, the following:

- review and discussion of the remuneration policy of the Group and the remuneration packages of the Directors and senior management of the Company; and

- discussion and determination of the remuneration of the Company's newly appointed independent non-executive Directors, namely, Mr. Li Qingwen, Ms. Shi Jing, Mr. Huang Bo and Mr. Zhang Kaizhi.

The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. Under our current compensation arrangements, the executive Directors are entitled to compensation in the form of salaries and a performance-related bonus to be determined by the Board. Non-executive Directors are entitled to a Directors' fee and annual bonus payment to be determined by the Board. All the independent non-executive Directors are entitled to remuneration of a fixed amount.

There has been no remuneration paid or payable to the Directors or the five highest paid individuals as inducement to join or upon joining the Group or as a compensation for loss of office in connection with the management of the affairs of any member of the Group in respect of the Year.

Details of the remuneration of each Director and the remuneration of the five highest paid individuals for the Year are set out in note 11 to the financial statements in this annual report.

Remuneration paid to senior management staff of the Company in 2023 by band is as follows:

| | **Number of staff** |
|---|---|
| Nil to HK$1,000,000 | 3 |
| HK$1,000,001 to HK$1,500,000 | 2 |

**Nomination Committee**

The Nomination Committee comprised/comprises the following members:

Mr. Tong Fei *(appointed as Chairman on 12 January 2023)*
Mr. Li Qingwen *(appointed on 12 January 2023)*
Mr. Huang Bo *(appointed on 12 June 2023)*
Mr. Zhang Jianxing *(Chairman) (resigned on 12 January 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under the terms of reference of the Nomination Committee, the principal duties of the Nomination Committee are mainly to (i) review the structure, size and composition of the Board annually; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Director(s); and (iv) make recommendations to the Board on the appointment or re-appointment of Directors.

When evaluating the appropriateness of candidates to be appointed as Directors, the Nomination Committee will take into consideration factors such as character, integrity, accomplishments, experience, qualifications and time commitment to the Group's business. After the Nomination Committee's nomination of suitable Director candidates, the Board shall make the final decision on all matters relating to the appointment of candidates as Directors and its recommendation of candidates for election in any general meeting.

During the Year, the Nomination Committee had performed, among others, the following:

- review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company;
- assess the independence of the independent non-executive Directors;
- recommendation of the re-appointment of those Directors standing for re-election at the 2023 annual general meeting of the Company; and
- recommendation of appointment of Mr. Li Qingwen, Ms. Shi Jing, Mr. Huang Bo and Mr. Zhang Kaizhi as the independent non-executive Directors.

**Diversity**

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Accordingly, in selecting the candidates to the Board, various factors will be taken into account, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. The Company aims to achieve gender diversity in respect of the Board by appointing at least one more female Director to the Board within the year of 2024. In terms of Board succession, the Nomination Committee will engage independent professional recruitment agencies to assist in the identification of director candidates as and when necessary. Biographical details of each Board member are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

Details of the current members of the Board are set out as follows:

| **Gender** | | | **Male** | **Female** |
|---|---|---|---|---|
| | | | 4 | 0 |
| **Nationality** | | | | **Chinese** |
| | | | | 4 |
| **Age group** | **30-39** | **40-49** | **50-59** | **60-69** |
| | 1 | 1 | 1 | 1 |
| **Length of service** | | | | **5 years or below** |
| | | | | 4 |

As to the diversity in respect of all employees, the current gender ratio of all employees (including senior management) of the Group is approximately 48% (male) to approximately 52% (female). The Company is of the view that the gender diversity in respect of the current composition of the workforce is satisfactory, which is the result of the Company's business model and the emphasis on equal employment.

The Company has also formulated the following plans/measurable objectives to achieve continuous gender diversity:

- periodically review internal records and data on gender diversity within the Company, for the purposes of assessing whether further steps have to be taken in order to better achieve gender diversity;

- proactively identify suitable female candidates, through events and other recruitment processes, for relevant positions within the Company; and

- determine and implement appropriate measures with the objective of retaining high-skilled women within the Company's workforce.

The following factors make achieving gender diversity across the workforce (including senior management) more challenging/less relevant:

- identifying appropriate talent with the requisite qualifications, experience and expertise for the positions available; and

- ensure diversity and inclusivity in the recruitment process.

**Strategy Committee**

The strategy committee of the Company had been dissolved on 12 January 2023.

**Corporate Governance Functions**

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

Up to the date of this annual report, the Board met once to review the Company's corporate governance policies and practices, training and the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with the Model Code, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

### *Attendance Record of Directors and Committee Members*

During the Year, the Board held 14 Board meetings. The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company is set out in the table below:

| Name of Director | Board | Audit Committee | Remuneration Committee | Nomination Committee | General Meetings |
|---|---|---|---|---|---|
| Mr. Tong Fei | 13/14 | – | 3/3 | 3/3 | 2/2 |
| Mr. Li Qingwen *(appointed on 12 January 2023)* | 7/13 | 1/2 | 2/3 | 2/3 | 1/2 |
| Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)* | 0/2 | 0/2 | 0/2 | 0/2 | – |
| Mr. Huang Bo *(appointed on 12 June 2023)* | 8/11 | 2/2 | 0/1 | 0/1 | 1/1 |
| Mr. Zhang Kaizhi *(appointed on 12 June 2023)* | 10/11 | 2/2 | – | – | 1/1 |
| Mr. Wang Zhenyu *(resigned on 12 January 2023)* | 1/1 | – | – | – | – |
| Mr. Zhang Jianxing *(resigned on 12 January 2023)* | 1/1 | – | 1/1 | 1/1 | – |
| Mr. Hu Yuming *(resigned on 14 March 2023)* | 1/2 | – | 1/1 | – | – |
| Mr. Lin Lei *(resigned on 12 January 2023)* | 1/1 | – | – | 1/1 | – |
| Mr. Zhang Xiaoya *(resigned on 12 January 2023)* | 1/1 | – | 1/1 | 1/1 | – |

### *Directors' and Auditors' Responsibilities for the Financial Statements*

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the Year. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 72 to 74 of this annual report.

### *Material Uncertainty Related to Going Concern Basis*

Under the Code Provision D.1.3 of the CG Code, the Directors are responsible for preparing the accounts, and where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, this should be disclosed and discussed.

As set out in note 2 to the consolidated financial statements, as at 31 December 2023, the Group incurred a loss for the year of RMB88,396,000 and the Group has short-term bank and other borrowings amounting to RMB225,634,000. As at 31 December 2023, the Group had cash and cash equivalents amounting to RMB78,619,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Based on the information currently available to the Board, the Directors and the Audit Committee are of the view that with the measures taken (bond issuance) or to be taken by the Group (namely, tightening cost control, obtaining new banking facilities, acceleration of construction progress, etc), the Group will have sufficient working capital for its current needs and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### *Internal Control and Risk Management*

The internal control and risk management systems of the Group are designed to safeguard the assets of the Group, minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has acknowledged that it is responsible for maintaining and reviewing annually the effectiveness of the risk management and internal control systems of the Group. During the Year, the Company regrets its non-compliance with the Listing Rules due to deficiencies in its internal control and risk management systems, but stresses that any non-compliance and any late disclosure of such was inadvertent and unintentional. The Board is keen to improve the same with measures as set out below.

### *Measures relating to the improvement of the internal control and risk management systems*

The Company did not have an internal audit function during the Year, but the Board has been actively working on rectifications to comprehensively enhance the Company's internal controls. The necessity of establishing an independent internal audit function, as well as the reporting line and costs related to internal audit functions, were discussed at the meetings held by the Board in October 2023 and January 2024, respectively. At the meeting on 28 March 2024, the Board appointed suitable personnel responsible for internal audit function.

The Company had appointed PRO-WIS as the independent internal control adviser of the Company to conduct various reviews and provide corresponding recommendations for rectification to the management of the Group in order to improve various aspects of the internal control systems of the Group (the "**Internal Control Review**"):

PRO-WIS has conducted the Internal Control Review covering the period from 1 April 2022 to 31 March 2023 and has identified several issues and deficiencies, including but not limited to inadequate internal control systems and inadequate documentation records for borrowings, deficiencies in the management of proceeds from fundraising activities and lack of a follow-up and reporting mechanism for audit confirmations after their issuance.

As part of the remedial steps taken to prevent further non-compliance with the Listing Rules, the Group has established internal control procedures including but not limited to arranging to conduct pre-loan transaction due diligence to understand the borrower's operational and financial status, loan purpose and repayment ability. Also, the Group has set up proper management procedures for fundraising activities, including but not limited to conducting research and obtaining approval before engaging in fundraising activities and arranging a designated bank account for the deposit of proceeds from fundraising activities.

PRO-WIS has conducted the 2nd Internal Control Review covering the period from 1 July 2022 to 30 June 2023 and identified several issues and deficiencies, including but not limited to failing to properly manage its document retention, failing to establish written policies and procedures for transfer of equity interests and acceptance of guarantees and/or pledged assets and failing to clearly specify the actual custody situation in the section of seal custody.

As part of the remedial steps taken to prevent further non-compliance with the Listing Rules, the Group has established and maintained a comprehensive document retention and backup system to ensure the proper retention of (i) transactional documents and its retention records and (ii) written records for each internal control procedure, established written policies and procedures for transfer of equity interests and acceptance of guarantees and/or pledged assets, reviewed the management system of company seals and updated the section on seal custody to reflect the actual custody situation.

PRO-WIS conducted a spot check and found out that one of the subsidiaries of the Group had established a joint venture in mid-January 2024 but had not reported to the Group's financial controller or company secretary for approval prior to the establishment of the joint venture in accordance with the requirements for non-routine business transactions or transactions exceeding a specified amount (e.g., RMB3 million). As explained by the management of the Company, it was due to the fact that the relevant colleagues regarded such transactions as routine business transactions.

With regard to this, each subsidiary of the Group will arrange relevant trainings and will, at the same time, ensure that the newly-recruited employees have a good understanding of the internal control procedures of the Group (including but not limited to the internal control system for transaction arrangements).

The following policies and procedures have been established and constituted the core elements of the governance framework of the Group as at the date of this annual report:

- Schedule of Matters Reserved for the Board
- Division of Work between Chairman and Chief Executive Officer
- Anti-Corruption, Anti-Bribery, and Whistleblowing Management System
- Compliance System for External Loans
- Compliance System for Connected Transactions
- Compliance System for Notifiable Transactions
- Compliance System for Inside Information
- Management System for Assets Transaction
- Listing Rules Training Program

The Board will regularly review these policies and procedures, and further enhancements will be made from time to time in light of the latest statutory and regulatory regime.

Please refer to the announcements of the Company dated 9 August 2023, 11 October 2023 and 8 April 2024 for further details of the Internal Control Review.

The Audit Committee reviewed and discussed the comments and suggestions from the Company's external auditors and PRO-WIS regarding the effectiveness of the risk management and internal control systems of the Group, to ensure prompt remedial actions are taken. With reference to the report from the Audit Committee, the Board has held a meeting to conduct a review of the effectiveness of the risk management and internal control systems of the Group, which covered all material controls including internal control, financial, operational and compliance control and risk management functions, so as to ensure the improvement and the effective implementation of the risk management and internal control systems of the Group in the year of 2024.

The Board will continue to adopt the following measures to strengthen its internal control and risk management systems in the future:

(1) conduct periodic reviews of the implementation of each of the new/updated internal control policies and prepare review reports every six months to ensure their effectiveness;

(2) arrange for the internal control department to review, strengthen and continue to monitor the Company's internal control, operation and reporting procedures in respect of the monitoring of all transactions which may constitute notifiable transactions under the Listing Rules before such acquisitions or disposals are conducted by the Group, and seek professional advice if necessary;

(3) strengthen the communication within the Board and between the management, and the professional advisers of the Company for consultation regarding the compliance with the Listing Rules in respect of any notifiable transactions under the Listing Rules. If necessary, the Company will consult the Stock Exchange about the proper treatment of proposed transactions; and

(4) regular trainings will continue to be arranged on a two months or quarterly basis to the Directors and the senior management to reinforce their understanding of and to emphasize the importance of compliance with the Listing Rules.

**Dissemination of inside information**

The Group has established systems and procedures for disseminating inside information so as to ensure that inside information is promptly identified. Directors and the management of the Group understand that inside information should be handled and disseminated in accordance with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**"). During the Year, the dissemination of inside information of the Group has been efficiently and consistently made with the assistance of the Company Secretary and, when necessary, outside legal counsel, other than the incidents discussed in the section headed "Internal Control and Risk Management" in this annual report.

### *External Auditors and Auditors' Remuneration*

During the Year, the fees paid/payable to HLB Hodgson Impey Cheng Limited (the "**Auditors**") in respect of their audit services for the financial year ended 31 December 2023 amounted to RMB2,600,000, which is for the annual audit service; while no non-audit services had been provided by the Auditor.

During the Year, the performance of the Auditors has been reviewed by the Audit Committee.

### *Company Secretary*

The Company does not engage an external service provider as its Company Secretary. Mr. Liu Xiaohua, being the Company Secretary, had taken no less than 15 hours of relevant professional training during the Year.

### *Communications with Shareholders and Investors Relations*

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 also recognizes the importance of transparency and the timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company (i) has adopted the shareholders' communication policy (a summary of which is set out below) and (ii) maintains a website (www.nfa360.com) where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. For enquiries, shareholders and investors may write directly to the Company's head office at No. 45, Beijing East Road, Economic Development Zone, Laixi City, Qingdao City, Shandong Province, the People's Republic of China and all enquiries will be dealt with in an informative and timely manner.

The Board welcomes the views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members of the Group are available at the general meetings to answer any questions raised by shareholders.

The Company continues to enhance communication and its relationship with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

The summary of the Company's shareholders' communication policy is as follows:

(i) corporate communications such as annual reports, interim reports and circulars are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com);

(ii) periodic announcements are published on the websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website; and

(iv) annual and extraordinary general meetings provide a forum for shareholders to make comments and exchange views with the Directors and senior management.

During the Year, the Company reviewed the implementation and effectiveness of such policy. The Company considered such implementation and the policy itself to be adequate and effective.

### *Shareholders' Rights*

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objectives of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address: Room 1809, Feidiao International Building, No. 1065A Zhaojiabang Road, Xuhui District, Shanghai, the People's Republic of China (For the attention of the Company Secretary)
Fax: 86-(0)21-6428 2052
Email: gavin_liu@nfa360.com

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

### *The Amended and Restated Memorandum and Articles of Association*

The Amended and Restated Memorandum and Articles of Association of the Company (the "**Amended M&A**") were adopted on 8 June 2023 to comply with the relevant provisions of the Listing Rules.

A copy of the Amended M&A is posted on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com).

Save as disclosed above, there was no further change in the Articles for the Year.

### *Anti-corruption Risk Prevention and Control System*

The Company treats its business partners, customers, suppliers, contractors and counterparts with integrity, respect and equality, opposes any form of commercial bribery and requires our business partners to follow the requirements pertaining to the Company's anti-commercial bribery and anti-corruption policies.

We abide by the Supervision Law of the People's Republic of China, the Anti-money Laundering Law of the People's Republic of China, the United Nations Convention against Corruption, the laws and regulations of the country in which our business is conducted, and international conventions, and do not seek transaction opportunities by means of violation of business ethics or which undermine the competitive advantage of other operators. We implement rules and regulations regarding anti-commercial bribery, anti-corruption and whistleblowing to strictly regulate the behavior of employees and the Company. We have zero tolerance for corruption and are committed to fight and eliminate any corruption. We promote the mechanism that ensures no one dares, can, or is willing to be corrupted, and continuously deepen the governance of corruption.

### *Mechanism to Ensure Independent Views and Input are Available to the Board*

The Company has established "Measures to Obtain Independent Opinions by the Board" on 7 November 2022 with an aim to ensure the effective performance of duties of Directors through ensuring that the Board could obtain independent views and opinions, so as to achieve good corporate governance.

Specific methods for Directors to obtain independent views and opinions are as follows:

1) for matters related to the performance of duties of Directors, all Directors can consult the Company Secretary directly in writing or oral manners; and the Company Secretary shall give a proper reply to the enquiring Director(s) within a reasonable period after receiving such consultation;

2) for matters related to the performance of duties of Directors, all Directors can request formal or informal opinions to be provided by the external legal counsels and/or auditors of the Company in Hong Kong through the Company Secretary, or contact the above counsels or auditors directly under the coordination of the Company Secretary, and relevant expenses shall be borne by the Company. The Company Secretary must implement relevant arrangements within a reasonable period after receiving such written request from Directors;

3) all Directors may request independent third parties other than those appointed by the Company as the external legal counsels or auditors in Hong Kong to provide formal or informal opinions when reasonably considering it necessary, and relevant expenses shall be borne by the Company. The Company Secretary must implement relevant arrangements within a reasonable period after receiving such written request from Directors; and

4) if the Company Secretary fails to reply to the enquiring Directors within a reasonable period, or fails to implement or complete the arrangements mentioned in 2) and 3) within a reasonable time, any Director can directly contact the chairman of the Board, executive Directors and/or the Chief Executive Officer of the Company and request them to urge the Company Secretary to reply or implement the relevant arrangements as soon as possible.

The Board should review the implementation and effectiveness of the above measures on an annual basis; and had reviewed the same for the Year and is of the opinion that those are proper, adequate and effective.

## *About the ESG Report*

### Framework, Period and Scope of the ESG Report

This environmental, social and governance ("**ESG**") report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix C2 to the Listing Rules. The ESG report aims to explain the Company's policies for the year ended 31 December 2023 (the "**Year**") to fulfill its obligations with respect to sustainable development and the social responsibilities as required by the ESG Guide. The Board is of the view that the Company has complied with the "comply or explain" provisions set out in the ESG Guide for the Year.

The information disclosed in the ESG report primarily concerns two production plants and the automotive dealership and services business of the Group.

The Company believes that good ESG performance is important to the sustainable development of its business and the communities where it operates. The Company is committed to not only creating value for its shareholders, but also devoting to the promotion of environmental protection, social responsibility and effective corporate governance. Certain ESG standards have been integrated into the operations and activities of the members of the Group.

### Governance Structure

The Board and the management of the Group are responsible for the ongoing monitoring of the development, implementation and effectiveness of the ESG initiatives undertaken by each member of the Group.

The Group has established a sound and rigorous ESG governance structure to assist the Board and the management of the Group in overseeing relevant issues and incorporating ESG considerations into the daily operations of the Group. The Board is ultimately and fully responsible for the overall direction, strategy, objectives, performance and reporting of the Group's sustainable development.

**Reporting Principles**

The ESG report adheres to the principles of "Materiality, Quantitative, Balance and Consistency".

| Principles | Interpretation | The Group's Application |
|---|---|---|
| Materiality | The ESG report should disclose the significant impact on the environment and the society, or the aspects that have a significant impact on how stakeholders evaluate the Company and make decisions. | Through constant communication with stakeholders and taking into account the Group's strategic development and business operations, the Group identifies material sustainability issues currently faced by us, evaluates and prioritizes them based on their materiality and their deemed level of risk to the successful operation of the Group's businesses, and reports on how the management of the Group plans to manage them. |
| Quantitative | The key performance indicators disclosed in the ESG report in respect of historical data should be calculable/measurable and comparable (where applicable). | Where practicable, the Group records, calculates/measures and discloses quantitative information and compares it with historical performance. This allows the Group to review its progress on ESG related matters by comparing its ESG related data against previous years. |
| Balance | The Company should provide an unbiased picture of its ESG performance during the reporting period in an objective and truthful manner. | The Group follows the principles of accuracy, objectivity and fairness in reporting its achievements and challenges in sustainability. |
| Consistency | The ESG report should be prepared in a consistent manner to allow for comparisons of ESG key performance indicators to understand the Company's performance. | The Group ensures consistency in the preparation of the ESG report and manages its ESG data for future comparisons. |

**Sustainability Materiality Identification**

The Group values the importance of the materiality assessment on ESG issues to ensure an understanding of the materiality of each ESG issue to the business development of the Group and the expectation of stakeholders, thereby facilitating the Group's effective disclosure of ESG information and continuous improvement in the management of relevant issues. The materiality assessment on ESG issues of the Group during the Year covers the following steps:

Step 1: The Group has identified the following 17 issues in accordance with the disclosure requirements set out in the ESG Reporting Guide and based on the business characteristics and daily operation of the Group. These issues are considered to have significant impacts on the environment and the society during the Group's operations;

Step 2: Based on our understanding of stakeholders' demands and expectations during our daily operation, the Group determined the materiality of ESG issues by benchmarking the key points and trends in ESG works of industry peers;

Step 3: Based on the results of the materiality assessment, the Group determined the disclosure priorities for the ESG report for the Year and the key points and directions for the Group's ESG work in the future.

**Key Focus Areas**

Based on the business in which the Group operates, 5 key areas *(Note)* below were prioritized in our sustainability management strategy. While taking into account its environmental and social responsibilities, the Group would pay more attention to the above areas, and strive to achieve continuous improvement and sustainable business development:

| **Aspects** | **Issues** | | | |
|---|---|---|---|---|
| Society | 1. | Equal opportunity | **6.** | **Anti-corruption and money laundering** |
| | **2.** | **Development and training** | **7.** | **Complaint handling** |
| | 3. | Occupational health and safety | 8. | Community investment |
| | 4. | Employee benefits | **9.** | **Product responsibility** |
| | 5. | Prohibition of child labor and forced labor | **10.** | **Supply chain management** |
| Environment | 11. | Exhaust emissions | 16. | Paper consumption |
| | 12. | Greenhouse gas emissions | 17. | Climate change |
| | 13. | Waste management | | |
| | 14. | Energy consumption | | |
| | 15. | Water consumption | | |

*Note:* highlighted in bold.

**Engagement of Stakeholders**

The Company recognizes that the expectations and feedback from its stakeholders are integral to the Company's continuous improvements in sustainable development performance. To disclose its most significant issues in the ESG report, the Company organizes meetings for stakeholders (including investors, shareholders and employees) to attend on a regular basis. Effective communication with stakeholders is maintained through daily operations, such as regular meetings, Company's website, written/electronic correspondence, and training, etc., to discuss and review issues concerned, which helps the Company understand the reasonable expectations and interests of stakeholders and prepare for future challenges.

**Stakeholders' Feedback**

The Company welcomes any opinions and suggestions from its stakeholders. You may provide valuable opinion in respect of the ESG report or our performance in terms of sustainable development by post to us at 5/F, 180 Hennessy Road, Wan Chai, Hong Kong.

**1. Environmental Protection**

To demonstrate the Group's commitment to sustainable development and compliance with the laws and regulations relating to environmental protection, we strive to minimize the environmental impacts of our business activities and maintain green operations and green office practices.

The Group attaches great importance to the impact on the natural environment during business operations, and strives to promote feasible environmental protection measures, formulate environmental protection goals, reduce the impact of business operations on the natural environment, and promote the sustainable development of the Group. At this stage, the places where the Group's business may have environmental impacts are existing office spaces and production plants. In order to further reduce our impact on the natural environment, we have established the following environmental goals:

- Implementing garbage classification and recycling at office spaces with a legal disposal rate of hazardous waste of 100%;

- Ensuring that sewage and solid wastes generated in factories are discharged up to standards, major environmental pollution accidents are eliminated, and wastes are disposed of in accordance with the principles of recycling, harmlessness and reduction to avoid waste of resources; and

- Achieving zero major environmental incident, with waste water, exhaust gas, air pollutant emissions and noise control meeting local requirements.

1.1 *Emissions*

The Group has complied with, and is governed by all relevant laws and regulations that have a significant impact on the Group in respect of exhaust and greenhouse gas emissions, discharges to water and land, and the generation of hazardous and non-hazardous wastes, including the Law on Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), and the Law on Prevention and Control of Noise Pollution of the People's Republic of China (《中華人民共和國噪聲污染防治法》). A set of relevant guidelines has been prepared by the Group with reference to relevant regulations and national standards for the members of the Group to observe such guidelines and requirements in their daily operations. During the Year, the Group had not been subject to any fines or related litigation arising out of any alleged environmental pollution.

The greenhouse gas emissions of the Group are on the one hand generated from the electricity consumed by the operations at the Group's office, the two production plants of the manufacturing business and automotive dealership stores, and on the other hand generated from the vehicle fuel consumption, paper waste and wastewater of the Group. To reduce carbon emissions, in addition to electricity-saving measures, the Group actively promotes green energy and adopts photovoltaic systems in production plants. Furthermore, the Group highly advocates green practices among the staff, promotes paper reuse and continuously reuses the wastewater after treatment, which have effectively reduced carbon dioxide emissions. The Group's emissions of carbon dioxide were 4,129.95 tonnes in 2023, representing a decrease of 966.8 tonnes as compared with 2022, of which direct greenhouse gas emissions (Scope 1) were 536.89 tonnes, and indirect greenhouse gas emissions (Scope 2) associated with purchased electricity were 3,593.06 tonnes. The intensity of carbon dioxide emissions of the Year (calculated by per employee) was approximately 6.04 tonnes per person. The Group will continue its efforts to reduce gas emissions and strive to achieve the goal of maintaining or reducing the intensity of gas emissions in the next reporting year.

The waste gas emissions of the Group (including nitrogen oxides, sulfur oxides and particulate matters) are mainly derived from the use of vehicles. In order to reduce waste gas emissions, the Group regularly repairs and cleans vehicles, uses high-quality gasoline, and encourages its employees to use public transportation. The Group's waste gas emissions data in 2023 are as follows:

| | 2022 | **2023** | Year-on-year decrease (%) | Intensity of the Year (calculated by per employee) |
|---|---|---|---|---|
| Nitrogen oxides (tonnes) | 0.0285 | **0.0182** | 36.06 | 0.0000201 |
| Sulfur dioxide (tonnes) | 0.000647 | **0.000308** | 52.36 | 0.0000003 |
| Particulate matters (tonnes) | 0.0002106 | **0.0001346** | 36.06 | 0.0000014 |

Among various wastes generated from the operations of the Group, hazardous wastes mainly include office wastes (including used toner cartridges and ink cartridges) produced in the office of each of our subsidiaries; non-hazardous wastes mainly include waste tires, waste batteries and wastewater generated from operations. The Group sorts out and disposes of hazardous wastes and non-hazardous wastes. Wastes that can be recycled or reprocessed would be recycled and sold to relevant suppliers to save energy, whereas other wastes are handed over by the Group to qualified third parties for treatment legally so as to reduce the environmental impact. The Group places emphasis on wastewater emission management and adopts measures such as recycling and reuse to reduce wastewater emissions. The table below sets forth the volume of various wastes generated by the Group in 2022 and 2023, respectively.

**Hazardous waste:**

| | 2022 | **2023** | Year-on-year increase/ decrease (%) | Intensity of the Year (calculated by per employee) |
|---|---|---|---|---|
| Used ink cartridges (tonnes) | 0.107 | **0.136** | 27.103 | 0.000149 |
| Waste oil (tonnes) | 0.362 | **0.185** | –48.895 | 0.000203 |
| Used toner cartridges (tonnes) | 0.076 | **0.085** | 11.276 | 0.000093 |

**Non-hazardous waste:**

| | 2022 | **2023** | Year-on-year increase/ decrease (%) | Intensity of the Year (calculated by per employee) |
|---|---|---|---|---|
| Waste tires (tonnes) | 0.003 | **1.400** | 46,566 | 0.0015 |
| Waste batteries (tonnes) | 0.008 | **2.000** | 24,900 | 0.0022 |
| Wastewater (tonnes) | 7,008.01 | **400** | –94.292 | 0.4400 |

1.2 *Use of Resources*

The Group's main consumption of resources comprises of water, electricity and paper (including paper used in offices and paper for packaging). In the course of operation, the Group actively advocates the idea of green offices and reduces the consumption of resources by various measures. For example:

- reduce the consumption of disposable packaging materials, and gradually change the packaging materials for accessories from paper boxes to recyclable plastic boxes;

- adopt computerized automatic car wash technology to save the consumption of water and electricity;
- post slogans advocating water conservation and electricity saving in public areas;
- turn off water and electricity in advance for festivals and holidays, and assign designated staff for management, so as to avoid unnecessary waste of resources during rest days;
- adopt LED energy-saving light bulbs in both office areas and business places, with separate control by zone and row;
- prioritize the use of webcam conferences to minimize the unnecessary carbon emissions generated from long and short-haul business travels; and
- adopt the OA (office automation) system for document approval and reimbursement, and use fingerprints for attendance records, so as to realize a paperless office.

By adopting the various energy-saving measures above, the Group's consumption of electricity and the total volume of packaging materials decreased in 2023. The total water consumption of the Group amounted to 55,201 tonnes in 2023, representing an increase of 16.578% as compared with 2022 or an increase of 7,849.7 tonnes as compared with the total consumption in 2022. The water used by the Group is mainly from municipal water supply pipelines and there is no difficulty in accessing water. The Group formulates management plans on a yearly basis, and reduces water consumption and energy consumption through daily operation control, inspection and maintenance to achieve annual water conservation and energy-saving targets. The total electricity consumption of the Group amounted to 4,757,584 kWh in 2023, representing a decrease of 559,685.00 kWh as compared with 2022. The Group consumed a total of 394,072 pieces of office paper in 2023, representing an increase of 109,425 pieces as compared with 2022. The packaging materials used by the Group are primarily cardboard, paper and plastic, with a total volume of packaging materials of 1,488.6 tonnes in 2023 (2022: 3,485.1 tonnes), representing a decrease of 1,966.5 tonnes as compared with 2022.

| | 2022 | **2023** | Year-on-year increase/ decrease (%) | Intensity of the Year (calculated by per employee) |
|---|---|---|---|---|
| Water (kilotonnes) | 47.35 | **55.20** | 16.5 | 0.06 |
| Electricity (thousand kWh) | 5,317.26 | **4,757.58** | –10.52 | 5.23 |
| Office paper (pieces) | 284,647.00 | **394,072.00** | 38.44 | 433.52 |

*1.3 The Environment and Natural Resources*

The material impacts of the Group on the environment and natural resources during the course of production are mainly caused by water and electricity consumption as well as carbon emissions. To minimize its impact on the environment and natural resources, the Group not only strictly complies with various environmental laws and regulations, but also implements clean operation by upholding technology innovation, continuously improving resource efficiency and reducing the emissions of wastes.

*1.4 Climate Change*

Climate change poses a threat to our planet and all human beings and is a major challenge we all have to face. The automotive industry to which we belong is a major source of global carbon emissions. Therefore, the Group shoulders an important responsibility in the mitigation of carbon emissions and other factors that accelerate climate change. At the same time, we recognize that climate change presents major risks to our operations in various aspects. For instance, extreme weather conditions may result in more frequent and violent typhoons that may cause damage to the Group's operations. As such, we will closely monitor the updates from observation stations during typhoon seasons and plan for the logistics ahead in order to prevent disruption to our operations. In addition, the natural environment may change accordingly, potentially increasing the procurement costs of the Group's products. We will continue to minimize the impact of the Group's operations on the environment, slowing down the pace of climate change.

**2. Social Responsibility**

*2.1 Employment and Labor Practices*

The Group believes that maintaining good relationships with its employees is a key factor in achieving success. To ensure employee satisfaction, the Group provides competitive employee benefits and comprehensive training programs to encourage employees to tap into their potential and bring out the best in them.

The Group has adopted practices and policies relating to: (i) recruitment and promotion; (ii) working hours; (iii) rest periods; (iv) equal opportunity; (v) diversity; (vi) anti-discrimination; (vii) other welfare and benefits; and (viii) compensation and dismissal to protect the legitimate rights and interests of all employees. These practices and policies are also prepared in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and regulations and have complied with all relevant laws and regulations. Through these practices and policies, the Group aims to treat every employee equally and ensure that no staff, including potential candidates of the Group, will be discriminated due to their social identities in respect of ethnicity, race, nationality, gender, religion, age, sexual orientation and marital status.

Each member of the Group has adopted an employee handbook, which contains information regarding employment management, rights on termination, business conduct, social security funds, compensation, employee benefits, leave benefits, working hours/overtime and performance management and other policies on employee benefits. The Group provides employees with competitive remuneration packages.

To raise employees' sense of belonging and well-being, the Group also organizes a wide array of recreational and sports activities to enrich employees' work and life, and improve employees' experience at work.

Total workforce by gender, age group, employment type and geographical region:

| Category | | **FY2022/23** | FY2021/22 | FY2020/21 |
|---|---|---|---|---|
| Number of employees by gender | Male | **331** | 397 | 693 |
| | Female | **353** | 388 | 457 |
| Number of employees by age group | 18-30 | **83** | 115 | 297 |
| | 31-40 | **249** | 297 | 578 |
| | 41-50 | **223** | 249 | 194 |
| | Over 51 | **129** | 124 | 81 |
| Number of employees by employment type | Full time | **684** | 785 | 969 |
| | Part time | | | 181 |
| Number of employees by geographical region | Shanghai | **441** | 489 | 684 |
| | Inner Mongolia Autonomous | **40** | 122 | 269 |
| | Shandong Province | **203** | 174 | 197 |
| | Other regions | **–** | – | – |
| Total number of employees | | **684** | 785 | 1,150 |

Employee turnover rate by gender, age group and geographical region:

| Category | | **FY2022/23** | FY2021/22 | FY2020/21 |
|---|---|---|---|---|
| Employee turnover by gender | Male | **74** | 112 | 175 |
| | Female | **56** | 129 | 78 |
| Employee turnover by age group | 18-30 | **38** | 97 | 92 |
| | 31-40 | **59** | 108 | 80 |
| | 41-50 | **28** | 28 | 65 |
| | Over 51 | **-5** | 8 | 16 |
| Employee turnover by geographical region | Shanghai | **48** | 195 | 50 |
| | Inner Mongolia Autonomous | **82** | 42 | 130 |
| | Shandong Province | **-29** | 4 | 16 |
| | Other regions | **–** | – | 57 |
| Total turnover rate | | **19%** | 31% | 22% |

2.2 *Health and Safety*

To safeguard employees' occupational health and safety, the Group commits to providing a safe, healthy and comfortable working environment, and complies with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Work – Related Injury Insurance (《工傷保險條例》) and other applicable regulations. Employees are required to strictly comply with all safety rules and regulations, and take available and applicable protection measures at all times to avoid accidents, so as to protect themselves and coworkers from safety risks. All employees of the Group are provided with adequate safety equipment and covered by work-related injury insurance, which compensates our employees to a certain extent in case of work-related injuries as required by relevant laws and regulations. For newly-recruited employees, relevant training will be arranged to ensure that such employees fully understand the rules set out in the employee handbook, including those concerning work-related risks and corresponding protective measures. At the factories of the Group, the supervisors of new employees are responsible for closely monitoring their activities in production plants to protect the health and safety of such new employees.

In addition to safety training, the Company organizes fire safety seminars annually to ensure that employees understand and are familiar with fire safety and fire rescue knowledge. Fire drills are arranged when necessary and as appropriate. In our offices, various fire safety facilities have been installed, including fire sprinkler systems, fire extinguishers, fire hoses, etc., and are regularly maintained by external professional teams to reduce fire hazards and improve the fire safety awareness among employees.

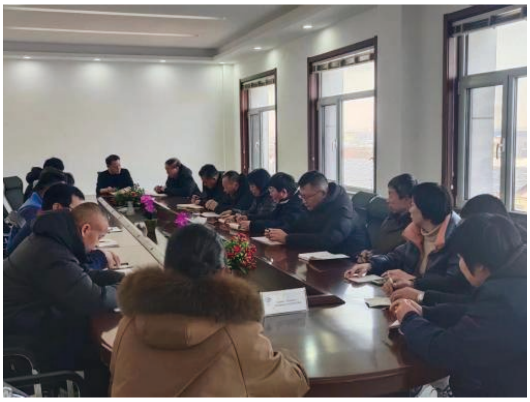
For the past three years (including the Year), the Group had no work-related fatalities. The number of lost days due to work injury during the Year was 180.

2.3 *Development and Training*

The Company considers the employees as key assets which play a pivotal role in our continuous growth. It is our policy to maximize the potential of our employees through training and development.

To encourage employee development, the Group provides human resources training, including customized training programs, to help employees develop managerial knowledge and other professional skills that can help them advance their careers.

New employees are provided with induction training to help them familiarize themselves with the culture, business and operations of respective subsidiaries of the Group. In addition, to enhance the professional skills of employees, the Group also organizes different business training programs on business knowledge, management skills, innovation trends and corporate culture by lectures and seminars on a regular basis. Below are the photos of the training events conducted by the subsidiaries of the Group.

The Group has developed a scientific performance evaluation management system to ensure that the criteria of performance evaluations are open, and the processes and results of evaluations are just and fair. Individual performance results are linked with the employee's income and opportunities for promotion within the Group.

| | | **FY2022/23** | FY2021/22 | FY2020/21 |
|---|---|---|---|---|
| Percentage of employees trained by gender | Male | **100%** | 100% | 100% |
| | Female | **100%** | 100% | 100% |
| Average training hours completed per employee by gender (hours) | Male | **48** | 46 | 52 |
| | Female | **48** | 46 | 52 |
| Percentage of employees trained by employment type | Full time | **100%** | 100% | 100% |
| | Part time | **N/A** | 98% | 99% |
| Average training hours completed per employee by employment type (hours) | Full time | **52** | 54 | 48 |
| | Part time | **N/A** | 46 | 44 |
| Percentage of employee trained by employee category | Senior management | **100%** | 100% | 100% |
| | Middle management | **100%** | 100% | 100% |
| Average training hours completed per employee by employee category (hours) | Senior management | **55** | 48 | 50 |
| | Middle management | **52** | 46 | 55 |

2.4 *Labor Standards*

The Group strictly prohibits child labor and forced labor, and complies with all relevant laws and regulations that have a significant impact on the Group, including the provisions of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). We review and verify staff identity during the recruitment process to ensure that no child/forced labor is employed.

The Group also strictly complies with the relevant PRC labor regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. No employee is forced to work overtime and all employees are entitled to overtime pay in accordance with local regulations.

Once any violation is found, the Group will follow up in a serious manner and handle such case in accordance with national and local laws and regulations, depending on the actual situation.

2.5 *Supply Chain Management*

The Group keeps communication with a number of suppliers during the process of management and operation of its business. Suppliers' compliance with environmental and social standards forms an essential part of our commitment to sustainable procurement. In the selection of our suppliers, the Group has certain criteria in place to examine supplier qualifications, including review of the qualifications of the enterprise's legal person, qualification level, registered capital, ISO quality certification, ISO environmental certification, ISO occupational health and safety certification, production safety, financial conditions and the environmental impact of their products or services. The Group manages suppliers' products through regular inspection by project managers to ensure continuous compliance of suppliers with the Group's requirements for environmental protection and the efficiency and compliance of supply chain processes. We also conduct on-site inspections on the production plants of suppliers engaged in manufacturing business and review the authenticity of the information provided by our suppliers.

The Group is also committed to ensuring that its suppliers are socially responsible. Suppliers are urged to take measures to mitigate environmental and social risks. The Group closely monitors the performance of its suppliers and the environmental and social risks at each step of the supply chain, and conducts assessments on a regular basis.

Currently, the Group has 316 suppliers, including 306 suppliers in China and 10 suppliers in overseas regions (including Hong Kong, Macao and Taiwan). The Group has implemented and complied with all the above procedures/standards when engaging these suppliers.

The Group has established an internal management team to monitor the implementation of the above procedures/standards.

2.6 *Product Responsibility*

The Group complies with various PRC regulations relating to its business operations in such aspects as health and safety, advertising, labelling and privacy matters relating to its products and services and method of redress, including the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》).

The Group recognizes the importance of guaranteeing the safety of its products and services. The manufacturing business of the Group adopts strict quality control systems throughout its design and production of auto accessories, has each process carried out in accordance with the highest production process standards and in strict compliance with IATF16949 quality system requirements throughout the manufacturing processes, which include incoming material inspection, manufacturing process control and ex-factory inspection, and has purchased product liability insurance for its products in accordance with applicable laws and regulations and the requirements of our customers. The service business of the Group carefully inspects the qualifications of its suppliers to ensure the quality of the products provided by those suppliers.

The Group's customer information is centrally managed through a customer relationship management system. All employees of the Group, particularly those engaged in the Group's service business, are required to keep the information of our customers strictly confidential. Any unauthorized use of the customer information is strictly prohibited.

During the Year, the Group was not aware of any violation of the laws and regulations on products and services (including product and service quality, advertising, labelling, customer privacy, and consumer rights and interests) which had a material impact on the Group. During the Year, the Group did not have any products recalled due to health and safety reasons nor any material product-related complaints.

The Group upholds the value to protect intellectual property rights as it is crucial for competitiveness and brand value. We have organized training and established internal controls in protecting the Group's intellectual property rights. We offer training on intellectual property to new hires to enhance their awareness of intellectual property protection. In daily work, we sign non-disclosure agreements with employees, and require each department to carry out periodical patent training, explore patent application potential, stay up-to-date with industry trends, and continually improve our intellectual property protection system. Meanwhile, we respect the intellectual property rights of others and take every possible step to avoid infringing others' intellectual property rights. We only procure products from suppliers directly or through officially authorized distributors. The Group strictly complies with the relevant laws and regulations where its operations are based.

The Group has established quality control procedures for its product, which are completed through examination by quality department according to the quality inspection standards. The Group has also established proper return and recall procedures for defective products, which are completed through communication with customers by business personnel, re-examination by quality department, reworking, repair and re-delivery of the return and recall products by the manufacturing department according to the requirements from customers or quality inspection standards. The Group provides a holistic product return and recall system to enhance its customers experience with its service. The Group adopts the repair, replace and recall procedure on defective products through its recall management procedure in a timely manner to prevent personal injury and property loss caused by safety and quality defects.

The Group attaches importance to the privacy of personal data. The overall goal of data protection is to collect personal data fairly under the condition that the information providing party is ensured to be fully aware of, and to consider collecting less personal data as far as possible. The personal data shall be processed in a safety way upon collection, and stored for a period demanded for their usage. The use of data shall be subject to the original collecting purpose or relevant usage. The data providing party shall be entitled to consult their data and make correction if needed. The Group has also established an internal management team to monitor the implementation of the abovementioned procedures.

2.7 *Anti-corruption*

The Group maintains a high level of business integrity throughout its operations, has zero tolerance over corruption or bribery in any form, and strictly complies with the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations relating to anti-corruption, bribery, extortion, fraudulent behavior and money laundering.

The Group has also established a code of conduct (including the Reporting Management System for Anti-corruption, Anti-bribery and Anti-misconduct (《反貪污、反賄賂和不當行為舉報管理制度》) to combat and prevent the occurrence of bribery, corruption, extortion and other illegal activities within the Group. A whistle-blowing policy is included in the code of conduct to encourage employees, suppliers and customers of the Group to report any such alleged illegal activities within the Group. The Group also provides directors and staff with training on anti-corruption, which mainly include holding lectures and organizing courses.

During the Year, there were no concluded legal cases regarding corrupt practices against the Company or its employees.

The Group encourages all employees and third parties to report any actual or potential misconduct of violating applicable laws, regulations, the above-mentioned system and any misconduct involving the Group. The whistle-blower may send e-mail to ethics@nfa360.com. Each relevant business department of all members of the Group must offer the abovementioned reporting method in writing to all customers of the Group. Each relevant procurement department of all members of the Group must demand their suppliers to sign the undertaking statement. No matter the report is in real name or anonymous, the Group will strictly protect the whistleblower confidentiality. Retaliation against the whistle-blower by any staff or third parties is strictly prohibited. Should any retaliation including pay cuts, transferring of positions or dismissal or other forms of retaliation is detected, whether obvious or hidden, in public or in secret, the person or party who retaliates would be subject to stern punishment.

The management of the Group is responsible for the implementation and inspection of the abovementioned relevant measures and whistle-blowing procedure.

2.8 *Community Investment*

The Group is, as always, committed to its social responsibility and community communication, and has conducted related community activities according to the needs of the community. With social responsibility in mind, the Group has been ramping up its efforts in charity work. The Group strives to promote social development and progress by contributing to education, charity and other areas. Although the Group did not make any donations during the Year (2022: Nil), it is considering investing appropriate resources in the future, so as to strike a balance between the financial position and social investments.

The Directors present their annual report for the Year and the audited consolidated financial statements (the "**Financial Statements**") of the Group for the Year.

### *Principal Activities*

The Group focuses on the innovative production of environmentally friendly automotive lighting and automotive electronic power products (the Group's manufacturing business) as well as sales of automobile, provision of after sales services and distribution of automobile insurance and financial products (the automotive dealership and services business of the Group), with the aim of providing automobile consumers with products and services with premium performance-price ratio. The Group also commenced hydrogen-fuel cell related business in the second half of the Year, which mainly provided hydrogen-related products and solutions to governments and customers in the field of IDC.

Details of the principal activities of the subsidiaries of the Company are set out in note 18 to the Financial Statements.

### *Business Review*

Discussions and reviews of the Group's business are contained in the section headed "Management Discussion and Analysis" in this annual report. These discussions and reviews form part of this Report of the Directors.

### *Dividend Policy*

The objective of the Company's dividend policy (the "**Dividend Policy**") is to share the Company's profits with its shareholders whilst retaining adequate reserves for the Group's future growth. The Directors shall submit a resolution at the general meeting on whether to distribute a dividend based on various factors, including but not limited to the profit, liquidity, working capital, capital expenditure and future plans of the Group. The Group shall also comply with the related requirements of the Companies Act of the Cayman Islands, the Articles and any applicable laws and regulations. The Board will continually review the Dividend Policy and reserve the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time.

### *Results and Dividends*

The consolidated results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 75 to 76 of this annual report. An analysis of turnover and segmental results for the Year by geographical and business segments is set out in note 6 to the Financial Statements.

The Directors do not recommend the payment of a final dividend for the Year (2022: Nil).

### *Property, Plant and Equipment*

Details of the movements of property, plant and equipment of the Group during the Year are set out in note 15 to the Financial Statements.

### *Investment Properties*
Details of the movements of investment properties of the Group during the Year are set out in note 17 to the Financial Statements.

### *Reserves*
Movements of reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 30 to the Financial Statements.

### *Share Capital*
Details of the issued share capital of the Company and its movements during the Year along with the relevant reasons are set out in note 29 to the Financial Statements.

### *Distributable Reserves*
As at 31 December 2023, the reserve available for distribution to shareholders of the Company was nil.

### *Material Uncertainty Related to Going Concern*
As described in note 2(b) to the consolidated financial statements, the Group might not have sufficient funds to fully repay the bank and other borrowings expiring within 12 months. As stated in note 2(b), those events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The auditors' opinion is not modified in respect of this matter.

### *Closure of Register of Members*
The register of members will be closed from Friday, 21 June 2024 to Friday, 28 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 20 June 2024.

### *Directors*
The Directors who held office during the Year and up to the date of this annual report were:

**Executive Director**

Mr. Tong Fei *(Chairman, with effect from 24 November 2023)*

**Non-executive Directors**

Mr. Wang Zhenyu *(resigned on 12 January 2023)*
Mr. Zhang Jianxing *(Acting Chairman, resigned on 12 January 2023)*

### *Directors (Continued)*

**Independent non-executive Directors**

Mr. Li Qingwen *(appointed on 12 January 2023)*
Mr. Huang Bo *(appointed on 12 June 2023)*
Mr. Zhang Kaizhi *(appointed on 12 June 2023)*
Mr. Hu Yuming *(resigned on 14 March 2023)*
Ms. Shi Jing *(appointed on 12 January 2023 and resigned on 14 March 2023)*
Mr. Lin Lei *(resigned on 12 January 2023)*
Mr. Zhang Xiaoya *(resigned on 12 January 2023)*

Biographical details of the current Directors are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

Mr. Tong Fei, Mr. Li Qingwen, Mr. Huang Bo and Mr. Zhang Kaizhi will retire by rotation at the forthcoming annual general meeting of the Company. All such Directors being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation or confirmation of independence. The Company considers that all of its independent non-executive Directors are independent.

### *Directors' Service Contracts*

Mr. Tong Fei has entered into a service agreement with the Company for a term of three years commencing from 1 July 2022, subject to retirement by rotation in accordance with the Articles.

Pursuant to the respective letters of appointment of two independent non-executive Directors, namely, Mr. Huang Bo and Mr. Zhang Kaizhi, each of them was appointed for a term of three years commencing from 12 June 2023, subject to retirement by rotation in accordance with the Articles.

Mr. Li Qingwen, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 12 January 2023, subject to retirement by rotation in accordance with the Articles.

Save as disclosed above, none of the Directors had entered into service contracts with the Company which are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### *Changes in Information of Directors and Chief Executives of the Company*

There is no change in the information of the Directors and Chief Executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the 2023 Interim Report.

### *Directors' Interests in Contracts*

There was not any transaction, arrangement or contract of significance subsisting during or at the end of the Year in which any Director or an entity connected with a Director is or was materially interested, either directly or indirectly.

### *Management Contracts*

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisting during or at the end of the Year.

### *Controlling Shareholders' Interests in Contracts*

No contract of significance had been entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the Year. In addition, no contract of significance for the provision of services was entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the Year.

### *Share Option Scheme*

The Company terminated the old share option scheme and adopted a new share option scheme (the "**Scheme**") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group, subject to compliance with the latest version of Chapter 17 of the Listing Rules. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date and the remaining life of the Scheme is approximately 2 months. A summary of the principal terms of the Scheme was included in the circular dated 30 April 2014 dispatched to the shareholders of the Company.

The maximum number of shares issued and which may be issued under share options granted to each eligible participant in the Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Scheme. The terms of the Scheme do not specify the period within which a share option may be exercised by the grantee or the vesting period, but specify that the Board may at its sole discretion, fix the period within which a share option may be exercised, the vesting period, any performance targets that must be achieved and any other conditions which must be achieved before a share option can be exercised.

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant.

### ***Share Option Scheme*** *(Continued)*

As at 31 December 2023 and/or as at the date of this annual report, no options granted by the Company under the Scheme remained outstanding; and the total number of shares available for issue/grant under the Scheme were both 363,076,327, representing approximately 2.11% of the total number of shares in issue as at 31 December 2023 and the date of this annual report (as at 1 January 2023: 363,076,327).

### ***Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations***

As at 31 December 2023, to the best knowledge of the Directors and chief executive of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

### ***Substantial Shareholders' Interests and Short Positions in the Shares of the Company***

So far as is known to the Directors and chief executive of the Company, as at 31 December 2023, the following persons (other than Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name | Capacity/ Nature of interest | Number of shares interested *(Note 1)* | Approximate percentage of issued shares *(Note 2)* |
|---|---|---|---|
| Daodu (Hong Kong) Holding Limited | Beneficial owner | 10,449,312,134 (L) | 60.69% |
| Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |

### ***Substantial Shareholders' Interests and Short Positions in the Shares of the Company*** *(Continued)*

| **Name** | **Capacity/ Nature of interest** | **Number of shares interested** *(Note 1)* | **Approximate percentage of issued shares** *(Note 2)* |
|---|---|---|---|
| Qingdao Guorui Xin Fukesi Investment Center, L.P.* (青島國瑞新福克斯投資中心（有限合夥）) (the "**Fund**") *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Chunxi Asset Management (Beijing) Co., Ltd.* (春熙資產管理（北京）有限公司) ("**Chunxi AM**") *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Luo Xiaoman *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Qingdao Guorui Hengda Investment Development Co., Ltd.* (青島國瑞恒達投資開發有限公司) ("**Guorui Hengda**") *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司) *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Laixi State-owned Assets Investment Service Center* (萊西市國有資產投資服務中心) *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Qingdao Lingdu Venture Capital Management Co., Ltd.* (青島零度創業投資管理有限公司) (the "**General Partner**") *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Wuhan Zero Innovation Venture Capital Management Co., Ltd.* (武漢零度創新創業投資管理有限公司) (the " **Investment Manager**") *(Note 3)* | Investment Manager | 10,449,312,134 (L) | 60.69% |

### *Substantial Shareholders' Interests and Short Positions in the Shares of the Company (Continued)*

| Name | Capacity/ Nature of interest | Number of shares interested *(Note 1)* | Approximate percentage of issued shares *(Note 2)* |
|---|---|---|---|
| Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司) ("**OVU**") *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| China Electronics Optics Valley Union Company Limited *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| AAA Holdings Limited *(Note 3 )* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| China Electronics Optics Valley Union Holding Company Limited ("**CEOVU**") *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| Huang Liping *(Note 3)* | Interest in a controlled corporation | 10,449,312,134 (L) | 60.69% |
| CDH Fast Two Limited | Beneficial Owner | 1,614,776,043 (L) | 9.38% |
| CDH Fast One Limited *(Note 4)* | Interest in a controlled corporation | 1,614,776,043 (L) | 9.38% |
| Fast Point Limited *(Note 4)* | Interest in a controlled corporation | 1,614,776,043 (L) | 9.38% |

### ***Substantial Shareholders' Interests and Short Positions in the Shares of the Company*** *(Continued)*

| Name | Capacity/ Nature of interest | Number of shares interested *(Note 1)* | Approximate percentage of issued shares *(Note 2)* |
|---|---|---|---|
| CDH Fund IV, L.P. *(Note 4)* | Interest in a controlled corporation | 1,614,776,043 (L) | 9.38% |
| CDH IV Holdings Company Limited *(Note 4)* | Interest in a controlled corporation | 1,614,776,043 (L) | 9.38% |
| China Diamond Holdings IV, L.P. *(Note 4)* | Interest in a controlled corporation | 1,614,776,043 (L) | 9.38% |
| China Diamond Holdings Company Limited *(Note 4)* | Interest in a controlled corporation | 1,614,776,043 (L) | 9.38% |
| Law Wei | Beneficial owner | 1,269,000,000(L) | 7.37% |

Notes:

1. The letter "L" denotes a long position in the shares.

2. The percentage represents the number of shares interested divided by the total number of issued shares of the Company as at 31 December 2023 of 17,216,948,349.

3. Each of (i) Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司) (as the sole shareholder of Daodu (Hong Kong) Holding Limited); (ii) Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司) (as the sole shareholder of Shenzhen Daodu Industrial Limited Company* (深圳道度實業有限公司)); (iii) the Fund (which directly owns 99.11% of Qingdao Guorui Chunxi Industrial Limited Company* (青島國瑞春熙實業有限責任公司)); (iv) Chunxi AM (which directly owns 50.92% of the Fund); (v) Luo Xiaoman (who directly owns 82.50% of Chunxi AM); (vi) Guorui Hengda (which directly owns 48.92% of the Fund); (vii) Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司) (as the sole shareholder of Guorui Hengda); (viii) Laixi State-owned Assets Investment Service Center* (萊西市國有資產投資服務中心) (as the sole shareholder of Qingdao Changyang Group Co., Ltd.* (青島昌陽集團有限公司)); (ix) the General Partner (as the general partner of the Fund); (x) the Investment Manager (as the investment manager of the Fund);(xi) Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) (as the sole shareholder of the General Partner); (xii) OVU (which directly owns 45% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司)); (xiii) Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司) (as the sole shareholder of OVU); (xiv) China Electronics Optics Valley Union Company Limited (as the sole shareholder of Optics Valley Union Holding Limited Company* (光谷聯合控股有限公司)); (xv) AAA Holdings Limited (as the sole shareholder of China Electronics Optics Valley Union Company Limited); (xvi) CEOVU (as the sole shareholder of AAA Holdings Limited); and (xvii) Huang Liping (who indirectly owns 25.14% of CEOVU and ultimately and beneficially owns 80% and 40% of two limited partnerships which directly owns 30% and 25% of Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司), respectively), is deemed to be interested in the shares of the Company under the SFO.

### ***Substantial Shareholders' Interests and Short Positions in the Shares of the Company*** *(Continued)*

Notes: *(Continued)*

4. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); Fast Point Limited (as the sole shareholder of CDH Fast One Limited); CDH Fund IV, L.P. (as the sole shareholder of Fast Point Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be indirectly interested in the shares of the Company under the SFO.

* The English names are transliterations of their respective Chinese names which have not been registered.

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### ***Arrangements to Purchase Shares or Debentures***

Save as disclosed above and under the section headed "Share Option Scheme" in this Report of Directors, at no time during the Year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

### ***Equity-linked Agreements***

Save for the Scheme as disclosed in the section headed "Share Option Scheme" in this annual report, no equity-linked agreement was entered into or subsisted during the Year.

### ***Pre-emptive Rights***

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

### ***Connected Transactions***

For the Year, there were no connected transactions or continuing connected transactions of the Company which require compliance with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The related party transactions referred in note 32 to the financial statements in this annual report do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### *Permitted Indemnity*

The Company has arranged for appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. In accordance with the Articles and subject to any applicable laws and regulations, every Director for the time being shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

### *Directors' Interests in Competing Business*

As at 31 December 2023 and up to the date of this annual report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

### *Sale, Purchase or Redemption of the Company's Listed Securities*

There were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

### *Major Customers and Suppliers*

The sales to the Group's five largest customers accounted for 33% of the total revenue for the Year, while the sales to the Group's largest customer accounted for 7% of the total revenue for the Year.

The purchases from the Group's five largest suppliers accounted for 43% of the total purchases for the Year, while the purchases from the Group's largest supplier accounted for 33% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

### *Basis of Determining the Emolument Payable to the Directors*

The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. In determining the remuneration of the Directors, the Company takes into account each Director's qualifications, experience, duties and responsibilities with the Company, as well as the Company's performance and the prevailing market conditions.

### *Tax Relief*

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holdings in the shares of the Company.

### *Public Float*

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained a sufficient public float, being 25% of the issued share capital of the Company, as required under the Listing Rules.

### *Auditors*

The Financial Statements have been audited by HLB Hodgson Impey Cheng Limited, the auditors of the Company, which will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
**Tong Fei**
*Executive Director*

Hong Kong, 28 March 2024

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**TO THE SHAREHOLDERS OF**
**NEW FOCUS AUTO TECH HOLDINGS LIMITED**
*(Incorporated in the Cayman Islands with limited liability)*

**Opinion**

We have audited the consolidated financial statements of New Focus Auto Tech Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 75 to 163, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other 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 and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditors' 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 these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to Note 2(b) to the consolidated financial statements which describes that the Group incurred a loss for the year of RMB88,396,000 and the Group has short-term bank and other borrowings amounting to RMB225,634,000. As at 31 December 2023, the Group had cash and cash equivalents amounting to RMB78,619,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These indicates that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and other sources. As stated in Note 2(b), it indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**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 year. 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. In addition to the matter described in the "material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Fair value measurement on financial assets** | |
| Refer to Notes 20 and 23 to the consolidated financial statements.<br><br>As at 31 December 2023, the Group held convertible bond and unlisted equity investments with carrying amounts of approximately RMB12,697,000 and RMB140,000,000 respectively. These financial instruments do not have a quoted market price in an active market (the "Unquoted Investments"). They were classified as financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss and measured at fair value.<br><br>The valuation of the Unquoted Investments is complex and requires the application of significant judgment by the management. | Our procedures in relation to the fair value measurement of financial assets included but not limited to:<br><br>– Enquiring the management and assessing the methodologies used in fair value measurement and the appropriateness of the key assumptions and parameters based on our knowledge of the investment and using our auditors' valuation experts;<br><br>– Checking, on sample basis, the accuracy and relevance of the input data used;<br><br>– Evaluating the independent external valuers' competence, capabilities and objectivity; and<br><br>– Checking the arithmetical accuracy on the valuation model.<br><br>We considered the management's fair value measurement on financial assets to be supportable by available evidence. |

**Key audit matters** *(Continued)*

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Allowance for expected credit losses on other receivables** | |
| Refer to Notes 22(b) and 36(a) to the consolidated financial statements.<br><br>As at 31 December 2023, the Group had the other receivables of approximately RMB754,176,000 before the loss allowance of approximately RMB401,044,000 has been made on other receivables.<br><br>Loss allowances for expected credit losses from other receivables are based on management's estimate of the lifetime or 12-months expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue receivables, debtors' repayment history, collaterals and financial position, the capability of repayment. The expected credit rates on these receivables are determined based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without under cost or effort.<br><br>We focused on this area due to the impairment assessment of other receivables under the expected credit losses model involved the use of significant management judgements and estimates. | Our procedures in relation to the allowance for expected credit losses assessment on other receivables included but not limited to:<br><br>• Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk;<br><br>• Checking, on a sample basis, the aging profile of other receivables as at 31 December 2023 to the underlying financial records and past year-end settlement to bank receipts; and<br><br>• Assessing the reasonableness of management's loss allowance estimate on other receivables by examining the information used by management to form such judgements, including on a sample basis, testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current conditions and forward-looking information.<br><br>We found that the allowance for expected credit losses on other receivables to be supportable by available evidence. |

**Other Information**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 and the Audit Committee for the consolidated financial statements**

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

**Auditors' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed term of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Auditors' 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 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 of 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 auditors' 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 director on the audit resulting in this independent auditors' report is Tien Sun Kit, Jack.

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

**Tien Sun Kit, Jack**
Practising Certificate Number: P07364

Hong Kong, 28 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | *Notes* | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| **Revenue** | *6* | **555,377** | 591,671 |
| Cost of sales and services | | **(459,809)** | (490,324) |
| **Gross profit** | | **95,568** | 101,347 |
| Other income | *7* | **15,858** | 7,255 |
| Other gains or losses, net | *8* | **2,786** | 8,350 |
| Allowance for expected credit losses on trade receivables and other receivables, net | | **(64,736)** | (21,002) |
| Written down of inventories, net | | **(4,601)** | (10,330) |
| Distribution costs | | **(37,709)** | (42,023) |
| Administrative expenses | | **(65,621)** | (56,990) |
| Share of results of an associate | *19* | **(1)** | – |
| Finance costs | *9* | **(25,213)** | (30,506) |
| **Loss before taxation** | *10* | **(83,669)** | (43,899) |
| Income tax expense | *12* | **(4,727)** | (3,898) |
| **Loss for the year** | | **(88,396)** | (47,797) |
| **Other comprehensive (loss)/income for the year** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **(4,442)** | 4,764 |
| **Other comprehensive (loss)/income for the year, net of tax** | | **(4,442)** | 4,764 |
| **Total comprehensive loss for the year** | | **(92,838)** | (43,033) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | *Note* | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|---|
| **(Loss)/profit for the year attributable to** | | | |
| – Equity shareholders of the Company | | **(87,320)** | (48,503) |
| – Non-controlling interests | | **(1,076)** | 706 |
| | | **(88,396)** | (47,797) |
| **Total comprehensive (loss)/income attributable to** | | | |
| – Equity shareholders of the Company | | **(91,762)** | (43,739) |
| – Non-controlling interests | | **(1,076)** | 706 |
| | | **(92,838)** | (43,033) |
| **Loss per share:** | *14* | | |
| – Basic and diluted (RMB cents) | | **(0.51)** | (0.68) |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | **89,921** | 66,738 |
| Right-of-use assets | *16* | **35,738** | 30,829 |
| Prepayment for property, plant and equipment | *22(b)* | **437,000** | – |
| Investment properties | *17* | **36,962** | 38,975 |
| Deferred tax assets | *28* | **3,075** | 3,623 |
| Interests in an associate | *19* | **14,999** | – |
| Financial assets at fair value through profit or loss | *23* | **12,697** | – |
| Financial assets at fair value through other comprehensive income | *20* | **140,000** | – |
| | | **770,392** | 140,165 |
| **Current assets** | | | |
| Inventories | *21* | **87,952** | 121,013 |
| Trade receivables | *22(a)* | **105,419** | 86,455 |
| Financial assets at fair value through profit or loss | *23* | **60,304** | 457 |
| Deposits, prepayments and other receivables | *22(b)* | **377,095** | 1,070,211 |
| Cash and cash equivalents | *24* | **78,619** | 275,139 |
| | | **709,389** | 1,553,275 |
| **Current liabilities** | | | |
| Trade payables | *25(a)* | **228,946** | 227,147 |
| Accruals and other payables | *25(b)* | **193,058** | 187,235 |
| Contract liabilities | *25(c)* | **25,066** | 251,240 |
| Lease liabilities | *26* | **3,398** | 2,494 |
| Tax payable | | **4,077** | 6,246 |
| Bank and other borrowings | *27* | **225,634** | 269,149 |
| | | **680,179** | 943,511 |
| **Net current assets** | | **29,210** | 609,764 |
| **Total assets less current liabilities** | | **799,602** | 749,929 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Lease liabilities | *26* | **1,493** | 156 |
| Deferred tax liabilities | *28* | **9,487** | 9,789 |
| Bank and other borrowings | *27* | **78,476** | 37,000 |
| | | **89,456** | 46,945 |
| **Net assets** | | **710,146** | 702,984 |
| **Capital and reserves** | | | |
| Share capital | *29* | **1,490,706** | 1,490,706 |
| Reserves | *30* | **(895,328)** | (803,566) |
| Total equity attributable to equity shareholders of the Company | | **595,378** | 687,140 |
| Non-controlling interests | | **114,768** | 15,844 |
| **Total equity** | | **710,146** | 702,984 |

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024:

**Tong Fei**
*Director*

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** RMB'000 *(Note 29)* | **Share premium** RMB'000 *(Note 30(i)(a))* | **Statutory reserve fund** RMB'000 *(Note 30(i)(b))* | **Enterprise expansion fund** RMB'000 *(Note 30(i)(c))* | **Capital redemption reserve** RMB'000 *(Note 30(i)(d))* | **Exchange reserve** RMB'000 *(Note 30(i)(e))* | **Others** RMB'000 *(Note 30(i)(f))* | **Accumulated losses** RMB'000 | **Sub-total** RMB'000 | **Non-controlling interests** RMB'000 | **Total** RMB'000 |
| At 1 January 2022 | 556,286 | 1,482,219 | 43,918 | 2,756 | 1,545 | (14,903) | 3,657 | (1,895,679) | 179,799 | 14,662 | 194,461 |
| (Loss)/profit for the year | – | – | – | – | – | – | – | (48,503) | (48,503) | 706 | (47,797) |
| Other comprehensive income | – | – | – | – | – | 4,764 | – | – | 4,764 | – | 4,764 |
| Total comprehensive income/(loss) | – | – | – | – | – | 4,764 | – | (48,503) | (43,739) | 706 | (43,033) |
| Transfer to statutory reserves | – | – | 2,469 | – | – | – | – | (2,469) | – | – | – |
| Deregistration of a subsidiary | – | – | (1,079) | – | – | – | – | 1,079 | – | 476 | 476 |
| Issue of shares | 934,420 | (382,515) | – | – | – | – | – | – | 551,905 | – | 551,905 |
| Transaction costs attributable to issue of shares | – | (825) | – | – | – | – | – | – | (825) | – | (825) |
| **At 31 December 2022 and 1 January 2023** | **1,490,706** | **1,098,879** | **45,308** | **2,756** | **1,545** | **(10,139)** | **3,657** | **(1,945,572)** | **687,140** | **15,844** | **702,984** |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(87,320)** | **(87,320)** | **(1,076)** | **(88,396)** |
| Other comprehensive loss | **–** | **–** | **–** | **–** | **–** | **(4,442)** | **–** | **–** | **(4,442)** | **–** | **(4,442)** |
| Total comprehensive loss | **–** | **–** | **–** | **–** | **–** | **(4,442)** | **–** | **(87,320)** | **(91,762)** | **(1,076)** | **(92,838)** |
| Transfer to statutory reserves | **–** | **–** | **1,286** | **–** | **–** | **–** | **–** | **(1,286)** | **–** | **–** | **–** |
| Capital injection from non-controlling shareholder | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **100,000** | **100,000** |
| At 31 December 2023 | **1,490,706** | **1,098,879** | **46,594** | **2,756** | **1,545** | **(14,581)** | **3,657** | **(2,034,178)** | **595,378** | **114,768** | **710,146** |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| **Loss before taxation** | | **(83,669)** | (43,899) |
| **Adjustments for:** | | | |
| – Written down of inventories | *10* | **4,601** | 10,330 |
| – Depreciation of property, plant and equipment | *10,15* | **8,487** | 9,751 |
| – Depreciation of right-of-use assets | *10,16* | **2,185** | 1,114 |
| – Allowance for expected credit losses on trade receivables, deposits and other receivables | *10, 36(a)* | **64,736** | 21,002 |
| – Interest income | *7* | **(9,284)** | (422) |
| – Interest expenses | *9* | **25,213** | 30,506 |
| – (Gain)/loss on disposal of property, plant and equipment | *8* | **(3,420)** | 1,108 |
| – Fair value loss on investment properties | *8, 17* | **2,013** | 1,335 |
| – Loss on deregistration of a subsidiary | *8* | **–** | 1,554 |
| – Fair value loss on financial assets at fair value through profit or loss | *8* | **123** | 123 |
| – Share of results of an associate | *19* | **1** | – |
| **Operating cash flows before working capital changes** | | **10,986** | 32,502 |
| Decrease in inventories | | **28,460** | 506 |
| (Increase)/decrease in trade receivables | | **(19,680)** | 55,799 |
| Decrease/(increase) in deposits, prepayments and other receivables | | **628,250** | (494,777) |
| Increase/(decrease) in trade payables | | **1,799** | (19,340) |
| (Decrease)/increase in accruals and other payables | | **(3,393)** | 316 |
| (Decrease)/increase in contract liabilities | | **(226,174)** | 206,827 |
| **Cash generated from/(used in) operations** | | **420,248** | (218,167) |
| Income tax paid | | **(6,650)** | (2,951) |
| **Net cash generated from/(used in) operating activities** | | **413,598** | (221,118) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | *Notes* | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Incorporation of an associate | | **(15,000)** | – |
| Purchase of property, plant and equipment | *15* | **(32,487)** | (9,531) |
| Prepayment paid for property, plant and equipment | | **(437,000)** | – |
| Purchase of financial assets at fair value through other comprehensive income | | **(140,000)** | – |
| Net cash outflow for deregistration of subsidiary | | **–** | (20) |
| Purchase of financial assets at fair value through profit or loss | | **(72,667)** | – |
| Payment for right-of-use assets | | **(1,439)** | – |
| Proceeds from disposal of property, plant and equipment | | **4,237** | – |
| Interest received | | **9,284** | 422 |
| **Net cash used in investing activities** | | **(685,072)** | (9,129) |
| **Financing activities** | | | |
| Proceeds from bank and other borrowings | | **299,535** | 263,992 |
| Proceeds from issue of shares, net | | **–** | 551,080 |
| Capital injection from non-controlling interests | | **100,000** | – |
| Repayment of bank and other borrowings | | **(301,522)** | (341,998) |
| Repayment of lease liabilities | | **(3,531)** | (2,929) |
| Interest paid | | **(15,827)** | (6,197) |
| **Net cash generated from financing activities** | | **78,655** | 463,948 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(192,819)** | 233,701 |
| **Cash and cash equivalents at the beginning of the year** | | **275,139** | 38,929 |
| **Effect of foreign exchange rate changes** | | **(3,701)** | 2,509 |
| **Cash and cash equivalents at the end of the year** | | **78,619** | 275,139 |

The accompanying notes form an integral part of these consolidated financial statements.

## 1. ORGANISATION AND PRINCIPAL ACTIVITIES

New Focus Auto Tech Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories, trading of automobile accessories and operating the 4S dealership stores and related business, and the research and development, sales and provision of integrated solutions for hydrogen fuel cell. The Company and its subsidiaries are collectively referred to as the Group.

The directors of the Company (the "Directors") regard Daodu (Hong Kong) Holding Limited ("Daodu"), a company incorporated in Hong Kong with limited liability as the immediate holding company, and Qingdao Guorui Xin Fukesi Investment Center, L.P., a limited partnership established in the PRC, as the ultimate holding company.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The following provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

## 2. BASIS OF PREPARATION *(Continued)*

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

As at 31 December 2023, the Group incurred a loss for the year of approximately RMB88,396,000 and the Group has short-term bank and other borrowings of approximately RMB225,634,000. As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB78,619,000 which is insufficient to fully repay the bank and other borrowings expiring within 12 months. These indicates that the Group's ability to meet these liquidity requirements depends on its ability to generate sufficient net cash inflows from future operations and other sources.

These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

*(i) Attainment of profitable and positive cash flow operations*

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

*(ii) Necessary facilities*

The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group's working capital and financial requirements in the near future.

*(iii) Acceleration of construction progress*

The Group will actively accelerate the progress of the invested projects, focus on the construction of the invested production plant, expedite the development of production capacity, enhance production efficiency and optimize operational management, and improve the Group's operating cash flow.

In the opinion of the Directors, the Group will have sufficient working capital for its current needs and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

## 2. BASIS OF PREPARATION *(Continued)*

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

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at fair value as explained in the accounting policies set out below:

– Investment properties;

– Financial assets at fair value through other comprehensive income; and

– Financial assets at fair value through profit or loss.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability

### (c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the currency of the primary economic environment in which the major entities of the Group operate. The functional currency of the Company is US dollar.

## 3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

**New and amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to IFRS issued by IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform-Pillar Two model Rules |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to IAS 21 | Lack of Exchangeability[3] |

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Expect as describe below, the Directors anticipate that the application of the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

**Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The application of this amendments has had no material impact on the Group's financial position and performance.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION

**Business combination and basis of consolidation**

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Business combination and basis of consolidation** *(Continued)*

*Basis of consolidation (Continued)*

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

*Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Business combination and basis of consolidation** *(Continued)*

*Business combinations (Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation of these assets commences when the assets are ready for their intended use. The historical 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 profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments/(other to specify)" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The principal estimated useful lives are as follows:

| | |
|---|---|
| Leasehold land | Not depreciated |
| Buildings | 20 years |
| Leasehold improvements | Over the remaining term of the lease but not exceeding 10 years |
| Plant and machinery | 3~10 years |
| Motor vehicles | 5 years |
| Office equipment, furniture and fixtures | 3~5 years |

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction as well as borrowing costs capitalised during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

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

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Investment properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at their costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**Impairment of other assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– right-of-use assets.

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, leasehold land and land use rights, right-of-use assets, to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Impairment of other assets** *(Continued)*

– Calculation of recoverable amount

The recoverable amount of property, plant and equipment, leasehold land and land use rights, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching with them and that the grants will be received. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average cost basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Taxation**

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss before tax because of income or expense that are taxable or deductible in other years that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Taxation** *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Leases**

*Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*The Group as a lessee*

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of a leased property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Leases** *(Continued)*

*The Group as a lessee (Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Leases** *(Continued)*

*The Group as a lessee (Continued)*

Lease liabilities *(Continued)*

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Leases** *(Continued)*

*The Group as a lessee (Continued)*

Lease modifications *(Continued)*

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*The Group as a lessor*

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

**Foreign currencies**

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Foreign currencies** *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

**Employees' benefits**

*(i) Short-term benefits*

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

*(ii) Defined contribution pension obligations*

Contributions to defined contribution retirement plans are expensed when the services are rendered by the employees. The Group has no further payment obligation once the contributions have been paid.

*(iii) Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

**Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Related parties**

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

**Revenue and other income**

*Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Revenue and other income** *(Continued)*

*Revenue from contracts with customers (Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

*(i)* *Sale of goods*

Revenue is recognised when the control of the automobile accessories are considered to have been transferred to the customer.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Revenue and other income** *(Continued)*

*Revenue from contracts with customers (Continued)*

*(ii) Service income*

Revenue arose from provision of automobile repair, maintenance and restyling services is recognised in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services.

Service income is recognised in the accounting period in which the provision of automobile repair, maintenance and restyling services occurs. Customers are invoiced upon the completion of services or on a regular basis.

Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognised at the stand-alone service price.

*(iii) Interest income*

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

*(iv) Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss upon on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

**Segment reporting**

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

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

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the financial assets and shareholders' rights are presented as other revenue and other income.

*Financial assets*

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets (Continued)*

*Classification and subsequent measurement of financial assets (Continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other revenue and gains and losses” line item.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets (Continued)*

*Impairment of financial assets*

The Group performs impairment assessment under ECL model on financial assets which are subject to impairment under IFRS 9 (including trade receivables, deposits and other receivables, amounts due from related parties, pledged time deposits and cash and bank balances). The amount of ECL is updated at each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

Significant increase in credit risk *(Continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

*Financial assets (Continued)*

*Impairment of financial assets (Continued)*

Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

*Derecognition of financial liabilities*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

*Financial liabilities and equity*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at amortised cost*

Financial liabilities including trade payables, accruals and other payables, lease liabilities and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

**Financial instruments** *(Continued)*

*Financial guarantee contract liabilities*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and

- the amount recognised initially less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies set out above.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Information about assumption and estimation uncertainties that might have a significant risk of resulting in a material adjustment includes the following:

**Allowance for ECL on other receivables**

The loss allowances for other receivables are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The information about the ECL assessment is disclosed in Notes 22(b) and 36(a).

**Fair values of investment properties**

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 17.

In relying on the valuation report, the Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, travel restrictions implemented by many countries, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2023, the carrying amount of the Group's investment properties is RMB36,962,000 (2022: RMB38,975,000).

**Fair value measurement of financial instruments**

As at 31 December 2023, certain of the Group's financial assets, investments in convertible bond and unlisted equity securities amounts of approximately RMB12,697,000 and RMB140,000,000 (2022: Nil and Nil) respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 37 for further disclosures.

## 6. REVENUE AND SEGMENT INFORMATION

Revenue represents the sales value of goods supplied and services provided to customers and is analysed as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Recognised at a point in time: | | |
| Sales of goods | **537,720** | 573,096 |
| Services income | **17,657** | 18,575 |
| | **555,377** | 591,671 |

Automobile repair, maintenance and restyling services are typically provided for a period of one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### (a) Reportable segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

During the years, the Group commenced the business in research and development, sales and provision of integrated solution for hydrogen fuel cell (the "Hydrogen Fuel Cell Business") by incorporating new subsidiaries, and it is considered as a new operating and reportable segment.

The Group operates in three reportable segments: (i) the manufacture and sale of automobile accessories (the "Manufacturing and Trading Business"); (ii) the operation of the 4S dealership stores and related business (the "Automobile Dealership and Services Business"); and (iii) the research and development, sales and provision of integrated solutions for hydrogen fuel cell (the "Hydrogen Fuel Cell Business").

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance and resources allocation.

## 6. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (a) Reportable segment *(Continued)*

Set out below is an analysis of segment information:

| | The Manufacturing and Trading Business | | The Automobile Dealership and Services Business | | The Hydrogen Fuel Cell Business | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023 RMB'000** | 2022 RMB'000 | **2023 RMB'000** | 2022 RMB'000 | **2023 RMB'000** | 2022 RMB'000 | **2023 RMB'000** | 2022 RMB'000 |
| Segment revenue | **412,043** | 450,389 | **143,334** | 141,282 | **–** | – | **555,377** | 591,671 |
| Reportable segment results | **28,423** | 13,802 | **(88,163)** | (15,533) | **(170)** | – | **(59,910)** | (1,731) |
| Interest income | **9,017** | 389 | **6** | 14 | **–** | – | **9,023** | 403 |
| Unallocated interest income | | | | | | | **261** | 19 |
| Total interest income | | | | | | | **9,284** | 422 |
| Interest expenses | **(9,928)** | (9,796) | **(10,729)** | (6,421) | **–** | – | **(20,657)** | (16,217) |
| Unallocated interest expenses | | | | | | | **(4,556)** | (14,289) |
| Total interest expenses | | | | | | | **(25,213)** | (30,506) |
| Allowance for expected credit losses on trade receivables and other receivables, net | **1,787** | (716) | **(68,361)** | (2,951) | **–** | – | **(66,574)** | (3,667) |
| Unallocated allowance for expected credit losses on trade receivables and other receivables, net | | | | | | | **1,838** | (17,335) |
| | | | | | | | **(64,736)** | (21,002) |
| Depreciation and amortisation charges | **(10,307)** | (10,520) | **(365)** | (345) | **–** | – | **(10,672)** | (10,865) |
| Reportable segment assets | **413,946** | 1,139,122 | **354,317** | 463,502 | **562,001** | – | **1,330,264** | 1,602,624 |
| Additions to capital expenditure | **38,962** | 27,092 | **590** | 949 | **–** | – | **39,552** | 28,041 |
| Reportable segment liabilities | **145,870** | 605,445 | **279,757** | 300,808 | **235,171** | – | **660,798** | 906,253 |

*Note:* Capital expenditure consists of addition to property, plant and equipment and additions of right-of-use assets.

## 6. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (b) Reconciliation of reportable segment profit or loss, and assets and liabilities

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Loss before taxation** | | |
| Reportable segment loss | **(59,910)** | (1,731) |
| Unallocated other income and gains or losses, net | **153** | 474 |
| Unallocated allowance for expected credit losses on trade receivables, deposits, and other receivable, net | **1,838** | (17,335) |
| Unallocated corporate expenses | **(21,194)** | (11,018) |
| Unallocated finance costs | **(4,556)** | (14,289) |
| Consolidated loss before taxation | **(83,669)** | (43,899) |
| **Assets:** | | |
| Reportable segment assets | **1,330,264** | 1,602,624 |
| Unallocated corporate assets | **149,517** | 90,816 |
| Consolidated total assets | **1,479,781** | 1,693,440 |
| **Liabilities:** | | |
| Reportable segment liabilities | **660,798** | 906,253 |
| Unallocated corporate liabilities | **108,837** | 84,203 |
| Consolidated total liabilities | **769,635** | 990,456 |

For the purposes of resources allocation and performance assessment between segments:

- All expenses are allocated to reportable segments, other than partial administrative expenses and partial other operating expenses;
- All assets are allocated to reportable segments, other than partial deposit, prepayment and other receivables, partial cash and bank balance, partial property, plant and equipment, partial right-of-use assets, partial financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income; and
- All liabilities are allocated to reportable segments, other than partial bank and other borrowings, partial accruals and other payables and partial lease liabilities.

## 6. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (c) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's investment properties, property, plant and equipment, right-of-use assets, leasehold land and land use rights ("specified non-current assets"):

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| PRC (Place of domicile) | **224,097** | 216,285 | **162,621** | 136,542 |
| America | **286,183** | 322,220 | **–** | – |
| Europe | **15,901** | 18,212 | **–** | – |
| Asia Pacific | **29,196** | 34,954 | **–** | – |
| | **555,377** | 591,671 | **162,621** | 136,542 |

The above revenue information is based on the locations of the customers.

### (d) Major customers

Revenue from customers during the reporting period contributing over 10% of the total revenue of the Group are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Customer A | **–** | 71,346 |

*Note:* Revenue derived from Customer A did not contribute 10% or more to the Group's total revenue during the Year.

Except as disclosed above, no other customers contributed 10% or more of the Group's total revenue during the Year (2022: Nil).

## 7. OTHER INCOME

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Mould sales | **8** | 3,232 |
| Sample income | **807** | 1,070 |
| Services income | **3,148** | – |
| Interest income | **9,284** | 422 |
| Gross rentals from investment properties | **1,668** | 1,666 |
| Others | **943** | 865 |
| | **15,858** | 7,255 |

## 8. OTHER GAINS OR LOSSES, NET

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Exchange gain, net | **91** | 9,703 |
| Fair value loss on investment properties | **(2,013)** | (1,335) |
| Gain/(loss) on disposal of property, plant and equipment | **3,420** | (1,108) |
| Government subsidies *(Note)* | **1,834** | 1,999 |
| Fair value loss on financial assets at fair value through profit of loss | **(123)** | (123) |
| Loss on deregistration of a subsidiary | **–** | (1,554) |
| Others | **(423)** | 768 |
| | **2,786** | 8,350 |

*Note:* During the Year, the Group recognised RMB1,834,000 (2022: RMB1,999,000) as government subsidies for high and new technology on manufacturing of electronic and power related automotive parts.

## 9. FINANCE COSTS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Interests on bank and other borrowings | **25,096** | 30,323 |
| Interests on lease liabilities | **117** | 183 |
| | **25,213** | 30,506 |

## 10. LOSS BEFORE TAXATION

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Cost of inventories* | **459,809** | 490,324 |
| Depreciation of property, plant and equipment | **8,487** | 9,751 |
| Depreciation of right-of-use assets | **2,185** | 1,114 |
| Written down of inventories | **4,601** | 10,330 |
| Research and development expenses | **11,390** | 12,618 |
| Allowance for expected credit losses on trade receivables, and other receivables, net | **64,736** | 21,002 |
| Auditors' remuneration | | |
| – audit services | **2,600** | 2,500 |
| – non-audit service | **190** | – |
| Gross rentals from investment properties | **(1,668)** | (1,666) |
| Less: Direct operating expenses incurred | **10** | 4 |
| | **(1,658)** | (1,662) |
| Employee benefit expenses (including directors' remuneration) | | |
| Salaries and allowances | **36,333** | 39,527 |
| Retirement scheme contributions | **5,982** | 6,387 |
| Other benefits | **3,152** | 2,220 |
| Total employee benefit expenses | **45,467** | 48,134 |

* Costs of inventories include RMB57,274,000 (2022: RMB62,841,000) relating to employee benefit expenses and depreciation, which are also included in the respective total amounts disclosed separately above.

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' remuneration

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

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries and other allowances RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| **Executive director:** | | | | | |
| Tong Fei (Acting Chairman) | – | 1,476 | – | 71 | 1,547 |
| **Non-executive directors:** | | | | | |
| Wang Zhenyu *(Note (a))* | – | – | – | – | – |
| Zhang Jianxing *(Note (b))* | – | – | – | – | – |
| **Independent non-executive directors:** | | | | | |
| Hu Yuming *(Note (e))* | 20 | – | – | – | 20 |
| Lin Lei *(Note (c))* | 3 | – | – | – | 3 |
| Zhang Xiaoya *(Note (d))* | 3 | – | – | – | 3 |
| Shi Jing *(Note (f))* | 16 | – | – | – | 16 |
| Li Qingwen *(Note (g))* | 97 | – | – | – | 97 |
| Zhang Kaizhi *(Note (h))* | 56 | – | – | – | 56 |
| Huang Bo *(Note (i))* | 56 | – | – | – | 56 |
| | 251 | 1,476 | – | 71 | 1,798 |

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (a) Directors' remuneration *(Continued)*

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries and other allowances RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| **Executive director:** | | | | | |
| Tong Fei (Acting Chairman) | – | 1,323 | – | – | 1,323 |
| **Non-executive directors:** | | | | | |
| Wang Zhenyu *(Note (a))* | – | – | – | – | – |
| Zhang Jianxing *(Note (b))* | – | – | – | – | – |
| **Independent non-executive directors:** | | | | | |
| Hu Yuming *(Note (e))* | 100 | – | – | – | 100 |
| Lin Lei *(Note (c))* | 100 | – | – | – | 100 |
| Zhang Xiaoya *(Note (d))* | 100 | – | – | – | 100 |
| | 300 | 1,323 | – | – | 1,623 |

*Notes:*

a. Mr. Wang Zhenyu has resigned as a non-executive director on 12 January 2023.

b. Mr. Zhang Jianxing has resigned as a non-executive director on 12 January 2023.

c. Mr. Lin Lei has resigned as an independent non-executive director on 12 January 2023.

d. Mr. Zhang Xiaoya has resigned as an independent non-executive director on 12 January 2023.

e. Mr. Hu Yuming has resigned as an independent non-executive director on 14 March 2023.

f. Ms. Shi Jing was appointed as an independent non-executive director on 12 January 2023 and resigned on 14 March 2023.

g. Mr. Li Qingwen was appointed as an independent non-executive director on 12 January 2023.

h. Mr. Zhang Kaizhi was appointed as an independent non-executive director on 12 June 2023.

i. Mr. Huang Bo was appointed as an independent non-executive director on 12 June 2023.

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 included one director (2022: one) whose emolument is reflected in the analysis presented in Note 11(a) above.

The emoluments paid or payment to the four (2022: four) highest paid employees who are not director of the Company are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Salaries and other allowances | **3,687** | 4,616 |
| Retirement scheme contributions | **377** | 104 |
| Total | **4,064** | 4,720 |

The emoluments of the four (2022: four) individuals with the highest emoluments who are not Directors are within the following bands:

| | **2023** | 2022 |
|---|---|---|
| Nil to HK$1,000,000 | **3** | 2 |
| HK$1,000,001 to HK$1,500,000 | **1** | 2 |
| | **4** | 4 |

No discretionary bonus, inducement fee, employer's contribution to retirement scheme or compensation for loss of office was given to any of the above mentioned individuals during the year (2022: Nil).

None of the above mentioned individuals has waived or agreed to waive any emolument paid by the Group during the year (2022: Nil).

## 12. INCOME TAX

**(a)** Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| **Current Tax** | | |
| Provision for the year | **5,511** | 5,202 |
| Over-provision in respect of prior year | **(1,030)** | (1,332) |
| | **4,481** | 3,870 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences, net | **246** | 28 |
| | **4,727** | 3,898 |

**(b)** No provision for Hong Kong profit tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2023 and 2022. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC income tax rate is 25% (2022: 25%) for the year. One major PRC subsidiary of the Company renewed the qualification of high and new technology enterprise in the PRC and is entitled to a preferential income tax rate of 15% (2022: 15%) for three years from 12 November 2023.

**(c)** Reconciliation between tax expense and accounting loss at applicable tax rates:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Loss before taxation | **(83,669)** | (43,899) |
| Tax calculated at applicable tax rate of 25% (2022: 25%) | **(20,917)** | (10,975) |
| Tax effect of non-deductible expenses | **25,318** | 10,605 |
| Tax effect of income not taxable for tax purpose | **(2,157)** | (3,001) |
| Effect of unrecognised tax losses | **6,472** | 7,520 |
| Effect of preferential tax treatments and tax exemptions | **(4,277)** | (695) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **1,318** | 1,776 |
| Over-provision in respect of prior year | **(1,030)** | (1,332) |
| Tax expense | **4,727** | 3,898 |

## 13. DIVIDEND

The Board did not recommend any payment of a dividend for the year (2022: Nil).

## 14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Loss** | | |
| Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share | **(87,320)** | (48,503) |

| | **2023** | 2022 |
|---|---|---|
| | **'000** | '000 |
| **Number of shares** | | |
| Weighted average number of shares for the purpose of calculating basic and diluted loss per share | **17,216,948** | 7,082,547 |

For the years ended 31 December 2023 and 2022, the computation of diluted loss per share were the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Construction in progress RMB'000 | Buildings RMB'000 | Leasehold improvement RMB'000 | Plant and machinery RMB'000 | Motor vehicles RMB'000 | Office equipment, furniture and fixtures RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| Net carrying amount as at 1 January 2022 | 2,510 | 35,905 | – | 17,769 | 1,347 | 4,741 | 62,272 |
| Additions | 2,497 | – | 176 | 6,178 | 423 | 257 | 9,531 |
| Disposals | – | – | – | (677) | (721) | 290 | (1,108) |
| Transfer upon completion | (2,545) | 2,545 | – | – | – | – | – |
| Transfer from investment properties | – | 6,852 | – | – | – | – | 6,852 |
| Depreciation charge for the year | – | (3,478) | (18) | (3,696) | (88) | (2,471) | (9,751) |
| Deregistration of a subsidiary | – | – | – | (756) | – | (302) | (1,058) |
| Net carrying amount as at 31 December 2022 and 1 January 2023 | **2,462** | **41,824** | **158** | **18,818** | **961** | **2,515** | **66,738** |
| Additions | **28,562** | **–** | **–** | **796** | **2,850** | **279** | **32,487** |
| Disposals | **–** | **–** | **–** | **(38)** | **(779)** | **–** | **(817)** |
| Depreciation charge for the year | **–** | **(3,467)** | **(158)** | **(3,421)** | **(827)** | **(614)** | **(8,487)** |
| **Net carrying amount as at 31 December 2023** | **31,024** | **38,357** | **–** | **16,155** | **2,205** | **2,180** | **89,921** |
| At 31 December 2022: | | | | | | | |
| Cost | 2,462 | 92,773 | 13,423 | 152,430 | 13,054 | 53,964 | 328,106 |
| Accumulated depreciation and impairment | – | (50,949) | (13,265) | (133,612) | (12,093) | (51,449) | (261,368) |
| Net carrying amount | 2,462 | 41,824 | 158 | 18,818 | 961 | 2,515 | 66,738 |
| **At 31 December 2023:** | | | | | | | |
| **Cost** | **31,024** | **92,751** | **10,431** | **148,374** | **12,426** | **49,226** | **344,232** |
| **Accumulated depreciation and impairment** | **–** | **(54,394)** | **(10,431)** | **(132,219)** | **(10,221)** | **(47,046)** | **(254,311)** |
| **Net carrying amount** | **31,024** | **38,357** | **–** | **16,155** | **2,205** | **2,180** | **89,921** |

The Group's certain property, plant and equipment with aggregate net carrying amount of RMB65,140,000 (2022: RMB38,768,000) was pledged to secure the bank borrowing of the Group as detailed in Note 27.

## 16. RIGHT-OF-USE ASSETS

| | Leasehold land and land use rights RMB'000 | Leased properties RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2022 | 20,547 | 9,549 | 30,096 |
| Additions | 18,510 | – | 18,510 |
| At 31 December 2022 and 1 January 2023 | **39,057** | **9,549** | **48,606** |
| Additions | **–** | **7,094** | **7,094** |
| Lease termination | **–** | **(9,549)** | **(9,549)** |
| **At 31 December 2023** | **39,057** | **7,094** | **46,151** |
| **Accumulated depreciation and impairment** | | | |
| At 1 January 2022 | 7,364 | 9,299 | 16,663 |
| Charge provided for the year | 864 | 250 | 1,114 |
| At 31 December 2022 and 1 January 2023 | **8,228** | **9,549** | **17,777** |
| Lease termination | **–** | **(9,549)** | **(9,549)** |
| Charge provided for the year | **864** | **1,321** | **2,185** |
| **At 31 December 2023** | **9,092** | **1,321** | **10,413** |
| **Net carrying amount** | | | |
| **At 31 December 2023** | **29,965** | **5,773** | **35,738** |
| At 31 December 2022 | 30,829 | – | 30,829 |

The Group's leasehold land of RMB29,747,000 (2022: RMB29,820,000) was pledged to secure the bank borrowings of the Group as detailed in Note 27.

The Group's interests in leasehold land and land use rights were held outside Hong Kong under medium term leases.

### 17. INVESTMENT PROPERTIES

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At 1 January | **38,975** | 47,162 |
| Change in fair value *(Note 8)* | **(2,013)** | (1,335) |
| Transfer to property, plant and equipment | **–** | (6,852) |
| At 31 December | **36,962** | 38,975 |

All investment properties of the Group are located outside Hong Kong, of which investment properties of RMB22,290,000 (2022: RMB23,620,000) and RMB14,672,000 (2022: RMB15,355,000) are held under long and medium terms respectively.

As at 31 December 2023, the fair value of investment properties has been arrived at on the basis of a valuation carried out on the respective dates by Shanghai Jiace Real Estate Appraisal Co., Ltd., an independent firm of professionally qualified valuers recognised by the relevant PRC association of valuers with recent experience in the location and category of property being valued, on the following basis.

The valuation was arrived of by reference to (i) market evidence of transaction price for similar properties, (ii) current rent of properties being held under existing tenancies and the reversionary income potential of tenancies, and (iii) the value of the land, together with the replacement costs of industrial buildings.

All investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 27.

## 17. INVESTMENT PROPERTIES *(Continued)*

**Information about fair value measurements using significant unobservable input**

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

| Property | Fair value Hierarchy | Valuation techniques | Fair Value<br>RMB'000 | Significant unobservable Inputs | Sensitivity |
|---|---|---|---|---|---|
| (1) | Level 3 | Income approach | 22,290<br>(2022: 23,620) | Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB32.2 (2022: RMB36.3) per sqm per month. | A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. |
| (2) | Level 3 | Income approach | 14,672<br>(2022: 15,355)<br>*(Note)* | Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of RMB136.8 (2022: RMB136.5) per sqm per month. | A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. |

*Note:* During the year ended 31 December 2022, of approximately RMB6,852,000 investment property had been reclassified to property, plant and equipment due to change in use as owner-occupation.

## 18. INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

| Company name | Country/place and date of incorporation/ establishment | Legal form of entities for those established in the PRC | Registered capital/share capital | Issued and fully paid up capital | Percentage of attributable equity interest | Principal activities/place of operation |
|---|---|---|---|---|---|---|
| *Interests directly held:* | | | | | | |
| Perfect Progress Investments Limited ("Perfect Progress") | The British Virgin Islands 8 April 2002 | – | US$50,000 Ordinary shares | US$500 | 100% | Investment holding/ Hong Kong |
| New Focus Auto Tech International Limited | The British Virgin Islands 2 April 2007 | – | US$1 Registered capital | US$1 | 100% | Sale of automobile accessories/ Hong Kong |
| New Focus Auto Autolife Holdings Limited | Hong Kong 16 November 2010 | – | HK$10,000 Registered capital | HK$1 | 100% | Investment holding/ Hong Kong |
| New Focus Lighting and Power Technology (Qingdao) Co., Ltd. ("New Focus Lighting & Power (Qingdao)") | The PRC 12 April 2001 | Wholly-owned foreign enterprise | US$88,000,000 Registered capital | US$69,074,856 | 100% | Manufacturing of mechanical and electrical equipment; sales of automobile accessories and non-ferrous metal alloys/ The PRC |
| *Interests indirectly held:* | | | | | | |
| New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("New Focus Lighting & Power (Shanghai)") | The PRC 24 April 2001 | Wholly-owned foreign enterprise | US$67,800,000 Registered capital | US$67,800,000 | 100% | Manufacture and sales of automobile accessories/ The PRC |
| Shandong New Focus Longsheng Auto Parts Co. Ltd. ("Longsheng") | The PRC 26 April 2006 | Limited liability company | US$4,012,700 Registered capital | US$4,012,700 | 58.99% | Manufacture and sale of automobile accessories/ The PRC |
| Ningbo Meishan Bonded Port Area Chifeng Investment Management Co., Ltd. | The PRC 29 August 2016 | Limited liability company | RMB39,860,000 Registered capital | RMB39,860,000 | 100% | Investment holding/ The PRC |
| Inner Mongolia Chuangying Automobile Co., Ltd. | The PRC 9 February 2018 | Limited liability company | RMB627,339,666 Registered capital | RMB627,339,666 | 100% | Distribution of automobile insurance and financial products; sales of automobile products/ The PRC |
| New Focus Technology (Beijing) Co., Ltd. | The PRC 6 April 2021 | Wholly-owned foreign enterprise | RMB10,000,000 Registered capital | RMB0 | 100% | Investment holding/ The PRC |

### 18. INTERESTS IN SUBSIDIARIES *(Continued)*

| Company name | Country/place and date of incorporation/ establishment | Legal form of entities for those established in the PRC | Registered capital/share capital | Issued and fully paid up capital | Percentage of attributable equity interest | Principal activities/place of operation |
|---|---|---|---|---|---|---|
| Jinyi (Mianyang) Hydrogen Energy Technology Co., Ltd. ("Jinyi") | The PRC 26 September 2023 | Limited liability company | RMB150,000,000 | RMB71,000,000 | 93.70% | Comprehensive hydrogen energy solutions and commercialized operations/ The PRC |
| Mianyang New Hydrogen New Energy Technology Partnership (Limited Partnership) ("Mianyang New Hydrogen") | The PRC 27 September 2023 | Limited partnership | RMB291,000,000 | RMB246,000,000 | 59.35% | Investment holding/ The PRC |

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.

**Details of non-wholly owned subsidiaries that have material non-controlling interests**

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of voting power held by non-controlling interests | | Proportion of ownership interests held by non-controlling interests | | Profit/(loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 | **2023 RMB'000** | 2022 RMB'000 | **2023 RMB'000** | 2022 RMB'000 |
| Longsheng | The PRC | **41.01%** | 41.01% | **41.01%** | 41.01% | **251** | 1,323 | **15,964** | 15,713 |
| Mianyang New Hydrogen *(Note)* | The PRC | **50.17%** | – | **40.65%** | – | **(25)** | – | **99,974** | – |
| Individually immaterial subsidiaries with non-controlling interests | | | | | | **(1,302)** | (617) | **(1,170)** | 131 |
| | | | | | | **(1,076)** | 706 | **114,768** | 15,844 |

*Note:*

As at 31 December 2023, the capital injection from non-controlling interests is still in progress. The proportion of voting power was determined based on agreed percentage of capital contribution stipulated in the agreement. The proportion of ownership interests was determined based on paid-up capital as at 31 December 2023.

The following tables listed out the information relating to Longsheng and Mianyang New Hydrogen, the subsidiaries of the Group which have a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

## 18. INTERESTS IN SUBSIDIARIES *(Continued)*

**Longsheng**

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| NCI percentage | **41.01%** | 41.01% |
| Current assets | **53,043** | 54,686 |
| Non-current assets | **18,212** | 18,932 |
| Current liabilities | **(22,348)** | (35,303) |
| Non-current liabilities | **(9,980)** | – |
| Net assets | **38,927** | 38,315 |
| Carrying amount of NCI | **15,964** | 15,713 |
| Revenue | **85,825** | 102,052 |
| Profit for the year | **612** | 3,227 |
| Total comprehensive income | **612** | 3,227 |
| Profit attributable to NCI | **251** | 1,323 |
| Cash flows generated from operating activities | **5,554** | 13,136 |
| Cash flows used in investing activities | **(1,482)** | (2,000) |
| Cash flows used in financing activities | **(649)** | (648) |

**Mianyang New Hydrogen**

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| NCI percentage | **40.65%** | – |
| Current assets | **235,000** | – |
| Non-current assets | **11,000** | – |
| Current liabilities | **(62)** | – |
| Net assets | **245,938** | – |
| Carrying amount of NCI | **99,974** | – |
| Revenue | **–** | – |
| Loss for the year | **(62)** | – |
| Total comprehensive loss | **(62)** | – |
| Loss attributable to NCI | **(25)** | – |
| Cash flows generated from operating activities | **–** | – |
| Cash flows used in investing activities | **(246,000)** | – |
| Cash flows generated from financing activities | **246,000** | – |

## 19. INTERESTS IN AN ASSOCIATE

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Cost of investment in an associate | **15,000** | – |
| Share of post-acquisition result | **(1)** | – |
| | **14,999** | – |

## 19. INTERESTS IN AN ASSOCIATE *(Continued)*

Details of an associate at the end of reporting period is as follows:

| Name of entity | Country of incorporation and principal place of business | Proportion of ownership interests held by the Group | | Proportion of voting right held by the Group | | Principal activity |
|---|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 | |
| Jinyi (Xinjiang) Hydrogen Energy Technology Co., Ltd. ("Jinyi (Xinjiang)") *(Note)* | The PRC | **100%** | – | **30%** | – | Sales of hydrogen fuel cell systems, sales of distributed hydrogen power stations, energy storage technology services; sales of hydrogen refueling and storage facilities for stations. |

*Note:*

As at 31 December 2023, the other shareholders of Jinyi (Xinjiang) has not yet inject the capital. The proportion of voting power was determined based on agreed percentage of capital contribution stipulated in the agreement. The proportion of ownership interests was determined based on paid-up capital as at 31 December 2023.

**Summarised financial information of an associate**

An associate is accounted for using the equity method in these consolidated financial statements.

Jinyi (Xinjiang)

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Current assets | **14,999** | – |
| Net assets | **14,999** | – |
| Revenue | **–** | – |
| Loss for the year | **(1)** | – |
| Total comprehensive loss | **(1)** | – |

## 19. INTERESTS IN AN ASSOCIATE *(Continued)*

**Summarised financial information of an associate** *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Net assets of Jinyi (Xinjiang) | **14,999** | – |
| Proportion of the Group's ownership interest in Jinyi (Xinjiang) | **100%** | – |
| The Group's share of net assets of Jinyi (Xinjiang) | **14,999** | – |

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Unlisted: | | |
| – Equity investments | **140,000** | – |

The above unlisted equity investments represent the Group's equity interest in a private entity established in the PRC. The Directors have elected to designate these investments in equity instruments as at FVTOCI as the Group's strategy of holding these investments is for long-term purposes and realising their performance potential in the long run.

The unlisted equity investments above are the Group's investment in Tianjin Hongzhuo Enterprise Management Center (Limited Partnership) ("Tianjin Hongzhuo"), a limited partnership incorporated in PRC, with a carrying amount of approximately RMB140,000,000 (2022: Nil). The investment represents approximately 48% holding of paid up capital of Tianjin Hongzhuo. Tianjin Hongzhuo is not regarded as an associate of the Group because the Group only act as investor and share the return but does not involve in the operation.

## 21. INVENTORIES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Raw materials | **33,057** | 32,504 |
| Work-in-progress | **17,828** | 18,612 |
| Finished goods | **18,418** | 23,477 |
| Merchandise goods | **18,649** | 46,420 |
| | **87,952** | 121,013 |

The Group's certain inventories with aggregate net carrying amount of RMB10,536,000 (2022: RMB20,018,000) was pledged to secure the bank borrowings of the Group as detailed in Note 27.

## 22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

### (a) Trade receivables

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Trade receivables | **119,892** | 101,051 |
| Less: allowance for ECL | **(14,473)** | (14,596) |
| | **105,419** | 86,455 |

The credit period to the Group's customers ranged from 0 to 360 days.

The ageing analysis of trade receivables, net of allowance for ECL presented based on invoice date is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Current to 30 days | **49,070** | 61,185 |
| 31 to 60 days | **27,135** | 10,494 |
| 61 to 90 days | **13,705** | 13,487 |
| Over 90 days | **15,509** | 1,289 |
| | **105,419** | 86,455 |

Details of ECL assessment are set out in Note 36(a).

## 22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

### (b) Deposits, prepayments and other receivables

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Loan receivables *(Note (i))* | **30,174** | 201,012 |
| Deposits | **1,294** | 10,437 |
| Prepayments *(Note (ii))* | **23,963** | 499,759 |
| Deposits and prepayments for 4S dealership business | **–** | 3,231 |
| Prepayment for property, plant and equipment *(Note (iii))* | **437,000** | – |
| Value-added tax recoverable | **5,281** | 8,829 |
| Rebate receivables from suppliers *(Note (iv))* | **25,165** | 25,165 |
| Others *(Note (v))* | **692,262** | 657,963 |
| | **1,215,139** | 1,406,396 |
| Less: allowance for ECL | **(401,044)** | (336,185) |
| | **814,095** | 1,070,211 |
| Analysed as | | |
| Current | **377,095** | 1,070,211 |
| Non-current | **437,000** | – |
| | **814,095** | 1,070,211 |

*Notes:*

(i) (a) As at 31 December 2022, loan receivables were mainly arisen from secured corporate loan to Great Wall Broadband Network Company Limited with the interest rate of 5% per annum and the loan period was within 1 year. The loan receivables were secured by the Group's other borrowings of approximately RMB37,000,000. According to the tripartite agreement between the Group, debtor of the loan receivables and the creditor of other borrowings, the liabilities of the other borrowing will be released if the loan receivables cannot be recovered by the Group. The loan receivable due from Great Wall Broadband Network Company Limited had been fully settled during the year ended 31 December 2023.

(b) On 15 December 2022, the Group (as lender) and JingHang DaYun (Beijing) Technology Co., Ltd. ("JingHang DaYun") (as borrower) entered into a loan agreement pursuant to which the Group had agreed to grant the loan of RMB205,005,000 to JingHang DaYun for a term of three months from the date of the loan agreement at an interest rate of 5% per annum and unsecured. Of approximately RMB180,000,000 was repaid during the year; the Group and JingHang DaYun entered into the extension agreement whereby the maturity date of the remaining loan of approximately RMB25,005,000 shall be extended to one year from the date of the extension agreement on 31 December 2022.

## 22. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

**(b) Deposits, prepayments and other receivables** *(Continued)*

*Notes: (Continued)*

(ii) As at 31 December 2022, the Company has prepaid approximately RMB472,122,000 for the commodities trading business (i.e. sale and purchase of zinc ingot). During the year ended 31 December 2023, the prepayment had been fully utilised. The relevant trade receivables had been fully settled.

(iii) As at 31 December 2023, the Group prepaid approximately RMB230,000,000 in relation to purchase of fuel cell systemic integration production line and approximately RMB207,000,000 in relation to self-constructed industrial park.

(iv) For automobile dealership and services business, the car vendors offered a rebate if the purchase target by the Company had been completed.

(v) As at 31 December 2023, the other receivables mainly represent the gross amount due from former related parties of approximately RMB561,509,000 (2022: RMB563,394,000) which were pledged by the equity shares and creditor's right to which the fair value of those collateral pledged were approximately RMB268,169,000 (2022: RMB328,755,000) and the allowance for ECL of approximately RMB293,340,000 (2022: RMB234,639,000) has been made.

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Listed securities held for trading: | | |
| – Equity securities listed in Shenzhen stock exchange | **304** | 457 |
| Wealth management product | **60,000** | – |
| Convertible bonds | **12,697** | – |
| | **73,001** | 457 |
| Analysed as: | | |
| Current | **60,304** | 457 |
| Non-current | **12,697** | – |
| | **73,001** | 457 |

Convertible bonds are classified as non-current as the management expects to realize these financial asset after twelve months from the end of reporting period.

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

**(a) Cash and cash equivalents**

Cash at banks earns interest at floating rates based on daily bank deposit rates and are deposited with creditworthy financial institutions with no recent history of default.

**(b) Reconciliation of liabilities arising from financing activities:**

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

| | Bank and other borrowings | Lease liabilities | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **Balance at 1 January 2023** | **306,149** | **2,650** | **308,799** |
| **Changes from financing cash flows:** | | | |
| Proceeds from loans and borrowings | **299,535** | **–** | **299,535** |
| Repayment of borrowings | **(301,522)** | **–** | **(301,522)** |
| Interest paid | **(15,827)** | **–** | **(15,827)** |
| Repayment of lease liabilities | **–** | **(3,531)** | **(3,531)** |
| **Total changes from financing cash flows** | **(17,814)** | **(3,531)** | **(21,345)** |
| **Exchange adjustments** | **(52)** | **–** | **(52)** |
| **Other non-cash changes:** | | | |
| Interest expense | **25,096** | **117** | **25,213** |
| Accrued interest | **(9,269)** | **–** | **(9,269)** |
| Addition of lease liabilities | **–** | **5,655** | **5,655** |
| **Total other changes** | **15,827** | **5,772** | **21,599** |
| **Balance at 31 December 2023** | **304,110** | **4,891** | **309,001** |

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(Continued)*

**(b) Reconciliation of liabilities arising from financing activities:** *(Continued)*

| | Bank and other borrowings RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|
| Balance at 1 January 2022 | 374,361 | 5,396 | 379,757 |
| Changes from financing cash flows: | | | |
| Proceeds from loans and borrowings | 263,992 | – | 263,992 |
| Repayment of borrowings | (341,998) | – | (341,998) |
| Interest paid | (6,197) | – | (6,197) |
| Repayment of lease liabilities | – | (2,929) | (2,929) |
| Total changes from financing cash flows | (84,203) | (2,929) | (87,132) |
| Exchange adjustments | 9,794 | – | 9,794 |
| Other non-cash changes: | | | |
| Interest expense | 30,323 | 183 | 30,506 |
| Accrued interest | (24,126) | – | (24,126) |
| Total other changes | 6,197 | 183 | 6,380 |
| Balance at 31 December 2022 | 306,149 | 2,650 | 308,799 |

## 25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

### (a) Trade payables

The ageing analysis of trade payables presented based on invoice date is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Current to 30 days | **73,604** | 102,511 |
| 31 to 60 days | **15,645** | 16,076 |
| 61 to 90 days | **20,164** | 8,735 |
| Over 90 days | **119,533** | 99,825 |
| | **228,946** | 227,147 |

The average credit period for the Group's trade creditors is 60 days.

*Note:* As at 31 December 2023, the trade payables of approximately RMB38,585,000 (2022: RMB55,553,000) were related to former related parties.

### (b) Accruals and other payables

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Amounts due to former related parties *(Note (i))* | **35,313** | 38,090 |
| Payroll payable | **11,814** | 12,825 |
| Other tax payable | **11,241** | 9,799 |
| Others | **67,916** | 63,821 |
| Deposit received for 4S dealership business | **11,198** | 11,100 |
| Interest payable | **55,576** | 51,600 |
| | **193,058** | 187,235 |

*Note:*

(i) The amounts due to former related parties is unsecured, interest-free and repayment on demand.

## 25. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

### (c) Contract liabilities

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| The automobile dealership and service business | **2,569** | 42,396 |
| The manufacturing and trading business | **22,497** | 208,844 |
| | **25,066** | 251,240 |

Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the year was approximately RMB242,450,000 (2022: RMB21,655,000). The Group receives a deposit in advance which give rise to contract liabilities at the start of a contract until the revenue recognised on the relevant contract exceeds the amount of the deposit. During the years ended 31 December 2023 and 2022, certain 4S business stores in the PRC were closed due to COVID-19. The Directors expect the contract liabilities will be recognised as revenue within one year. During the year ended 31 December 2022, the Group entered into a commodities sales contract of zinc ingot and received a deposit in advance of approximately RMB205,000,000. The transactions were completed during the year ended 31 December 2023.

Movement in contract liabilities:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| At 1 January | **251,240** | 44,413 |
| Consideration received | **26,070** | 228,482 |
| Revenue recognised in respect of contract liabilities at the beginning of the year | **(242,450)** | (21,655) |
| Revenue recognised in respect of contract liabilities received during the year | **(9,794)** | – |
| At 31 December | **25,066** | 251,240 |

### 26. LEASE LIABILITIES

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Lease liabilities payables: | | |
| – Within one year | **3,398** | 2,494 |
| – More than one year but not more than two years | **1,493** | 156 |
| | **4,891** | 2,650 |
| Less: Amount due for settlement within 12 months shown under current liabilities | **(3,398)** | (2,494) |
| Amount due for settlement after 12 months show under non-current liabilities | **1,493** | 156 |

The weighted average incremental borrowing rates applied to lease liabilities are 4.29% (2022: 4.21%).

## 27. BANK AND OTHER BORROWINGS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Secured:** | | |
| Bank loans | **177,671** | 157,490 |
| Other borrowings | **50,831** | 83,745 |
| | **228,502** | 241,235 |
| **Unsecured:** | | |
| Bank loans | **5,612** | 5,612 |
| Other borrowings | **69,996** | 59,302 |
| | **75,608** | 64,914 |
| **Total bank and other borrowings** | **304,110** | 306,149 |
| **Bank borrowings are repayable as follows:** | | |
| On demand or within one year | **225,634** | 269,149 |
| More than one year but not exceeding two years | **9,980** | – |
| More than two years but not exceeding five years | **68,496** | 37,000 |
| | **304,110** | 306,149 |
| Amounts due within one year shown under current liabilities | **(225,634)** | (269,149) |
| Amounts shown under non-current liabilities | **78,476** | 37,000 |

*Notes:*

(i) As at 31 December 2023, the banking facilities are secured by (i) the Group's certain property, plant and equipment with an aggregate net carrying amount of RMB65,140,000 (2022: RMB38,768,000); (ii) the Group's certain right-of-use asset of RMB29,747,000 (2022: RMB29,820,000); (iii) the Group's certain investment properties of RMB36,962,000 (2022: RMB38,975,000); (iv) the Group's certain inventory of RMB10,536,000 (2022: RMB20,018,000); and (v) corporate guarantees provided by the Company and its subsidiaries.

(ii) On 25 September 2019, a bank ("Assignor") signed the debt assignment with a third party ("Assignee") and agreed to transfer the debt included the interest payable of the Group to the Assignee. As at 31 December 2023, the principal of approximately RMB48,223,000 (2022: RMB48,223,000) are secured by the pledge of the properties and land, repayable on demand and bear fixed interest rates of 9.15% (2022: 9.15%) per annum.

## 27. BANK AND OTHER BORROWINGS *(Continued)*

*Notes: (Continued)*

(iii) On 31 December 2022, the Group, a creditor of the other borrowings with the loan amount of approximately RMB37,000,000 and a debtor of loan receivables with the amount of approximately RMB133,995,000 entered into a tripartite agreement regarding the repayment of loan receivables. As at the date of this report, the relevant loan receivables had been settled. The loan amount of approximately RMB37,000,000 no longer classified as secured loan. For the details, please refer to Note 23(b)(i).

(iv) As at 31 December 2023, the Group has two (2022: two) bank borrowings of approximately RMB5,612,000 (2022: RMB5,612,000) were default.

As at 31 December 2023, secured borrowings from other financial institutions which for the loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, are secured, interest-bearing with annual rates ranging from 6.16% to 9.15% (2022: 3.20% to 15.40%)

All of the bank and other borrowings bear fixed interest rates ranging from 3.10% to 15.40% per annum (2022: 3.20% to 26.82%).

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Bank and other borrowings of the Group were denominated in** | | |
| RMB | **248,659** | 256,237 |
| United States dollars ("USD") | **–** | 49,912 |
| HKD | **55,451** | – |
| | **304,110** | 306,149 |

## 28. DEFERRED TAX

The movements in deferred tax assets/(liabilities) are as follows:

**Deferred tax assets**

| | **Accrued expenses** RMB'000 | **Allowances and provisions** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| At 1 January 2022 | 2,644 | 1,038 | 3,682 |
| Recognised in profit of loss *(Note 12)* | – | (59) | (59) |
| At 31 December 2022 and 1 January 2023 | 2,644 | 979 | 3,623 |
| Recognised in profit of loss *(Note 12)* | – | (548) | (548) |
| **At 31 December 2023** | **2,644** | **431** | **3,075** |

At the end of the reporting period, the Group has unused tax losses of approximately RMB342,311,000 (2022: RMB362,137,000) available for offset against future profits. No deferred tax asset has been recognised in such losses due to the unpredictability of future profit streams. The years of expiry of the tax losses unrecognised is as below:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Year of expiry of PRC entities | | |
| 2023 | **–** | 45,714 |
| 2024 | **67,542** | 67,542 |
| 2025 | **139,405** | 139,405 |
| 2026 | **79,396** | 79,396 |
| 2027 | **30,080** | 30,080 |
| 2028 | **25,888** | – |
| | **342,311** | 362,137 |

## 28. DEFERRED TAX *(Continued)*

**Deferred tax liabilities**

| | Right-of-use assets RMB'000 | Lease liabilities RMB'000 | Fair value gain on Investment properties RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2022 | – | – | (9,820) | (9,820) |
| Recognised in profit or loss *(Note 12)* | – | – | 31 | 31 |
| At 31 December 2022 and 1 January 2023 | – | – | (9,789) | (9,789) |
| Recognised in profit or loss *(Note 12)* | (1,222) | 1,222 | 302 | 302 |
| **At 31 December 2023** | **(1,222)** | **1,222** | **(9,487)** | **(9,487)** |

The above recognised deferred tax assets and liabilities cannot be set off.

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

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

## 29. SHARE CAPITAL

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of shares '000 | Amount HK$'000 | Number of shares '000 | Amount HK$'000 |
| **Authorised** | | | | |
| Ordinary shares of HK$0.1 each | **20,000,000** | **2,000,000** | 20,000,000 | 2,000,000 |

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Number of shares '000 | Amount HK$'000 | Amount RMB'000 | Number of shares '000 | Amount HK$'000 | Amount RMB'000 |
| **Issued and fully paid:** | | | | | | |
| At the beginning of the year | **17,216,948** | **1,721,695** | **1,490,706** | 6,767,636 | 676,764 | 556,286 |
| Issue of shares *(Note)* | – | – | – | 10,449,312 | 1,044,931 | 934,420 |
| **At the end of the year** | **17,216,948** | **1,721,695** | **1,490,706** | 17,216,948 | 1,721,695 | 1,490,706 |

*Note:* On 21 December 2022, the Company completed the issue of 10,449,312,314 subscription shares under specific mandate with gross proceeds of approximately HK$616,509,000.

## 30. RESERVES

### (i) Reserves of the Group

(a) *Share premium*

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

(b) *Statutory reserve fund*

The Group's subsidiaries established in the PRC are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the applicable PRC accounting standards, to statutory reserve fund until the fund aggregates to 50% of their respective registered capital. The statutory reserve fund can only be used, upon approval by the respective board of directors, to offset accumulated losses or increase capital.

(c) *Enterprise expansion fund*

In accordance with the Law of the People's Republic of China on Chinese-foreign Equity Joint Venture and the articles of association of a subsidiary, a subsidiary shall appropriate 5% of its annual statutory net profit (after offsetting any prior years' losses) to enterprise expansion fund.

(d) *Capital redemption reserve*

Capital redemption reserve occurs when shares of a company are redeemed or purchased wholly out of the Company's profits, the amount by which the Company's issued share capital is diminished on cancellation of the shares redeemed or purchased, shall be transferred to the capital redemption reserve. If the shares are redeemed or purchased wholly or partly out of the proceeds of a fresh issue, and the aggregate amount of those proceeds is less than the aggregate nominal value, the amount of the difference shall be transferred to the capital redemption reserve.

(e) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## 30. RESERVES *(Continued)*

### (i) Reserves of the Group *(Continued)*

*(f) Others*

Others comprise the share option reserve, property revaluation reserve, and fair value reserve.

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties.

The property revaluation reserve represents the gains/losses arising on the revaluation of property (other than investment property). The balance on this reserve is wholly undistributable.

The fair value reserve represents the cumulative net change in the fair value of financial assets at fair value through other comprehensive income held at the end of the reporting period.

### (ii) Reserves of the Company

| | Share premium RMB'000 | Contributed surplus RMB'000 | Exchange reserve RMB'000 | Others RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2022 | 1,482,219 | 84,242 | 23,154 | 308 | (1,992,366) | (402,443) |
| Total comprehensive loss for the year | – | – | (9,184) | – | (52,829) | (62,013) |
| Issue of shares | (382,515) | – | – | – | – | (382,515) |
| Transaction costs attributable to issue of shares | (825) | – | – | – | – | (825) |
| At 31 December 2022 and 1 January 2023 | 1,098,879 | 84,242 | 13,970 | 308 | (2,045,195) | (847,796) |
| Total comprehensive loss for the year | – | – | (5,463) | – | (15,117) | (20,580) |
| **At 31 December 2023** | **1,098,879** | **84,242** | **8,507** | **308** | **(2,060,312)** | **(868,376)** |

## 31. COMMITMENTS

### (a) Operating lease arrangements

*As leasor*

As at 31 December 2023 and 2022, the Group leased its investment properties under operating lease. As at the end of the reporting period, the total future minimum lease payments receivable under non-cancelable operating leases are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within one year | **397** | 1,749 |
| In the second year | **–** | 397 |
| | **397** | 2,146 |

### (b) Capital Commitments

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided | **169,154** | 28,350 |

## 32. RELATED PARTIES TRANSACTIONS

Except for disclosed elsewhere in the notes to financial statements, details of transactions between the Group and other related parties are disclosed below.

### (a) Transaction with related parties

*(i) Transaction with key management personnel*

Transaction with the members of key management during the year, including the remuneration for executive director and non-executive directors as disclosed in Note 11(a), is as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Salaries and other allowances | **3,998** | 4,073 |
| Retirement scheme contributions | **78** | 85 |
| | **4,076** | 4,158 |

*(ii) Related party transaction*

| Relationship | Nature | Note | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|---|---|
| Holding company | Interest on other loans | (a) | **921** | – |

Note:

(a) In February 2023, the Company and Daodu, entered into a loan agreement. The principal amount of the unsecured loan was USD3,200,000 for a term of one year with an interest rate of 6% per annum. In June 2023, the Company received an unsecured and interest-free loan of USD170,000 from Daodu.

During the year ended 31 December 2023, the loan from Daodu was fully settled.

(b) In May 2023, the Company received an unsecured and interest-free loan of HK$150,000 from an executive director, Mr. Tong Fei. The loan was fully repaid in July 2023.

## 33. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Company participate in defined contribution retirement schemes (the "Schemes") organised by the PRC municipal government authorities where the subsidiaries are registered whereby these PRC subsidiaries are required to make a contribution at the respective local rates of the eligible employees' salaries to the Schemes. The Group has accrued for the required pension fund contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employee covered under the Schemes. The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

For years ended 31 December 2023 and 2022, there was no forfeiture of retirement benefits schemes contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group. As at 31 December 2023 and 2022, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

## 34. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company terminated the old share option scheme and adopted a new share option scheme (the "Scheme") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme is 376,116,501 shares, representing 10% and 5.56% of the shares of the Company in issue as at the date of adoption of the Scheme and as at the date of this annual report respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and may be issued under share options granted to each eligible participant in the Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in the 12-month period up to and including the date of the grant of share options in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' prior approval in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum holding period or a performance target which must be achieved before a share option can be exercised.

### 34. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant. Share options do not confer rights on the holders to dividends or to vote at general meetings. As at 31 December 2023, no options had been granted by the Company under the Scheme remained outstanding (2022: Nil) and no shares were available for issue under the Scheme (2022: Nil).

### 35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of (i) debts, which includes the bank and other borrowings as disclosed in Note 27; (ii) cash and cash equivalents as disclosed in Note 24; (iii) equity attributable to equity shareholders of the Company, comprising share capital disclosed in Note 29 and reserves as disclosed in consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The net debt to equity ratio at end of the reporting period was as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Debts | **304,110** | 306,149 |
| Cash and cash equivalents | **(78,619)** | (275,139) |
| Net debt position | **225,491** | 31,010 |
| Equity attributable to equity shareholders of the Company | **595,378** | 687,140 |
| Net debt to equity ratio | **37.9%** | 4.5% |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and debt investments, bank and other borrowings, trade and other receivables, amounts due from related parties, cash and cash equivalents, trade and other payables, lease liabilities, amount due to related parties and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### (a) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, trade receivables, deposit and other receivables and amounts due from related parties. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The Group assessed 12m ECL for such balance and considered the 12m ECL to be insignificant and therefore no loss allowance was recognised.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at the end of the year, the top three debtors and the largest debtor accounted for approximately 22.69% and 7.87% (2022: 35.77% and 18.73%) of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors.

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (a) Credit risk *(Continued)*

**Trade receivables**

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired were assessed individually.

| | **2023** | | |
|---|---|---|---|
| | **Average loss rate %** | **Gross carrying amount RMB'000** | **Loss allowance RMB'000** |
| Current (Not yet past due) | **0.001** | **94,663** | **1** |
| 1–180 days past due | **2.27** | **3,343** | **76** |
| 181–365 days past due | **0.05** | **6,543** | **3** |
| Over 1 year | **7.32** | **1,025** | **75** |
| Individual assessment | **100** | **14,318** | **14,318** |
| | | **119,892** | **14,473** |

| | 2022 | | |
|---|---|---|---|
| | Average loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Current (Not yet past due) | 0.86 | 76,786 | 657 |
| 1–180 days past due | 1.68 | 7,812 | 131 |
| 181–365 days past due | 1.69 | 771 | 13 |
| Over 1 year | 1.72 | 1,920 | 33 |
| Individual assessment | 100 | 13,762 | 13,762 |
| | | 101,051 | 14,596 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (a) Credit risk *(Continued)*

**Other financial assets**

The Group's internal credit risk grading assessment of other financial assets comprises the following categories:

| Internal credit rating | Description | Other financial assets |
|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past due amounts | 12-month ECL |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (a) Credit risk *(Continued)*

**Other financial assets** *(Continued)*

The tables below detail the credit risk exposures of the Group's other financial assets, which are subject to ECL assessment:

***As at 31 December 2023***

| | Credit rating | 12-month or lifetime ECL | Loss rate % | Gross carrying amount RMB'000 | Allowance for ECL RMB'000 |
|---|---|---|---|---|---|
| Other financial assets (including other receivables) *(Note 22(b))* | Low risk | 12-month ECL (not credit-impaired) | 2.9 | 112,646 | (3,328) |
| | Doubtful | Lifetime ECL (not credit-impaired) | 11.4 | 25,004 | (2,850) |
| | Loss | Credit-impaired | 64.0 | 616,526 | (394,866) |
| | | | | 754,176 | (401,044) |

*As at 31 December 2022*

| | Credit rating | 12-month or lifetime ECL | Loss rate % | Gross carrying amount RMB'000 | Allowance for ECL RMB'000 |
|---|---|---|---|---|---|
| Other financial assets (including other receivables) *(Note 22(b))* | Low risk | 12-month ECL (not credit-impaired) | 1.2 | 230,404 | (2,798) |
| | Doubtful | Lifetime ECL (not credit-impaired) | 10.8 | 52,940 | (5,720) |
| | Loss | Credit-impaired | 52.8 | 620,062 | (327,667) |
| | | | | 903,406 | (336,185) |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (a) Credit risk *(Continued)*

The following table shows the movement in ECL that has been recognised.

| | Trade receivables RMB'000 | Other financial assets RMB'000 |
|---|---|---|
| At 1 January 2022 | 9,983 | 319,814 |
| Allowance for ECL recognised in profit or loss during the year, net | 4,618 | 16,384 |
| Deregistration of a subsidiary | (5) | (13) |
| At 31 December 2022 and 1 January 2023 | 14,596 | 336,185 |
| Allowance for ECL recognised in profit or loss during the year, net | (123) | 64,859 |
| **At 31 December 2023** | **14,473** | **401,044** |

As at 31 December 2023 the Group assessed the ECL for other financial assets of approximately RMB401,044,000 (2022: RMB336,185,000) which mostly related to amount due from Inner Mongolia Lifeng Dingsheng Automobile Co., Ltd.* (蒙古利豐鼎盛汽車有限公司) ("Lifeng Dingsheng") and its subsidiaries and associates (collectively, the "Lifeng Dingsheng Group"), which are primarily engaged in automobile dealership and service business in Inner Mongolia.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

| | Weighted average effective interest rate | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years |
|---|---|---|---|---|---|---|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2023** | | | | | | |
| Bank and other borrowings | **7.00** | **304,110** | **324,762** | **234,814** | **10,699** | **79,249** |
| Trade payables | **–** | **228,946** | **228,946** | **228,946** | **–** | **–** |
| Other payables | **–** | **181,817** | **181,817** | **181,817** | **–** | **–** |
| Lease liabilities | **4.29** | **4,891** | **5,101** | **3,544** | **1,557** | **–** |
| Total | | **719,764** | **740,626** | **649,121** | **12,256** | **79,249** |
| 2022 | | | | | | |
| Bank and other borrowings | 8.00 | 306,149 | 330,375 | 282,275 | – | 48,100 |
| Trade payables | – | 227,147 | 227,147 | 227,147 | – | – |
| Other payables | – | 177,436 | 177,436 | 177,436 | – | – |
| Lease liabilities | 4.21 | 2,650 | 2,761 | 2,599 | 162 | – |
| Total | | 713,382 | 737,719 | 689,457 | 162 | 48,100 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (c) Interest rate risk

Most of bank and other borrowings were issued at fixed rates which expose the Group to fair value interest rate risk. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

### (d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US$ and HK$.

The Group is also exposed to foreign currency exchange risk arising from the cash and cash equivalents denominated in US$.

The following table details the Group's exposure at the end of reporting period to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **US$'000** | **HK$'000** | US$'000 | HK$'000 |
| Trade and other receivables | **9,857** | **–** | 8,425 | 150,000 |
| Trade and other payables | **(2,868)** | **(1,350)** | (1,717) | (2,096) |
| Cash and cash equivalents | **2,925** | **225** | 6,592 | 209 |
| Bank and other borrowings | **–** | **(61,191)** | (7,202) | – |
| Overall net exposure | **9,914** | **(62,316)** | 6,098 | 148,113 |

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### (d) Currency risk *(Continued)*

The following table indicates the approximate change in the Group's loss for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates a decrease in loss or an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity, and the balances below would be negative.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Increase in foreign exchange rate** | **Effect on loss for the year and accumulated losses RMB'000** | Increase in foreign exchange rate | Effect on loss for the year and accumulated losses RMB'000 |
| US$ | **5%** | **(2,630)** | 5% | (259) |
| HK$ | **5%** | **2,112** | 5% | (6,183) |

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the Group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

## 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities as recognised in consolidated financial statements at 31 December 2023 and 2022 were approximate to their fair values.

**Fair value hierarchy**

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs.

Level 3: Fair value measured using significant unobservable inputs.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

| | **Level 1**<br>RMB'000 | **Level 2**<br>RMB'000 | **Level 3**<br>RMB'000 | **Total**<br>RMB'000 |
|---|---|---|---|---|
| **As at 31 December 2023** | | | | |
| Financial assets at FVTOCI | – | – | 140,000 | 140,000 |
| Financial assets at FVTPL | 60,304 | – | 12,697 | 73,001 |
| As at 31 December 2022 | | | | |
| Financial assets at FVTPL | 457 | – | – | 457 |

*Reconciliation of Level 3 fair value measurements*

| | **Financial assets at FVTOCI**<br>RMB'000 | **Financial assets at FVTPL**<br>RMB'000 |
|---|---|---|
| At 1 January 2023 | – | – |
| Addition | 140,000 | 12,667 |
| Net unrealised gain recognised in profit or loss during the year | – | 30 |
| At 31 December 2023 | 140,000 | 12,697 |

## 37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

| | **Fair value 2023 RMB'000** | Fair value 2022 RMB'000 | **Fair value hierarchy** | **Valuation techniques and key inputs** | **Significant unobservable inputs** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Unlisted equity investments | 140,000 | – | Level 3 | Trending analysis and assets approach | Market movement -1.14% |
| Other financial assets at FVTPL | 60,304 | 457 | Level 1 | Quoted bid prices in an active market | N/A |
| Convertible bonds | 12,697 | – | Level 3 | Market approach and Binomial Lattice Model | EV/EBIT ratio 14.54 x<br>Discount rate 6.24%<br>Volatility 54.87% |

There were no transfer between level 1, 2 and 3 during the years ended 31 December 2023 and 2022.

## 38. CONTINGENT LIABILITIES

At 31 December 2023 and 2022, the Group had no significant contingent liability.

## 39. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Interest in subsidiaries | | **716,569** | 595,013 |
| | | **716,569** | 595,013 |
| **Current assets** | | | |
| Deposits, prepayments and other receivables | | **1,738** | 129,855 |
| Cash and cash equivalents | | **1,277** | 1,684 |
| | | **3,015** | 131,539 |
| **Current liabilities** | | | |
| Accruals and other payables | | **28,758** | 24,340 |
| Bank and other borrowings | | **–** | 22,302 |
| | | **28,758** | 46,642 |
| **Net current (liabilities)/assets** | | **(25,743)** | 84,897 |
| **Total assets less current liabilities** | | **690,826** | 679,910 |
| **Non-current liability** | | | |
| Bank and other borrowings | | **68,496** | 37,000 |
| | | **68,496** | 37,000 |
| **Net assets** | | **622,330** | 642,910 |
| **Capital and reserves** | | | |
| Share capital | *29* | **1,490,706** | 1,490,706 |
| Reserves | *30(ii)* | **(868,376)** | (847,796) |
| **Total equity** | | **622,330** | 642,910 |

## 40. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation.

## 41. SUBSEQUENT EVENTS

**Issue of Bonds**

On 11 March 2024, (i) the Board approved the issue of unlisted and unsecured bonds (the "Bonds") in the aggregate principal amount of not more than HK$70,000,000 in one or multiple tranches. The maturity date of the Bonds is 31 December 2027 with an interest rate of 12% per annum; and (ii) the Company has entered into a distribution agreement with Bluestone Securities (HK) Co., Limited (the "Distributor") pursuant to which the Distributor has agreed to act as the selling agent of the Company to distribute the Bonds on a best effort basis within a year from 11 March 2024.

At date of this report, the Bonds with an aggregate principal amount of HK$3,000,000 have been subscribed.

Please refer to the announcement of the Company dated 11 March 2024 for further details of the Bonds.

## 42. LAWSUITS

**Ningbo Jiche against Inner Mongolia Chuangying**

As stated in the Company's announcement dated 5 June 2023, Inner Mongolia Chuangying was served with a summons as one of the defendants and was required to attend a court hearing on 28 June 2023 in a lawsuit filed by Ningbo Jiche Trading Co., Ltd. ("Ningbo Jiche") as the plaintiff. Ningbo Jiche alleged that Inner Mongolia Chuangying breached a sales contract (the "Sales Contract") between them by not paying the outstanding amount of RMB8,506,800 in accordance with the Sales Contract. The claims of Ningbo Jiche against Inner Mongolia Chuangying are as follows:

(1) request before the court for a ruling that Inner Mongolia Chuangying shall pay the outstanding amount of RMB8,506,800 and compensate Ningbo Jiche for losses due to the overdue payment (calculated based on RMB8,506,800, multiplied by 1.5 times of the one-year loan prime rate (LPR) published by the National Interbank Funding Center authorized by the People's Bank of China commencing from 9 October 2019 until the actual payment date). The calculated loss was RMB2,160,106.9 as of 14 April 2023;

(2) request before the court for a ruling that Inner Mongolia Chuangying shall pay RMB1,010,680 as liquidated damages;

(3) request before the court for a ruling that Inner Mongolia Chuangying shall compensate Ningbo Jiche the legal fees of RMB500,000; and

(4) request before the court for a ruling that Inner Mongolia Chuangying shall bear the litigation costs and the preservation fees.

## 42. LAWSUITS *(Continued)*

**Ningbo Jiche against Inner Mongolia Chuangying** *(Continued)*

The above-mentioned case has been ordered by Hohhot Huimin District People's Court to be transferred to the Beijing Dongcheng District People's Court for trial. The trial time has not yet been fixed, so there is no substantive progress with the case. Owing to the ongoing litigation and the uncertainty regarding the implementation and execution of the post-trial rulings, the principal amount of contingent liabilities that may be caused to the Group as a result of these litigation matters is approximately RMB12,178,000. Please refer to the announcement of the Company dated 5 June 2023 for further details of the lawsuits.

## 43. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

# FINANCIAL SUMMARY

For the year ended 31 December 2023

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

## *RESULTS*

| | **2023** | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **553,377** | 591,671 | 728,142 | 911,727 | 1,750,632 |
| Loss before taxation | | | | | |
| – from continuing operations | **(83,669)** | (43,899) | (86,770) | (451,376) | (207,350) |
| – from discontinued operations | **–** | – | 13,779 | – | (35,667) |
| Income tax | **(4,727)** | (3,898) | (15,960) | (22,282) | 33,804 |
| Loss for the year | **(88,396)** | (47,797) | (88,951) | (473,658) | (209,213) |
| Attributable to: | | | | | |
| Equity shareholders of the Company | **(87,320)** | (48,503) | (84,795) | (466,748) | (191,108) |
| Non-controlling interests | **(1,076)** | 706 | (4,156) | (6,910) | (18,105) |
| | **(88,396)** | (47,797) | (88,951) | (473,658) | (209,213) |

## *ASSETS AND LIABILITIES*

| | **2023** | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total assets | **1,479,781** | 1,693,440 | 1,042,509 | 1,291,232 | 1,937,231 |
| Total liabilities | **(769,635)** | (990,456) | (848,048) | (1,018,377) | (1,125,632) |
| Net assets | **710,146** | 702,984 | 194,461 | 272,855 | 811,599 |