

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



XXF GROUP HOLDINGS LIMITED

喜相逢集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2473)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Year-on-year change
	2023	2022	
	RMB'000	RMB'000	
Revenue	1,304,341	1,141,526	14.3%
Gross profit	419,012	374,447	11.9%
Profit before income tax	129,850	91,773	41.5%
Profit for the year	109,834	77,082	42.5%
Profit/(loss) attributable to:			
– Owners of the Company	110,254	78,913	39.7%
– Non-controlling interests	(420)	(1,831)	77.1%

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	4	1,304,341	1,141,526
Cost of revenue	7	<u>(885,329)</u>	<u>(767,079)</u>
Gross profit		419,012	374,447
Selling and marketing expenses	7	(98,724)	(81,096)
Administrative expenses	7	(133,233)	(115,146)
Research and development expenses	7	(413)	(722)
Provision for credit loss		(4,526)	(4,877)
Fair value gain on ordinary shares with redemption right		96,394	47,251
Other income, net	5	20,865	21,748
Other losses, net	6	<u>(8,031)</u>	<u>(6,814)</u>
Operating profit		291,344	234,791
Finance income	8	1,644	973
Finance cost	8	<u>(163,138)</u>	<u>(143,991)</u>
Finance cost, net		<u>(161,494)</u>	<u>(143,018)</u>
Profit before income tax		129,850	91,773
Income tax expenses	9	<u>(20,016)</u>	<u>(14,691)</u>
Profit for the year		<u>109,834</u>	<u>77,082</u>
Profit/(loss) attributable to:			
–Owners of the Company		110,254	78,913
–Non-controlling interests		<u>(420)</u>	<u>(1,831)</u>
		<u>109,834</u>	<u>77,082</u>

		Year ended 31 December	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		109,834	77,082
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Exchange difference arising from the translation of the Company's functional currency to presentation currency		(1,358)	(17,966)
Changes in fair value of ordinary share with redemption right due to own credit risk		(203)	2,432
Items that will be reclassified to profit or loss:			
Exchange difference arising from the translation of a subsidiary's functional currency to presentation currency		(405)	1,554
		<u>(1,966)</u>	<u>(13,980)</u>
Total comprehensive income for the year		<u>107,868</u>	<u>63,102</u>
Total comprehensive income/(loss) for the year attributable to:			
– Owners of the Company		108,288	64,933
– Non-controlling interests		(420)	(1,831)
		<u>107,868</u>	<u>63,102</u>
Earnings per share for profit attributable to owners of the Company for the year (<i>RMB cents</i>)			
– Basic	<i>10</i>	<u>30.23</u>	<u>23.27</u>
– Diluted	<i>10</i>	<u>3.22</u>	<u>7.68</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property and equipment	12	428,067	367,704
Intangible assets		19,699	21,779
Finance lease receivables	13	967,380	910,270
Prepayments and deposits		36,894	32,157
Financial assets at fair value through profit or loss		20,024	21,647
Deferred income tax assets		–	3,900
		<u>1,472,064</u>	<u>1,357,457</u>
Current assets			
Inventories		169,976	193,634
Finance lease receivables	13	689,221	560,061
Trade receivables	14	9,928	9,940
Prepayments, deposits and other receivables		261,812	265,968
Amounts due from shareholders		–	6,085
Restricted cash	15	5,652	4,534
Cash and cash equivalents	15	267,733	201,078
		<u>1,404,322</u>	<u>1,241,300</u>
Assets classified as held for sale	16	<u>44,500</u>	–
		1,448,822	1,241,300
Total assets		<u><u>2,920,886</u></u>	<u><u>2,598,757</u></u>

		As at 31 December	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		4,657	2,858
Other reserves and retained earnings		<u>770,836</u>	<u>497,379</u>
		775,493	500,237
Non-controlling interests		<u>5,957</u>	<u>6,377</u>
Total equity		<u>781,450</u>	<u>506,614</u>
Non-current liabilities			
Borrowings	18	945,709	884,842
Lease liabilities		8,137	7,769
Deferred income tax liabilities		<u>3,799</u>	<u>–</u>
		<u>957,645</u>	<u>892,611</u>
Current liabilities			
Borrowings	18	919,946	828,573
Ordinary shares with redemption right		–	163,129
Amounts due to shareholders		–	8,158
Trade payables	17	135,520	105,860
Other payables and accruals		109,982	78,939
Lease liabilities		6,759	6,087
Current income tax payables		<u>9,584</u>	<u>8,786</u>
		<u>1,181,791</u>	<u>1,199,532</u>
Total liabilities		2,139,436	2,092,143
Total equity and liabilities		<u>2,920,886</u>	<u>2,598,757</u>

NOTES

1 GENERAL INFORMATION

XXF Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 29 March 2019 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of automobile services, including automobiles retail, automobiles financing, automobiles rental and automobile-related services in the People’s Republic of China (the “**PRC**”).

The Company completed its initial public offering on 9 November 2023 (the “**Listing**”) and the Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the consolidated financial statements.

3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

(a) Effect of adopting new standards and amendments to standards

All of the new standards and amendments to standards that are effective on 1 January 2023 have been early adopted by the Group prior to the annual periods beginning after 1 January 2023.

(b) New standards and amendments to standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations have been issued but not effective during the year ended 31 December 2023 and have not been early adopted by the Group in preparing the consolidated financial statements:

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced, but not yet completed, an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. However, none of the above new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements.

4 REVENUE AND SEGMENT INFORMATION

Revenue during the years ended 31 December 2023 and 2022 are as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of automobiles under finance lease	840,927	734,600
Finance lease income	294,220	262,498
Operating lease income	147,726	126,018
Other automobile-related income	21,468	18,410
	<u>1,304,341</u>	<u>1,141,526</u>
Revenue from leases under IFRS 16	1,282,873	1,123,116
Revenue from contract with customer under IFRS 15	21,468	18,410
	<u>1,304,341</u>	<u>1,141,526</u>
Timing of revenue recognition for revenue from contract with customer under IFRS 15		
Recognised at a point in time	5,475	1,715
Recognised over time	15,993	16,695
	<u>21,468</u>	<u>18,410</u>

5 OTHER INCOME, NET

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (<i>Note</i>)	20,518	22,638
Donation	–	(340)
Others	347	(550)
	20,865	21,748

Note: Government grants primarily consist of the fiscal support that local governments offer to the Group entities engaged in the finance leasing business in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants.

6 OTHER LOSSES, NET

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property and equipment, net	(3,749)	(2,062)
Others	(4,282)	(4,752)
	(8,031)	(6,814)

7 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Auditor's remuneration		
- audit services	2,038	315
- non-audit services	50	–
Costs of inventory	683,377	595,601
Sales commission	83	194
Auto-insurance premium	45,728	37,356
Employee benefit expenses	138,262	120,558
Advertising expenses	10,983	8,423
Depreciation expenses	114,350	98,267
Amortisation expenses	11,767	13,614
Transportation expenses	4,843	3,648
Rental expenses	2,935	2,584
Traffic contravention penalty and handling fee	3,971	4,305
Travelling expenses	10,293	6,971
Listing expenses	19,418	13,694
Legal and professional expenses	5,424	4,245
Office expenses	5,257	4,666
Motor vehicle expenses	15,955	13,401
Provision for inventories	9,859	6,886
Repair and maintenance	12,587	10,615
Other taxes	11,424	9,268
Other expenses	9,095	9,432
	1,117,699	964,043

8 FINANCE COST, NET

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance cost:		
Costs of funding	(150,859)	(131,381)
Interest expenses on other borrowings	(11,547)	(11,807)
Interest expenses on lease liabilities	(732)	(803)
	<u>(163,138)</u>	<u>(143,991)</u>
Finance income:		
Bank interest income	647	228
Imputed interest income from deposits for borrowings	997	745
	<u>1,644</u>	<u>973</u>
Finance cost, net	<u>(161,494)</u>	<u>(143,018)</u>

9 INCOME TAX EXPENSES

The income tax expenses of the Group is analysed as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Income tax expenses		
Current income tax	12,317	11,968
Deferred income tax	7,699	2,723
	<u>20,016</u>	<u>14,691</u>

For the years ended 31 December 2023 and 2022, the weighted average applicable tax rate were 25% and 24% respectively. The change in weighted average applicable tax rate was mainly caused by a change in mix of profits earned or losses incurred by the group entities.

10 EARNINGS PER SHARE

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (<i>RMB'000</i>)	110,254	78,913
Weighted average number of ordinary shares in issue	364,748,469	339,118,802
Diluted impact on profit (<i>RMB'000</i>)	(96,394)	(47,251)
Diluted profit attributable to owners of the Company (<i>RMB'000</i>)	13,860	31,662
Potential ordinary shares with dilutive effect	65,664,617	73,381,198
Weighted average number of issued ordinary shares for calculating diluted profit per share	430,413,086	412,500,000
Profit per share		
– Basic (<i>RMB cents per share</i>)	30.23	23.27
– Diluted (<i>RMB cents per share</i>)	3.22	7.68

(i) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2023.

The weighted average number of shares in issue for the years ended 31 December 2023 and 2022 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of 23,564,727 shares issued under the share capitalisation issue on 9 November 2023, as if the capitalisation issue has been completed on 1 January 2022.

The 69,189,179 shares of the Company reclassified from ordinary shares with redemption right on 9 November 2023, 103,125,000 new shares issued on 9 November 2023 upon the Listing are accounted at time portion basis.

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended 31 December 2023 and 2022, the effect of ordinary shares with redemption right was dilutive and has been taken into account in the calculation of diluted EPS.

For the year ended 31 December 2023, the effect of share options granted under the Pre-IPO Share Option Scheme was dilutive and has been taken into account in the calculation of diluted EPS.

11 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2023 and 2022.

12 PROPERTY AND EQUIPMENT

	Right-of use assets <i>RMB'000</i>	Building <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Auto- mobiles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
As of 31 December 2021						
Cost	48,451	4,638	10,329	511,206	26,069	600,693
Accumulated depreciation	<u>(34,515)</u>	<u>(953)</u>	<u>(7,934)</u>	<u>(187,110)</u>	<u>(17,043)</u>	<u>247,555</u>
Net book amount	<u>13,936</u>	<u>3,685</u>	<u>2,395</u>	<u>324,096</u>	<u>9,026</u>	<u>353,138</u>
For the year ended 31 December 2022						
Opening net book amount	13,936	3,685	2,395	324,096	9,026	353,138
Addition	6,861	–	358	206,018	344	213,581
Depreciation charge	(6,940)	(145)	(1,093)	(86,845)	(3,244)	(98,267)
Transfer to inventories	–	–	–	(68,808)	–	(68,808)
Disposal	<u>(211)</u>	<u>–</u>	<u>(34)</u>	<u>(31,695)</u>	<u>–</u>	<u>(31,940)</u>
Closing net book amount	<u>13,646</u>	<u>3,540</u>	<u>1,626</u>	<u>342,766</u>	<u>6,126</u>	<u>367,704</u>
As of 31 December 2022						
Cost	54,209	4,638	10,427	530,963	26,413	626,650
Accumulated depreciation	<u>(40,563)</u>	<u>(1,098)</u>	<u>(8,801)</u>	<u>(188,197)</u>	<u>(20,287)</u>	<u>(258,946)</u>
Net book amount	<u>13,646</u>	<u>3,540</u>	<u>1,626</u>	<u>342,766</u>	<u>6,126</u>	<u>367,704</u>
For the year ended 31 December 2023						
Opening net book amount	13,646	3,540	1,626	342,766	6,126	367,704
Addition	8,413	–	832	266,573	2,864	278,682
Depreciation charge	(6,545)	(145)	(528)	(104,324)	(2,808)	(114,350)
Transfer to inventories	–	–	–	(59,638)	–	(59,638)
Disposal	<u>(488)</u>	<u>–</u>	<u>(90)</u>	<u>(43,753)</u>	<u>–</u>	<u>(44,331)</u>
Closing net book amount	<u>15,026</u>	<u>3,395</u>	<u>1,840</u>	<u>401,624</u>	<u>6,182</u>	<u>428,067</u>
As of 31 December 2023						
Cost	61,107	4,638	10,862	634,062	29,277	739,946
Accumulated depreciation	<u>(46,081)</u>	<u>(1,243)</u>	<u>(9,022)</u>	<u>(232,438)</u>	<u>(23,095)</u>	<u>(311,879)</u>
Net book amount	<u>15,026</u>	<u>3,395</u>	<u>1,840</u>	<u>401,624</u>	<u>6,182</u>	<u>428,067</u>

13 FINANCE LEASE RECEIVABLES

The Group provides automobile financing lease services. Details of finance lease receivables as at 31 December 2023 and 2022 are as below:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Finance lease receivables		
– Finance lease receivables, gross	2,109,522	1,842,123
– Unearned finance income	(438,622)	(358,496)
	<u>1,670,900</u>	<u>1,483,627</u>
Less: allowance for impairment of finance lease receivables	(14,299)	(13,296)
	<u>1,656,601</u>	<u>1,470,331</u>
Finance lease receivables, gross		
– Within one year	917,475	752,427
– Between one and two years	646,771	597,330
– Between two and five years	545,276	492,366
	<u>2,109,522</u>	<u>1,842,123</u>
Finance lease receivables, net		
– Within one year	697,880	566,894
– Between one and two years	500,020	479,080
– Between two and five years	473,000	437,653
	<u>1,670,900</u>	<u>1,483,627</u>

An ageing analysis of finance lease receivables is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Not past due	1,571,867	1,398,133
Past due		
Up to 1 month	68,976	60,501
1 to 3 months	18,235	14,569
3 to 6 months	7,171	5,578
6 to 12 months	3,118	3,331
Over 12 months	1,533	1,515
	<hr/>	<hr/>
Finance lease receivables	1,670,900	1,483,627
Less: allowance for impairment of finance lease receivables	(14,299)	(13,296)
	<hr/>	<hr/>
Carrying amount of finance lease receivables	<u>1,656,601</u>	<u>1,470,331</u>

As of 31 December 2023 and 2022, carrying amounts of the finance lease receivables are denominated in RMB and approximate their fair values at each of the reporting dates.

Movements on the Group's allowance for impairment of finance lease receivables are as follows:

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	13,296	10,915
Recovery of finance receivables written-off	1,064	812
Charge for the year	3,573	4,520
Written-off	(3,634)	(2,951)
	<hr/>	<hr/>
At end of year	<u>14,299</u>	<u>13,296</u>

14 TRADE RECEIVABLES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	11,002	10,567
Less: allowance for impairment of trade receivables	<u>(1,074)</u>	<u>(627)</u>
	<u>9,928</u>	<u>9,940</u>

As of 31 December 2023, the carrying amounts of trade receivables were primarily denominated in RMB and approximate their fair values (2022: same).

An ageing analysis of trade receivables (net of allowance for impairment) based on invoice date is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	8,444	9,052
3 to 6 months	974	445
Over 6 months	<u>510</u>	<u>443</u>
	<u>9,928</u>	<u>9,940</u>

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	627	285
Charge for the year, net	<u>447</u>	<u>342</u>
At end of year	<u>1,074</u>	<u>627</u>

15 CASH AND BANK BALANCE

(a) Cash and cash equivalents

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at licensed payment platforms (<i>Note (i)</i>)	7,320	6,117
Cash at banks (<i>Note (ii)</i>)	<u>260,413</u>	<u>194,961</u>
	<u><u>267,733</u></u>	<u><u>201,078</u></u>

Notes:

- (i) Cash at licensed payment platforms, which are denominated in RMB, are deposited with major licensed payment platforms in the PRC. The balances are unsecured and non-interest bearing.
- (ii) Cash at banks earns interest either at floating rates based on daily bank deposit rates or fixed rates determined at deposit dates. The Group's cash at banks are mostly denominated in RMB deposited with reputable banks in the PRC with insignificant credit risk. As at 31 December 2023 and 2022, the Group had cash at banks amounting to RMB246,025,000 and RMB194,701,000 respectively held in the PRC. These cash at banks are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The carrying amounts of the Group's cash at licensed payment platforms and cash at banks are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	239,379	200,768
HK\$	28,350	310
US\$	<u>4</u>	<u>–</u>
	<u><u>267,733</u></u>	<u><u>201,078</u></u>

(b) **Restricted cash**

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated statements of financial position, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Restricted cash	<u>5,652</u>	<u>4,534</u>

As of 31 December 2023 and 2022, the Group's restricted cash were denominated in RMB and mainly comprised of bank deposits pledged for bills payable.

16 ASSETS CLASSIFIED AS HELD FOR SALE

The Group entered into an agreement with a third party regarding the potential partial disposal of Fujian Xidun Automobile Service Co., Ltd. (“**Fujian Xidun**”), an indirectly wholly-owned subsidiary of the Company and received a security deposit of RMB27,000,000. Accordingly, the following assets of Fujian Xidun were reclassified as held for sale as at 31 December 2023. Subsequently, 53% of equity interest in Fujian Xidun has been transferred to the third party.

	2023
	RMB'000
Prepayment of acquisition of land use right	<u><u>44,500</u></u>

17 TRADE PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	135,520	64,493
Bills payables	<u>–</u>	<u>41,367</u>
	<u><u>135,520</u></u>	<u><u>105,860</u></u>

Trade payables approximate their fair values and are denominated in RMB. The average credit period taken for trade purchase is generally 30 to 90 days.

An ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	128,830	62,296
3 to 6 months	5,532	52
Over 6 months	<u>1,158</u>	<u>2,145</u>
	<u>135,520</u>	<u>64,493</u>

18 BORROWINGS

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings, secured	79,378	23,077
Bank borrowings, unsecured	21,613	16,182
Other borrowings, secured	1,726,666	1,609,668
Other borrowings, unsecured	<u>37,998</u>	<u>64,488</u>
	1,865,655	1,713,415
Less: non-current portion	<u>(945,709)</u>	<u>(884,842)</u>
Current portion	<u>919,946</u>	<u>828,573</u>

Other borrowings represented borrowings from non-banking financial institutions and individual lenders. The borrowings were repayable as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	919,946	828,573
Between 1 and 2 years	533,918	510,668
Between 2 and 5 years	<u>411,791</u>	<u>374,174</u>
At end of the year	<u>1,865,655</u>	<u>1,713,415</u>

As of 31 December 2023 and 2022, the borrowings were denominated in RMB and the carrying amounts approximate their fair values at each of the balance sheet dates.

The weighted average effective interest rates as at 31 December 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
	%	%
Bank borrowings, secured	6.94	7.00
Bank borrowings, unsecured	7.29	7.45
Other borrowings, secured	8.38	8.59
Other borrowings, unsecured	8.75	9.25

As at 31 December 2023 and 2022, the Group's borrowings of RMB1,806,044,000 and RMB1,632,745,000 were secured by personal guarantee and indemnity provided by the directors, 50% equity interest in Fujian Xidi Automobile Service Co., Ltd. ("**Fujian Xidi**"), 20% equity interest in XXF Group (Hong Kong) Limited and certain assets of the Group.

The overall security situation of the Group is summarised as follows:

	As at 31 December	
	2023	2022
	RMB'000	<i>RMB'000</i>
Property and equipment	369,645	255,097
Deposits for borrowings	48,302	40,186
Inventories	105,016	116,143
Finance lease receivables	1,621,112	1,358,175

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

We are an established automobile retailer providing automobile finance lease service primarily through our self-operated sales outlets in the PRC. The Group's principal businesses comprise: (i) automobile retail and finance, where we sell non-luxury automobiles mostly on direct finance lease; and (ii) automobile-related businesses, where we primarily offer automobile operating lease service and other automobile-related services.

Analysis of macroeconomic environment

In 2023, the impact and shock of geopolitics, great power competition, regional conflicts, natural disasters, climate change, etc. on the world economy became increasingly obvious. The post-COVID-19 economic structure, de-globalisation trend, trade protectionism, energy politicisation, food shortage and famine and other factors have formed multiple constraints on growth, and there are increasingly prominent trends of fragmentation of trade and decentralisation of supply chains. The global economy is in urgent need of overall optimisation and dialectical governance.

Looking back at 2023, China's economy moved forward through the waves: its economy rebounded in the first quarter and achieved a good start; the overall recovery trend continued in the second quarter, and the growth rate of some indicators slowed down; the main economic indicators stabilized and rebounded in the third quarter; the macroeconomic regulation and control policies in the fourth quarter had been effective, and the economy had stabilised with an obvious upward trend. 2023 was also the first year for China to fully implement the spirit of the 20th National Congress of the Communist Party of China. In the face of an extremely complex international environment and arduous tasks of reform for development and stability, China fully implemented the new development concept and adhered to the keynote of seeking progress while maintaining stability. China's economy has demonstrated strong resilience and great potential, with the total economic output exceeding RMB126 trillion, the total grain output reaching a new high, and employment and prices showing general stability. According to the preliminary calculation of the National Bureau of Statistics, the GDP in 2023 increased by 5.2% year-on-year, the CPI increased by 0.2% year-on-year, and the per capita disposable income of residents nationwide increased by 6.1% year-on-year.

Analysis of industry environment

With the continuous advancement of the national policy of promoting consumption and stable growth, and the implementation of a series of policies to promote the high-quality development of the new energy vehicle industry, the PRC automotive industry is also growing in a steady upward trend. According to China Association of Automobile Manufacturers, China's passenger vehicle production and sales in 2023 reached 26.1 million units and 26.1 million units, respectively, representing an increase of 9.6% and 10.6% year-on-year, respectively. As an effective means to promote automobile consumption, automobile finance lease has played a crucial role in the automobile industry and became one of the leading factors that facilitated automobile transactions. In 2023, the National Development and Reform Commission and other departments issued a notice on "Several Measures to Promote Automobile Consumption" to further stabilise and expand automobile consumption, optimise the management system and market environment for automobile purchase and use, and make greater efforts to promote the sustainable and healthy development of new energy vehicles.

Financial Review

In the face of the complex and volatile market economy, the Group overcame the challenges and bucked the trend to celebrate the Company's listing on the Stock Exchange on 9 November 2023, which marked the beginning of a new journey of our corporate development. Looking back on every stage of victory in the past, history has repeatedly proved that in the face of treacherous environment, only by maintaining insight and foresight on market trends, being prepared for danger in times of peace, accumulating power for development, and seizing opportunities, can we grasp the initiative of development. During the Reporting Period, the Group delivered a satisfactory result. For the year ended 31 December 2023, the Group achieved revenue of RMB1,304.3 million, representing a year-on-year increase of 14.3% as compared to that of RMB1,141.5 million in 2022; gross profit of RMB419.0 million, representing a year-on-year increase of 11.9% as compared to the gross profit of RMB374.4 million in 2022; and net profit amounting to RMB109.8 million, representing a year-on-year increase of 42.5% as compared to the net profit of RMB77.1 million in 2022. In particular, benefiting from various favorable national policies for automobile finance lease, the Group's automobile sales revenue under finance lease was RMB840.9 million, representing a year-on-year increase of 14.5% as compared to RMB734.6 million in 2022.

The above increases were mainly due to (1) the recovery from the adverse impact of the outbreaks of COVID-19 in 2022, the increased sales and marketing efforts by the Group and the opening of new self-operated sales outlets to grow the Group's business, which increased the revenue of the Group; and (2) the increase in fair value gain on ordinary shares with redemption right; but (3) the increase in listing expenses, finance cost and share-based compensation expenses, partially offset the abovementioned positive effects.

Business Review

(1) Firmly focus on strategy: Focus on non-luxury automobiles to meet the needs of customers from tier two, and tier three and below cities throughout the PRC

For our automobile retail and finance business, our customers are mainly those looking for non-luxury automobiles in the PRC's tier two, and tier three and below cities. Along with the rollout of favorable policies and regulations by the Chinese government, and the steady increase in the disposable income of consumers, among which the age group of 20 to 40 years is the target customer of non-luxury automobile models, the total sales volume of non-luxury automobiles is estimated to reach 25.8 million units in 2027, indicating that non-luxury automobiles continue to account for a substantial proportion of the automobile market in China.

The Group has always believed that customers' demand is the driving force behind the development of an enterprise. With innovative thinking, the Group focuses on the needs of the times, demonstrating the momentum of an ever-progressing enterprise. Therefore, we firmly adhere to our "focus on strategy" and maintain strong offline capabilities, specialising in matching the supply of over 50 brands of non-luxury automobiles, in order to meet the demand of our customers primarily in tier two, and tier three and below cities. We have formed three major sectors of "finance lease, e-hailing, and automobile rental" to provide consumers with a variety of solutions related to automobile retail, automobile financing and automobile-related services.

(2) Build on solid foundation: Strengthen the coverage of sales network and deepen its layout

The penetration rate of China's retail automobile finance lease services of both new and used automobiles is still at a relatively low level, indicating a strong growth potential and it is expected to reach approximately 5.4% in 2027. The Group has established an extensive sales network with self-operated sales outlets strategically located in tier two, and tier three and below cities throughout the PRC. In 2017, the Group had already commenced a nationwide automobile finance lease business, set up an automobile market service platform and tapped into new energy vehicle-related fields. The Group launched various independently developed APPs and mini programs, to develop its retail and finance business, and to provide automobile-related services, including aftermarket, automobile insurance agency, etc. During the Reporting Period, we operated 77 sales outlets across 25 provinces and municipalities in the PRC.

In addition, the Company has been operating an online automobile aftermarket service platform since 2018, through which automobile users can contact more than 500 automobile aftermarket service outlets in China operated by third-party automobile aftermarket service providers, enabling us to cover a large customer base, retaining customer engagement and continuing to capture the growth opportunities in our target markets.

(3) Adhere to customer-centric service philosophy: Deeply enhance customer experience, with customer satisfaction as the objective

Automobile finance lease plays the role of a "conveyor belt" in the entire automobile industry, driving new car sales at one end and connecting the used car market at the other end, and providing convenience for consumers to "change cars" with its unique flexibility. As a new type of financial tool, automobile finance lease has effectively stimulated the production, sales and consumption of automobiles by means of lease purchase and installments, and currently has a great advantage in China's automobile market.

We provide our customers with practical finance lease service tailored to their different needs at the automobile pre-purchase stage and usage stage. At the automobile pre-purchase stage, we generally offer automobiles with automobile finance lease. We typically offer two to four year finance lease to meet the financing needs of customers in making automobile purchases. At the automobile usage stage, our 52 Car APP provides car-user customers with a variety of user-friendly automobile aftermarket services, including scheduling monthly payments, locating automobile repair and maintenance service providers, locating nearby petrol stations, and providing other useful automotive information. Our business model has enabled us to cater to different customers' requirements. This allows us to generate recurring and diverse income streams along the automobile life cycle and consistently enhance our reputation and competitiveness among our industry peers.

(4) Empower business with technological innovation: Continue to develop risk management systems and enhance our own management and operation capabilities

The Group continues to develop our proprietary algorithms and data analytics capabilities in our risk management system to screen, assess and manage credit risks during pre-lease stage and post-lease stage of our automobile retail and finance business. It enables a bilateral flow of statistics and data between our pre-lease credit risk management system and post-lease credit risk management system.

The Group has developed an automobile monitoring platform based on our understanding of the characteristics of managing an automobile finance lease business. The automobile monitoring platform, through the GPS tracking technology, provides various functions including the positioning of leased automobiles, risk analysis through detecting vehicle trajectory abnormality, vanishing GPS signal and usage pattern of automobiles, and alarm system sending timely warning messages to our system upon the detection of automobile malfunctioning, thus the Group has managed to maintain relatively low credit losses.

PROSPECTS

As a comprehensive automobile service platform, the Group specializes in matching the supply of non-luxury automobiles and creating an extensive automobile service offering to meet the different needs of customers and has an established and extensive sales network. At the same time, with the development direction of "redefining the retail, financing and services for automobiles (汽車新零售、汽車新金融、汽車新服務)", the Group has achieved the "Internet+" platform-based upgrade from multiple perspectives such as sales, automobile supply, capital warehousing, logistics, risk control, after-sale services and data services through the integration of multi-channel technological resources, forming a closed-loop and increasing transparency in the whole process, so that customers may enjoy a more convenient, affordable and reassuring car rental experience. We are determined to cultivate and develop our business in the automobile industry, and gradually move towards digital technology and full-blown all-round services. At the same time, the Group also places great emphasis to talent training and iterative updating of technology and actively explores the application of "Internet+"; starting from itself, with great attention to the market flow, the Group actively recruits technical talents, and integrates innovative resources such as knowledge, technology, talents, and information into a unique scientific and technological innovation system of the Group, so as to continuously empower the sustainable growth of the business.

In the future, the Group will adhere to the three principles of "unity (統一)": for unity of minds (統一思想), each sector conducts analysis and insights based on the past cognition of the organization, clarifies its own problems, and realizes the unity of ideology and cognition; for unity of goals (統一目標), each sector achieves its goals from the top to the bottom consistently and leading by example, carries out organization reviews based on long-term and stable development, and fully focuses on the direction of its goals; for unity of actions (統一行動), each sector achieves the decomposition of goals, implements their assessment, makes the goals specifically assigned to each department, and develops its action plan that can be implemented, and regularly optimizes its organization. Grasping the first voice of change, responding to challenges with ease, and working with the Group to create continuous glory with one heart and one mind, we will blaze a trail of victory in 2024, which is featuring XXF characteristics.

The Group will continue to actively fulfill its social responsibilities, convey the positive energy of the enterprise, fulfill its original aspiration and oath with firm actions, give back to society with practical actions, contribute modestly to the rural revitalization of the motherland, finally contributing to social development.

Stepping into 2024, as the first year of the Group's listing, we will always adhere to the general working tone of seeking progress while maintaining stability, implement the principle of seeking progress while maintaining stability and promoting stability through progress. We will continue to use our best endeavours to advance in the automobile service industry, establish our strategic deployment, focus on our core business, continuously explore potential markets, enhance our brand value and influence, and continue to provide more comprehensive, high-quality and professional car rental services for more users across the country, leading the innovation and development of the automobile finance lease industry.

Non-IFRS Measures

To supplement our consolidated results, which are prepared and presented in accordance with IFRS, the Company uses adjusted net profit (non-IFRS measures) as an additional financial measure, which is unaudited and not required by, or presented in accordance with, IFRS. We believe that this measure facilitates comparisons of operating performance from period to period and company to company by eliminating the potential impact of items that our management does not consider to be indicative of the Group's operating performance, such as certain non-cash items. The use of this non-IFRS measure has limitations as an analytical tool, and shareholders and potential investors of the Company should not consider them in isolation from, as a substitute for, analysis of, or superior to, the Group's results of operations or financial condition as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies. Our presentation of this non-IFRS measure should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

The following table reconciles our adjusted net profit (non-IFRS measures) and adjusted net profit margin (non-IFRS measures) presented to the most directly comparable financial measures calculated and presented in accordance with IFRS. Listing expenses represent expenses related to the Listing, net of the PRC enterprise income tax. Fair value gain on ordinary shares with redemption right represents the changes arising from change in fair value to ordinary shares with redemption right. Such changes are non-cash in nature. Upon the Listing, all ordinary shares with redemption right has been automatically converted into ordinary shares which will no longer be recognised as financial liabilities at fair value through profit or loss.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	109,834	77,082
Add:		
Listing expenses, net of tax	27,053	12,533
Share-based compensation expenses	6,051	–
Less:		
Fair value gain on ordinary shares with redemption right	96,394	47,251
Adjusted net profit (non-IFRS measures)	<u>46,544</u>	<u>42,364</u>

Revenue

	Year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Automobile retail and finance				
Sales of automobile under finance lease	840,927	64.5	734,600	64.4
Finance lease income	<u>294,220</u>	<u>22.5</u>	<u>262,498</u>	<u>23.0</u>
Sub-total	<u>1,135,147</u>	<u>87.0</u>	<u>997,098</u>	<u>87.4</u>
Automobile-related businesses				
Automobile operating lease	147,726	11.3	126,018	11.0
Other automobile-related income	<u>21,468</u>	<u>1.7</u>	<u>18,410</u>	<u>1.6</u>
Sub-total	<u>169,194</u>	<u>13.0</u>	<u>144,428</u>	<u>12.6</u>
Total	<u>1,304,341</u>	<u>100.0</u>	<u>1,141,526</u>	<u>100.0</u>

The Group's revenue for the Reporting Period increased by 14.3% from RMB1,141.5 million for the year ended 31 December 2022 to RMB1,304.3 million for the year ended 31 December 2023, primarily due to the recovery from the adverse impact of the outbreak of COVID-19 in 2022, the Group's increased sales and marketing efforts and the opening of new self-operated sales outlets to grow the Group's business and increase its revenue.

Cost of Sales

During the Reporting Period, the Group's cost of sales was RMB885.3 million, representing an increase of 15.4% from RMB767.1 million for the year ended 31 December 2022. The increase was mainly due to the increase in sales volume of automobiles under the automobile retail and finance business.

Gross profit and gross profit margin

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>Gross profit margin</i>	<i>RMB'000</i>	<i>Gross profit margin</i>
Automobile retail and finance	380,462	33.5%	340,910	34.2%
Automobile-related businesses	38,550	22.8%	33,537	23.2%
Total	419,012	32.1%	374,447	32.8%

The Group's gross profit increased by 11.9% from RMB374.4 million for the year ended 31 December 2022 to RMB419.0 million for the year ended 31 December 2023, primarily due to the increase in gross profit under the automobile retail and finance business. The Group's gross profit margin for the year ended 31 December 2023 was 32.1%, which was generally in line with the gross profit margin for the year ended 31 December 2022.

Other income/losses, net

Other income/losses, net decreased by 14.1% from RMB14.9 million for the year ended 31 December 2022 to RMB12.8 million for the year ended 31 December 2023, primarily due to a decrease in the preferential tax rate for the additional deduction of government value-added tax we enjoyed, as well as changes in the fair value of our investment companies.

Selling and marketing expenses

Selling and marketing expenses increased by 21.7% from RMB81.1 million for the year ended 31 December 2022 to RMB98.7 million for the year ended 31 December 2023, primarily due to (1) the increase in our employee benefit expenses as a result of the Group's further expansion of sales efforts and the increase in the number of employees for sales network expansion; (2) the increase in advertising expenses; and that (3) with the increase in sales volume and sales revenue, expenses such as automobile consumables increased.

Administrative expenses

Administrative expenses increased by 15.7% from RMB115.1 million for the year ended 31 December 2022 to RMB133.2 million for the year ended 31 December 2023, primarily due to (1) an increase in listing expenses; and (2) an increase in share-based compensation expenses arising from the Group's Pre-IPO Share Option Scheme.

Research and development expenses

We incurred a relatively small amount of research and development expenses of RMB0.4 million for the year ended 31 December 2023, which is consistent with the insignificant amount of RMB0.7 million incurred for the year ended 31 December 2022.

Finance cost, net

Finance cost, net increased by 12.9% from RMB143.0 million for the year ended 31 December 2022 to RMB161.5 million for the year ended 31 December 2023, primarily due to the increase in the Group's average loan balance as a result of the increase in the automobile retail and finance business.

Fair value gain on ordinary shares with redemption rights

The Group's fair value gain on ordinary shares with redemption rights increased by RMB49.1 million from RMB47.3 million for the year ended 31 December 2022 to RMB96.4 million for the year ended 31 December 2023, primarily due to the revaluation of the Company's equity value with reference to the Offer Price of the Global Offering.

Income taxes

The Group recorded income tax expenses of RMB20.0 million and RMB14.7 million for the years ended 31 December 2023 and 2022, respectively. The increase in income tax expenses was mainly due to the increase in the Group's profit for the period before tax during the year ended 31 December 2023.

Profit for the year

The Group recorded a profit of RMB109.8 million and RMB77.1 million for the years ended 31 December 2023 and 2022, respectively, which was primarily due to (1) the recovery from the adverse impact of the outbreaks of COVID-19 in 2022, the increased sales and marketing efforts by the Group and the opening of new self-operated sales outlets to grow the Group's business, which increased the revenue of the Group; (2) the increase in fair value gain on ordinary shares with redemption right; and (3) the increase in listing expenses, finance cost and share-based compensation expenses, which partially offset the abovementioned positive effects.

Profit for the year attributable to owners of the Company

As a result of the foregoing, the Group recorded a profit for the year attributable to owners of the Company of RMB110.3 million for the year ended 31 December 2023, representing a net profit margin of 8.5%; as compared to a profit for the year attributable to owners of the Company of RMB78.9 million for the year ended 31 December 2022, representing a net profit margin of 6.9%.

CAPITAL MANAGEMENT

The Group regularly reviews and manages our capital structure to maintain a balance between debt financing and equity financing and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors our capital on the basis of the gearing ratio.

The Group manages our capital to ensure that our group companies can repay or refinance debts when they fall due and comply with the PRC laws and regulations while maximising the return to Shareholders through balancing our debt financing and equity financing. The Group strives to balance the objectives of matching the cash inflow of our customers' automobile finance lease with the cash outflow of our borrowings and growing our business.

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	1,865,655	1,713,415
Lease liabilities	14,896	13,856
Less: cash and cash equivalents	(267,733)	(201,078)
Net debt	1,612,818	1,526,193
Total equity	781,450	506,614
Total capital	2,394,268	2,032,807
Gearing ratio	67.4%	75.1%

Note: Gearing ratio is calculated as net debt divided by total capital

As at 31 December 2023, the Group's gearing ratio was 67.4%, representing a decrease from that of 75.1% as at 31 December 2022. The change was mainly due to the increase in total equity as the ordinary Shares with redemption rights were converted into ordinary Shares on the Listing Date.

NET CURRENT ASSETS

The following table sets out current assets and current liabilities:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Current assets		
Inventories	169,976	193,634
Finance lease receivables	689,221	560,061
Trade receivables	9,928	9,940
Prepayments, deposits and other receivables	261,812	265,968
Amount due from shareholders	–	6,085
Restricted cash	5,652	4,534
Cash and cash equivalents	<u>267,733</u>	<u>201,078</u>
	1,404,322	1,241,300
Assets classified as held for sale	44,500	–
Total current assets	<u>1,448,822</u>	<u>1,241,300</u>
Current liabilities		
Borrowings	919,946	828,573
Ordinary shares with redemption right	–	163,129
Amounts due to shareholders	–	8,158
Trade payables	135,520	105,860
Accruals	109,982	78,939
Lease liabilities	6,759	6,087
Income tax payable	<u>9,584</u>	<u>8,786</u>
Total current liabilities	<u>1,181,791</u>	<u>1,199,532</u>
Net current assets	<u>267,031</u>	<u>41,768</u>

As at 31 December 2023, the Group's net current assets increased to RMB267.0 million from RMB41.8 million as at 31 December 2022. The change was mainly due to the conversion of ordinary Shares with redemption rights into ordinary Shares on the Listing Date, which were accounted for as total equity and were no longer accounted for under current liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group's subsidiaries primarily operate in the PRC and the majority of the Group's revenue and expenditures are denominated in RMB. For the year ended 31 December 2023, the Group did not encounter significant foreign currency risk from its operations and did not hedge against any fluctuation in foreign currency.

CAPITAL EXPENDITURES

During the year ended 31 December 2023, the Group's total capital expenditures amounted to approximately RMB288.4 million (2022: RMB224.9 million), which principally consisted of expenditures for the purchases of property and equipment and additions of intangible assets.

CHARGES ON ASSETS

The Group's borrowings are secured by certain assets as collateral for our borrowings. As at 31 December 2023, the secured assets involved in the Group's borrowings increased to RMB2,144.1 million from RMB1,769.6 million as at 31 December 2022. Of which, (1) as at 31 December 2023, the secured property and equipment increased to RMB369.6 million from RMB255.1 million as at 31 December 2022; (2) secured borrowings deposit increased to RMB48.3 million from RMB40.2 million as at 31 December 2022; (3) secured inventory decreased to RMB105.0 million from RMB116.1 million as at 31 December 2022; and (4) secured finance lease receivables increased to RMB1,621.1 million from RMB1,358.2 million as at 31 December 2022.

INVENTORY MANAGEMENT

The Group's inventories consist of new and repossessed automobiles and vehicle telematics equipment. As at 31 December 2023, the Group's net inventories amounted to approximately RMB170.0 million, representing a decrease of RMB23.6 million from RMB193.6 million as at 31 December 2022, mainly due to the decrease in the Group's inventory amount for the procurement of new automobiles.

The Group monitors our inventories from time to time and strives to maintain an optimal inventory level of automobiles. The Group keeps moving record of its inventory levels with the aid of its IT systems and physical records. We conduct daily inspection of the physical condition of our inventories and monthly physical inventory stocktake to ensure the accuracy of our inventory record.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 8 December 2023, Fujian Xidun, a then indirectly wholly-owned subsidiary of the Group, entered into the land use rights grant contract with Fuzhou Bureau of Natural Resources and Planning to acquire the land use rights for the Land at a consideration of RMB89.0 million. The Land is intended to be used by the Group for the construction of an office building to meet the daily office and operational needs of the Group's employees. For details, please refer to the announcement of the Company dated 8 December 2023.

Saved as disclosed above, there were no other significant investments held with carrying amount accounting for more than 5% of the Group's total assets as at 31 December 2023, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries and joint ventures during the year ended 31 December 2023.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2023.

FINANCIAL INSTRUMENT

The Group did not have any outstanding hedge contracts or financial derivative instruments as at 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed 1,152 full-time employees, among which 1,149 employees were based in the PRC and 3 employees were based in Hong Kong.

The employee benefit expenses, including Directors' remuneration, was approximately RMB138.3 million for the year ended 31 December 2023, as compared to approximately RMB120.6 million for the year ended 31 December 2022. The remuneration package of employees generally includes salary and year-end bonus, as well as share incentive for our key management personnel. The Group also offers performance bonus subject to regular performance appraisals. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to statutory social insurance fund and housing provident fund as applicable.

The Group has developed a systematic training system comprising an e-learning platform, internal seminars and management trainings to improve the essential work-related skills of our employees. We also cooperate with other external institutions to host trainings and facilitate industry exchange. We have established an internal training programme which serves to improve and standardize the training activities and system for our employees. We have also implemented a set of security training policy in respect of personal data protection, which stipulates that regular training on a quarterly basis should be provided for all employees as a reminder and update on personal data protection and mandatory acknowledgement of the collection of personal data protection policy by all new employees should be required.

In addition, the Company has adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Please refer to the paragraph headed "Statutory and General Information–D. Other Information–2. Pre-IPO Share Option Scheme" and "Statutory and General Information–D. Other Information–1. Share Option Scheme" in Appendix IV to the Prospectus for further details.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

USE OF PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of Hong Kong Stock Exchange on 9 November 2023. The net proceeds from the Global Offering which the Company received, after deducting the underwriting commissions and expenses in relation to the Global Offering payable by the Company, was approximately HK\$28.8 million.

As at 31 December 2023, the utilization of proceeds raised was as follows:

Item	Net proceeds from the Global Offering		Amounts utilized as at 31 December 2023		Amounts unutilized as at 31 December 2023	
	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000
Purchase of automobiles	17,449	16,484	13,955	15,333	3,493	1,151
Expansion of sales network	<u>11,326</u>	<u>10,700</u>	<u>–</u>	<u>–</u>	<u>11,326</u>	<u>10,700</u>
Total	<u>28,775</u>	<u>27,184</u>	<u>13,955</u>	<u>15,333</u>	<u>14,819</u>	<u>11,851</u>

As at the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Company strives to maintain high standards of corporate governance to safeguard the interests of its Shareholders and to enhance corporate value and accountability.

From the Listing Date to 31 December 2023, the Company had complied with all the applicable code provisions of the Corporate Governance Code, except as expressly described below.

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huang Wei is the chairman and chief executive officer of the Group. In view of the fact that Mr. Huang has been assuming day-to-day responsibilities in operating and managing the Group since September 2007, our Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from CG Code provision C.2.1 is appropriate in such circumstance. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the Corporate Governance Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the relevant employees. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code for the period from the Listing Date to 31 December 2023.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The Audit Committee consists of Mr. Fung Che Wai, Anthony, Mr. Wu Fei and Mr. Chen Shuo, with Mr. Fung Che Wai, Anthony serving as the chairman. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting system, internal control and risk management systems of the Group, overseeing the audit process, developing and reviewing the Group's policies, and performing other duties and responsibilities as assigned by the Board.

The Audit Committee has jointly reviewed with the management, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the audited consolidated financial statements of the Group for the year ended 31 December 2023) of the Group. The Audit Committee considered that the audited consolidated financial statements of the Group are in compliance with the applicable accounting standards, the Listing Rules and all other application legal requirements. Accordingly, the Audit Committee recommends the Board to approve the audited consolidated financial statements of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto as of 31 December 2023 as set out in the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the date of this announcement.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 11 January 2024, XXF Group, an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Fujian Taikang, pursuant to which the Group transferred 53% equity interest in Fujian Xidun, its then indirectly wholly-owned subsidiary, to Fujian Taikang. Immediately following the transfer, Fujian Xidun ceased to be a subsidiary of the Group and became owned as to 47% by XXF Group and 53% by Fujian Taikang. The aforesaid transfer did not constitute a notifiable transaction of the Company under the Listing Rules.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 14 June 2024. The notice of AGM and all other relevant documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.xxfqc.com>) in April 2024.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 7 June 2024 (Hong Kong Time), being the last registration date.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.xxfqc.com>). The annual report of the Company for the year ended 31 December 2023 will be made available for review on the same websites in due course.

DEFINITIONS

“AGM”	the forthcoming annual general meeting of the Company to be held on Friday, 14 June 2024
“Audit Committee”	the audit committee of the Board
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company” or “the Company”	XXF Group Holdings Limited, an exempted company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2473)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“CPI”	consumer price index
“Director(s)”	the director(s) of the Company or any one of them
“GDP”	gross domestic product
“Fujian Taikang”	Fujian Taikang Investment Co., Ltd.* (福建泰康投資有限公司), a company established under the laws of the PRC and an Independent Third Party
“Fujian Xidun”	Fujian Xidun Automobile Service Co., Ltd.* (福建喜盾汽車服務有限公司), a company established under the laws of the PRC and, as at the date of this announcement, owned as to 47% by XXF Group and 53% by Fujian Taikang
“Global Offering”	as defined in the Prospectus
“Group”, “the Group”, “our”, “we” or “us”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	individual(s) or company(ies) who/which, to the best knowledge of the Directors having made due and careful enquiries, is (are) not a connected person(s) of the Company within the meaning ascribed under the Listing Rules
“Land”	a piece of land located at Fuxing Economic Development Zone Steel Market, North of Hutang Road and West of Fuxing Avenue, Fuzhou City, Fujian Province, the PRC and includes the B2-1-A Surrounding Area* (中國福建省福州市湖塘路以北、福興大道以西，福興經開區鋼材市場及周邊B2-1-A出讓地塊) with parcel number 2023-24
“Listing”	listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
“Listing Date”	9 November 2023, being the date from which the Shares are listed and dealings in the Shares are first permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Mainland China” or “PRC”	the People’s Republic of China excluding, for the purposes of this announcement and geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Offer Price”	as defined in the Prospectus
“Pre-IPO Share Option Scheme”	the share option scheme approved and adopted by the Company on 9 October 2023

“Prospectus”	the prospectus issued by the Company dated 30 October 2023
“Reporting Period”	the one-year period from 1 January 2023 to 31 December 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share Option Scheme”	the share option scheme adopted by the Company on 9 October 2023 and effective upon the Listing Date
“Share(s)”	ordinary share(s) in the share capital of the Company with the nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“XXF Group”	Xixiangfeng Finance Lease Group Co., Ltd.* (喜相逢融資租賃集團有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board of
XXF Group Holdings Limited
Mr. HUANG Wei

*Chairman of the Board, chief executive officer
and executive Director*

Hong Kong, 26 March 2024

As at the date of this announcement, the executive Directors are Mr. Huang Wei, Mr. Ye Fuwei and Ms. Zhang Jinghua, the non-executive Directors are Mr. Liu Wei and Ms. Xu Rui, and the independent non-executive Directors are Mr. Wu Fei, Mr. Fung Che Wai, Anthony and Mr. Chen Shuo.

* *For identification purposes only*