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

(Incorporated under the laws of the Cayman Islands with limited liability)
(根據開曼群島法律註冊成立的有限公司)

Stock Code 股份代號：1728

US DENOMINATED SENIOR NOTES DUE 2022
於2022年到期之美元計值優先票據

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2020 ANNUAL REPORT 年報

A LEADING LUXURY BRANDS DEALER CONGLOMERATE

CONTENTS

COMPANY PROFILE

China ZhengTong Auto Services Holdings Limited

China ZhengTong Auto Services Holdings Limited (the "**Company**" or "**ZhengTong**" or "**ZhengTong Auto**", and together with its subsidiaries, the "**Group**") is the leading 4S dealership group in China focusing on dealership of luxury and ultra-luxury branded automobiles such as Porsche, Mercedes-Benz, BMW, Audi, Jaguar and Land Rover, Infiniti and Cadillac. The Group also operates dealership stores of middle market brands, such as FAW Volkswagen, Buick, Nissan, Toyota, Honda and Hyundai.

The Group has developed a forward-looking strategic network covering developed regions and fast growing provinces in China so as to lay down a solid foundation for rapid growth of the Group in the future. As at 31 December 2020, we operated 125 dealership outlets in 40 cities across 17 provinces and municipalities nationwide not only covering the developed automobile market of some of the affluent first-tier and capital cities, but also effectively expanding to second and third-tier cities and regions with rapid growth and low automobile penetration.

The Group has endeavored to provide our customers with the most superior automobile sales and after-sale services. The provision of comprehensive automobile solutions and the adoption of customer-oriented business model allow the Group to facilitate its long-term relationship with customers. To address growing demand in automobile market, the Group has also strengthened its after-sale services with an aim to deliver its customers high quality services in a rapid manner. The Group's supply chain business has been complementary to its automobile dealership and after-sale services business. Meanwhile, the Group has been exerting efforts in the development of its automobile financial services, financial leasing, insurance brokerage and other financial business, in order to complete the strategic transformation of the Group's business operation for achieving its goal of sustainable healthy growth.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2016	2017	2018	2019	2020
(RMB'000)					
Revenue	31,519,255	35,474,325	37,455,510	35,137,794	**16,880,923**
(Loss)/Profit before taxation	790,798	1,753,791	1,889,488	1,163,064	**(10,395,426)**
Income tax credit/(expense)	(282,439)	(542,329)	(634,706)	(396,359)	**1,782,957**
(Loss)/Profit for the year	508,359	1,211,462	1,254,782	766,705	**(8,588,604)**
Attributable to:					
Equity shareholders of the Company	493,282	1,190,795	1,224,065	663,862	**8,579,106**
Non-controlling interests	15,077	20,667	30,717	102,843	**(9,498)**
	508,359	1,211,462	1,254,782	766,705	**8,588,604**

ASSETS AND LIABILITIES

	2016	2017	2018	2019	2020
(RMB'000)					
Total assets	27,728,910	36,939,130	44,199,218	44,857,974	**27,995,953**
Total liabilities	(18,786,749)	(26,585,498)	(31,873,772)	(31,217,677)	**(22,683,053)**
	8,942,161	10,353,632	12,325,446	13,640,297	**5,312,900**
Equity attributable to equity shareholders of the Company	8,858,331	10,200,811	12,143,276	12,418,268	**4,108,094**
Non-controlling interests	83,830	152,821	182,170	1,222,029	**1,204,806**
	8,942,161	10,353,632	12,325,446	13,640,297	**5,312,900**

PERSEVERANCE AND DETERMINATION

SPARE PARTS

SALES

SURVEY

Being determined to become the world's top automobile integrated services supplier

SERVICE

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

In 2020, in face of the sudden COVID-19 pandemic and uncertainties in international environment, Chinese economy showed significant resilience and vitality, and rebounded rapidly after the effective control of the pandemic. Except for a year-on-year decline in GDP in the first quarter, GDP achieved positive growth in the second, third and fourth quarters, with an annual growth rate of 2.3%, making China the only major economy in the world to achieve positive economic growth. Meanwhile, household income maintained a positive growth but social consumption has declined, evidenced by an actual increase of 2.1% in household disposable income. The total retail sales of consumer goods saw a decline of 3.9% as compared to the previous year.

According to statistics released by the China Association of Automobile Manufacturers, sales of passenger automobiles in China further decreased by 6.0% year-on-year to 20,178,000 units in 2020. Thanks to the continuation of the consumption upgrade trend in the automobile market, the increasing number of passenger automobiles entering the replacement cycle and the strong risk resistance capabilities of major customer groups, the luxury branded automobiles market reversed the unfavourable condition and maintained strong growth throughout the year. In 2020, the accumulated sales of major luxury-branded automobiles grew by 6.5% on a year-to-year basis to 3.24 million units, with an increase in the market share to 16.0% from 14.1% in 2019. With the further differentiation of performance of brands, and in respect of the major brands under the Group's dealership, the sales volume of BMW brand (including MINI) in China was 777,000 units in 2020, representing an increase of 7.4% as compared to the previous year; the sales volume of Benz brand in China was 774,000 units in 2020, representing an increase of 11.7% as compared to the previous year; the sales volume of Audi brand in China was 726,000 units in 2020, representing an increase of 5.4% as compared to the previous year; the sales volume of Porsche brand in China was 89,000 units in 2020, representing an increase of 2.6% as compared to the previous year; the sales volume of Jaguar and Land Rover brand in China was 98,000 units in 2020, representing a decrease of 6.4% as compared to the previous year.

According to the National Economic and Social Development Statistics Bulletin in 2020, as at the end of the year, the number of registered civilian vehicles in China was 280,870,000 units, an increase of 19,370,000 units as compared to the end of the previous year, among which, the number of registered private vehicles increased by 17,580,000 units to 243,930,000 units. Based on the data of the Ministry of Public Security, China's car drivers reached 418 million at the end of 2020. The continuous increase in the number of private vehicles and drivers means that vehicles are more closely linked to people's work and life, which provided an enormous room of development for the automobile service market, including maintenance and repair, insurance services and automobile replacement. In the meantime, the automobile consumer market has become increasingly mature, with the consumer demands to be specialized and customized, which also brought greater challenges and opportunities to automobile dealership service providers.

As a core dealer of various luxury brands in China, China ZhengTong Auto Services Holdings Limited ("**Company**" or "**ZhengTong**") and its subsidiaries ("**Group**") continue to collaborate closely with respective luxury branded automobile manufacturers, and jointly respond to the adverse effects caused by COVID-19 pandemic and liquidity risk. Amid the complex operating environment, the Group actively undertakes social responsibility and strives to protect the rights and interests of employees and customers; reduces various expenses based on actual conditions and controls operating costs reasonably, aiming to reduce losses. It actively adjusts business strategies and communicates with cooperative manufacturers effectively, repositions some of the severely affected stores, and aligns resources support with operational goals; actively pilots new marketing models, explores the interaction and linkage between online marketing and offline business; adjusts performance goals in a timely manner, clarifies business orientation, and ensures quick business resumption after the improvement of operating environment.

In October 2020, the Group reached a cooperation intention with Xiamen Xinda Co., Ltd. (Shenzhen Stock Exchange 000701), and coupled with the effective control of the COVID-19 pandemic and the gradual elimination of the adverse impact, the Group's operating environment was fundamentally improved. With the Group's effective operating strategy and active external communication, most of the Group's stores had resumed normal operations by the end of the year.

The Group had weathered the storm under multiple disadvantages in 2020, which was attributable to the dedication of all employees as well as the trust and support of its business partners and shareholders of the Company ("**Shareholders**"). The board ("**Board**") of directors ("**Directors**") of the Company would like to express its sincere gratitude to our Shareholders, business partners and customers for their long-term support and trust to the Group, as well as our loyal staff for their hard work and contributions to the Group over 2020.

Wang Muqing
Chairman of the Board
31 March 2021

SINCERE SERVICES

Establishing a top class brand
by providing every customer with sincere services


红旗H5


风韵存荆楚，筑梦新红旗
红旗
风韵存荆楚，筑梦新红旗
湖北长泽汽车销售服务有限公司

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, the Group was committed to luxury and ultra-luxury branded auto sales and after-sales services business, and eliminating the impact of the pandemic and liquidity risk to ensure the Group's normal operation is its primary goal. The Group adjusted operational thinking, upgraded management concepts, explored new business models, reduced costs and increased efficiency through refined management; integrated superior resources, gave full play to the synergy effect of the Group to strengthen core competitiveness, and continued to improve the sales of new automobiles, after-sales service, pre-owned automobile replacement, pre-owned automobile sales and other automobile full life-cycle business layout; reviewed existing store operating environment, adjusted store positioning in combination with the differentiated development among the brands, and improved operational efficiency. The Group maintained efficient communication with manufacturers and cooperative financial institutions to ensure rapid business recovery after the improvement of the operating environment.

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB16,881 million, representing a year-on-year decline of approximately 50.7%, and gross loss of approximately RMB5,173 million, representing a year-on-year decline of approximately 252.0%. Loss attributable to equity holders of the Company was approximately RMB8,579 million and basic loss per share was approximately RMB334.8 cents, representing a year-on-year decline of approximately 1,392.0% and 1,335.4%, respectively.

The decline in the Group's business results in 2020 was mainly attributable to the adverse impact resulting from the COVID-19 pandemic and tight capital chain. The Company closely monitored the impact of the COVID-19 pandemic and capital management at the Group level and engaged external valuer to assess the recoverable amount of goodwill and intangible assets.

(I) Sales of new automobiles business

In 2020, due to the adverse impact brought by COVID-19 pandemic and liquidity risk, the Group's sales of new automobiles business experienced a significant decline.

For the year ended 31 December 2020, the sales of new automobiles of the Group reached 41,394 units in total, representing a year-on-year decline of approximately 59.9%, including 31,565 units of luxury branded and ultra-luxury branded automobiles with a year-on-year decrease of approximately 61.4%. In 2020, the Group recorded negative gross profit margin mainly due to the significant decline in manufacturers rebate, from the sales of new automobiles of 52.4%, representing a drop of 56.4 percentage points as compared to the same period of last year.

In order to cope with the adverse impact of COVID-19 pandemic and the liquidity risk, the Group actively tried new marketing models, effectively interacted with customers through online live streams and other means, and launched competitive marketing programs to boost online transactions; followed up the support policies issued by local governments to reduce the direct losses caused by COVID-19 pandemic. We actively communicated with manufacturers and repositioned some stores that recorded significant losses based on actual conditions and operating environment, adjusted operational thinking and business targets and coordinated resources support under special circumstances; the Group also strengthened its inventory management, formulated competitive promotion plans to clear the long and accumulated inventory, improved inventory turnover efficiency, reduced occupation of funds, reduced capital costs, and avoided capital strain caused by excessive inventory pressure, and leveraged the synergy advantages of the Group to coordinate the deployment of operating resources among our stores so as to ensure the basic operation of stores. Thanks to a variety of effective responsive measures, the Group's stores have steadily gone through the rising period of COVID-19 pandemic. After the effective relief of its liquidity risk, the Group actively communicated with manufacturers at once to quickly restore vehicle supply, and actively coordinated with cooperative financial institutions to expand the credit limit and form a virtuous cycle of capital operation. By the end of 2020, the Group's overall sales business has returned to normal. At the same time, taking the opportunity to respond to the pandemic and liquidity risk, the Group even down to managing the front-line business and further improved its overall operating quality and efficiency by process optimization, cost control, horizontal management and other methods, laying a solid foundation for the comprehensive recovery and long-term development of our business.

(II) After-sales services business

In 2020, the Group served 1,245,486 units of automobiles in aggregate, representing a decrease of approximately 17.9% as compared to the same period of last year. Revenue from after-sales services of the Group amounted to approximately RMB3,373 million, with a decrease of 29.3% as compared to the same period of last year. The gross profit was approximately RMB1,291 million, representing a decrease of 39.6% as compared to the same period of last year, and the gross profit margin was approximately 38.3%.

Facing the impact of pandemic, the Group diversified customer offers in a targeted manner, providing customers with safe and secured car maintenance experience, while enabling the steady and rapid recovery of offline after-sales activities. The Group actively expanded the research and development and marketing of new products and services, strengthened the inter-linkage with new car sales, and comprehensively increased the penetration rate of derivative products such as maintenance, warranty, insurance renewal and extended warranty to increase customers' loyalty. In terms of cost control, the Group optimized centralized procurement channels, increased spare parts turnover, and controlled costs stringently. The Group also implemented a customer-segmented management system to satisfy the individual needs of existing customers and leaving customers customized services and products, effectively expanded its customer base, and ensured the rapid recovery and steady growth of its after-sales business.

(III) Pre-owned automobile business

According to the data published by China Automobile Dealers Association, a total of 14,340,000 units of pre-owned automobiles were traded nationwide in 2020, representing a year-on-year decrease of 3.9%. The trading volume of pre-owned automobiles also declined due to the pandemic.

As an important strategic business segment, the Group has attached great importance to the sound development of the pre-owned automobile business. During the reporting period, the Group actively promoted the cooperation with a third-party platform in the industry, and strived to expand the use of the "ZhengTong Auction" online platform, the sales channels and the scale of second-hand online business, with an aim to accelerate automobiles turnover, increase the premium of pre-owned automobiles, and simultaneously improve the operating efficiency and profitability of pre-owned automobiles. Benefiting from the national preferential tax rate for pre-owned automobiles, the Group's overall profitability for pre-owned automobiles has also increased. By integrating internal resources, exploring business models, and optimizing business chain, the operating quality of the Group's pre-owned automobile business was improved effectively.

(IV) Auto finance technology segment

Shanghai Dongzheng Automotive Finance Co., Ltd. ("**Dongzheng AFC**"), a subsidiary of the Company, is an automotive finance company regulated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") focusing on the luxury vehicle market. It is principally engaged in automotive finance businesses. Dongzheng AFC commenced listing on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 3 April 2019.

Due to the outbreak of the COVID-19 pandemic and other impacts, consumers' consumption demand for passenger vehicle purchase has lowered, the auto finance industry faced serious challenges and new loans disbursed has decreased in 2020. As at 31 December 2020, the loan portfolio of Dongzheng AFC decreased to RMB5.75 billion from RMB10.00 billion as at 31 December 2019, representing a decrease of 42.5%. In 2020, net interest income decreased by approximately 7.6% to RMB495 million, while net profit of RMB55 million decreased by 85.9% as compared to 2019. In 2020, Dongzheng AFC's non-performing loan ratio was 0.36%, the loan provision rate was 7.35%, and the provision coverage ratio was 2,037.81%.

Product Design

Principal businesses of Dongzheng AFC comprise automotive finance business which provides loans, direct leasing products and other financial services to the end customers, major customers and corporate clients for purchases of vehicles.

Risk Control

For the purposes of risk management, Dongzheng AFC has strengthened its risk management and control capacity with focuses on risk policies, big data risk control, risk monitoring and asset preservation and has achieved a decrease in both non-performing loan ratio and non-performing loan balance. During the year, Dongzheng AFC has adopted the following measures to improve its non-performing loan: (i) it introduced multi-dimensional risk data and applied statistics principle and machine learning algorithm to promote the iterative upgrade of the big data risk control model, enhanced the automated approval system in respect of the ability to identify customer fraud risk and credit risk and improved the efficiency of credit and loan approval and decision-making; (ii) it strengthened the daily risk monitoring mechanism including channel business quality monitoring, business risk cost monitoring, business risk special investigation, post-loan monitoring and client visits, etc. to identify and control potential risks in a faster and more accurate manner; and (iii) under the pressure that a general decrease in repayment capabilities of customers due to the pandemic, it comprehensively improved the asset preservation strategy, enhanced the asset recovery and disposal capacity at all stages, and raised the working efficiency in the legal litigation stage. Dongzheng AFC's overall recovery capacity of overdue assets has been significantly improved compared with previous years.

Financial Leasing and Insurance Brokerage have been further refined

Under the synergy effect of the Group, Dingze Leasing has made substantial progress in its business. In response to the development trend and industry rules of the small B-end of the automotive industry chain, the Company has created and launched the OCF financial concept and new financial service product U-car (U享車) at the same time. It has been recognised by the market dealer groups and 4S stores, and has achieved a great performance.

As regards the insurance brokerage, the Group further consolidated the online new insurance and renewal insurance businesses, the profitability of which is further strengthened. Meanwhile, by pursuing the "customer-oriented" business philosophy, we will provide our customers with a diversified product mix to provide various insurance demands at different stages for our vehicle consumers. At the internal level, we will scale up the integration of management and optimize the staffing structure to significantly enhance management efficiency.

(V) Supply chain business

Shengze Jietong Supply Chain Co., Ltd. ("**Shengze Jietong**") successfully completed the handover of the logistics business expansion for next three years for a total of seven automobile brands under Dongfeng Nissan and FAW Logistics in 2019, Shengze Jietong continued to complete the connecting works of expanding the transportation business for next three years with Dongfeng Nissan, a subsidiary of Dongfeng Group, in March 2020.

As impacted by the pandemic at the end of January 2020, the vehicle warehousing and transportation, spare parts warehousing and transportation business of Shengze Jietong in Hubei Province were closed for nearly 2 months due to city lockdown, which had affected the business of Shengze Jietong in the first quarter.

In April 2020, with the support of the Wuhan Municipal Government, Shengze Jietong responded to the government's call for resumption of work and production by quickly cooperating with customers to resume production. As the pandemic in China was gradually alleviating and market demand recovered, with the year-on-year decrease of approximately 6% in domestic vehicle sales, the business of Shengze Jietong actually achieved throughout the year was better than market expectation, which is summarized as follows:

In 2020, a total of 479,300 vehicles were shipped under various business brands, representing a year-on-year increase of 33.98%. Among these, the business of Dongfeng Group grew by 36.3% and FAW by 33.0%; the business of major brand, Dongfeng Nissan, including Infiniti and Dongfeng Venucia, achieved year-on-year increase by 46.9% in transportation volume after bidding for new business (FY2020-2022) due to the increased market share; the business of Wuhan factory of Dongfeng Honda fell by 21.1% due to the city closure arising from the pandemic; the business of FAW-Volkswagen increased by 20.8%; the business of FAW Pentium/Hongqi/Mazda increased by 239.8% as a whole due to new lines and marketing and other reasons; the annual delivery completion rate of FAW Toyota in Dongguan (new business in November 2019) was 98.08%; businesses of other brands including new energy Xiaopeng, Geely, Shenlong, and EHi Car Rental increased by 150.7%.

In June 2020, based on Shengze Jietong's years of vehicle warehousing management in Hubei Province and the rapid logistics network advantages in Central China, Shengze Jietong entered into a business cooperation agreement with Geely Auto, Shengze Jietong shall be responsible for the vehicle warehousing and transit transportation business of Geely Auto that distributes to Central China and its surrounding provinces after being transported to Wuhan from various plants by roads, railways and waterways, signifying that Shengze Jietong has successfully entered the logistics system of the leading brand for domestic vehicle after grasping the services for the three joint venture brands, namely Nissan, Honda and Toyota, and it looks forward to further planning to reach a nationwide transportation business cooperation in future based on Shengze Jietong's existing national business logistics network of FAW and Dongfeng Group.

In December 2020, our vehicle warehousing business has acquired the temporary warehouse business of FAW Hongqi Central China Warehousing, making a good start. In the future, FAW Hongqi intends to establish a formal transfer warehouse in Wuhan. The operation of this temporary warehouse has established a good management image for FAW Hongqi and laid a solid foundation for the official establishment of the transfer warehouse. The foundation of business cooperation is expected to realize the most complete transfer warehouse for FAW's regional business brands in Central China in combination with the existing FAW Audi, Volkswagen, Jetta, Pentium, Mazda and other brands in the future.

In 2021, Shengze Jietong will further accelerate the construction of the new logistics base in Hannan District, Wuhan. The whole project will consist of 3 dock berths, a 6-storey vehicle warehouse, an automated spare parts warehouse and two spare parts mechanized warehouses, office and living facilities. The land purchase procedures and business design standards and other processes for the base of 297 mu (畝) in area have been completed in 2019, and the construction was commenced in November 2019 and foundation construction, acceptance and delivery of the open warehouse of 79,400 square meters works of the project had started. In 2021, it is planned to complete the construction in July and deliver the indoor warehouse of 14,800 square meters in October and the spare parts warehouse of 49,000 square meters in January 2022. The Group will further accelerate investment and construction of remaining projects. The delivery and use of the base will further increase the Company's core competitiveness and cost advantages, and continue to provide efficient integrated logistics services to FAW, Dongfeng Group and other business customers.

(VI) Comprehensive properties business

To fully utilize on the potential value of the land held by it, the Group planned to conduct construction of comprehensive property projects for its existing 4S dealership stores, which are respectively located in Chongqing, Dalian, Shantou and other places. All of these comprehensive property projects are apartment projects, and project in Shantou has obtained the pre-sale permits for sales. The Group believes that the said arrangement is a reasonable arrangement to improve the efficiency of capital utilisation and bring higher return for the Shareholders.

(VII) Network development

Insistence on deployment of the nationwide dealership network for luxury brands complemented by ongoing optimization of the brand portfolio and regional distribution

As a leading dealership group of luxury brands in China, the Group continues to focus on the dealership of luxury and ultra-luxury branded automobiles, including Porsche, Benz, BMW, Audi, Jaguar and Land Rover, Cadillac and Infiniti. The Group also operates dealership stores of mid to high-end market brands, including FAW-Volkswagen, Buick, Nissan, Toyota, Honda and Hyundai.

As of 31 December 2020, the Group owned 125 dealership stores in 40 cities across 17 provinces and municipalities in China. In 2020, the Group continued to optimize the existing business network through closing down 7 branded 4S stores and 3 urban showrooms strategically with underperformed profitability based on the development and operating conditions of different cities, so as to enhance the Group's overall market competitive strength and profitability of our business network. In addition, due to the impact of the COVID-19 pandemic and the adjustment of brand manufacturers' development strategies, the authorization of some of the Group's dealerships was terminated by cooperating brand manufacturers. Based on the comprehensive analysis of the brand and regional profitability of each store, the Group decided to convert some of the above dealerships into self-operated outlets and new authorized outlets in due course in future. At the same time, the Group has been actively communicating with brand manufacturers to strive for the early resumption of agency authorization for related businesses.

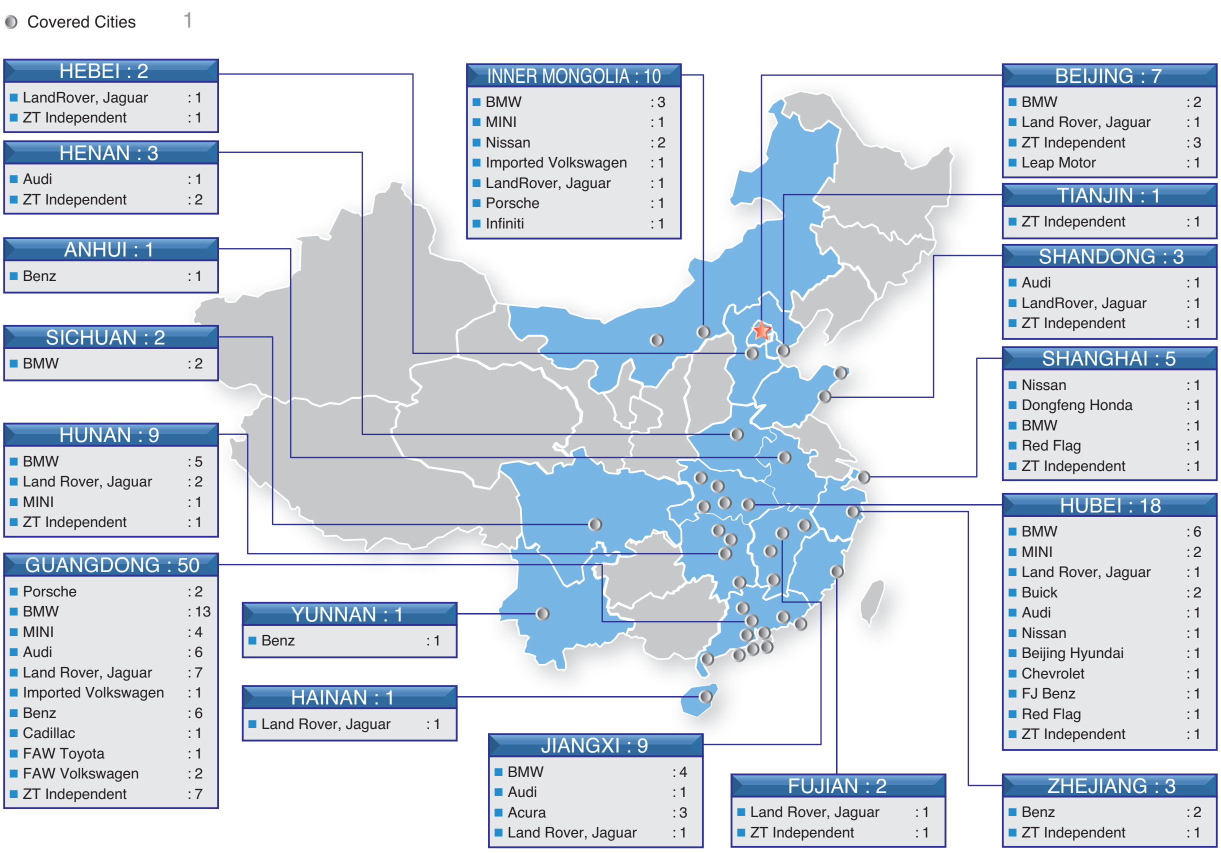
As of 31 December 2020, there are a total of 8 dealership stores under development, which are franchised by 4S stores for core luxury brands, including Porsche, Benz, BMW and Audi, as well as repair centres. The authorized dealership stores to be opened can enhance our competitive advantages in provinces and regions, including Guangdong, Hubei, Zhejiang and Sichuan, as well as those cities and regions with greater potential for development, such as Chongqing, Nanjing and Dalian. The expansion in geographical coverage will further enhance the Group's brand structure and regional distribution. In addition, due to the impact of the COVID-19 pandemic and the adjustment of the Group's overall development strategy, the Group's new project construction progress has slightly slowed down in 2020. As of the date of this report, Wuhan Benz 4S store has been completed and put into operation, and Chengdu Porsche 4S store will soon be completed and opened.

The following table sets forth the details of our dealership stores as of 31 December 2020:

	Dealership stores in operation	Authorized dealership stores to be opened	Total
5S/4S stores for luxury and ultra-luxury brands	75	6	81
4S stores for mid to high-end brands	13	0	13
Urban showrooms for luxury brands	10	0	10
Pre-owned automobile centre	1	0	1
Authorized repair service centres for luxury brands	6	2	8
Self-operated stores	20	0	20
Total	125	8	133

As a mainstream strategic partner of manufacturers of luxury and ultra-luxury brands in the PRC, the Group will continue its network expansion strategies by insisting on the layout of the national luxury brand dealer network and continuously optimize brand structure and regional distribution to achieve a balanced layout of dealership stores for core luxury brands and a refined brand structure in its pursuit of prudent development. In addition, in response to the development trend of the automobile market, the Group paid close attention to new energy vehicle projects and repair centres and other dealership stores in order to actively participate in due course and explore new growth drivers. The Group will also integrate industry resources by seeking appropriate strategic mergers and acquisition opportunities as well as innovative strategic operation and cooperation scheme to rapidly enlarge business scale and enhance profitability.

DEALERSHIP NETWORK



(VIII) Innovation of management and improvement of operational quality

In 2020, the Group leveraged and reacted to the adverse impact of COVID-19 pandemic by accelerating our "transformation and upgrade" process. The Group further introduced innovative concepts on management, implemented refined management measures, and through establishing a learning-oriented organization, we improved our corporate management standard, enhanced the Group's operational efficiency, and strengthened our core competitiveness effectively.

Classification management of stores

During the reporting period, the Group continued to optimise the store operation performance-based assessment system, so as to conduct scientific analysis and assessment of all key operation data from our dealership stores. The results have enabled us to conduct classification management on stores. With targeted and differentiated management models, store performances are improved. The Group further delegated independent authority to outstanding stores in terms of performance management, resources allocation and decision-making, so as to stimulate their motivation and initiatives. For good performing stores, the Group also rationalised and diagnosed various business lines such as sales, after-sales and pre-owned automobiles, so as to identify weaknesses, propose solutions, and make up for business shortcomings. For stores that have potential, the Group has established an efficiency improvement project department at the headquarters level to help individual stores adjust operation thinking, formulate operating plans, tap business potential, and improve operating performance. The store classification management has greatly improved our efficiency in resources allocation and improved the overall profitability of the Group effectively.

Innovative marketing models

Offline business at the store was limited at the beginning of the COVID-19 pandemic. In this regard, the Group actively explored novel marketing models and maintained interaction and communication with customers through online events and platform live broadcasts, which effectively achieves customer acquisition and the maintenance of customer relationship while ensuring hygiene and safety. In the later stage of the pandemic, the Group continued to maintain online promotion and marketing channels, promoted the integration of online and offline businesses, and helped business recovery and improvement.

Establishment of learning-oriented organization

The Group always recognizes the importance of employee training and development. By establishing a learning-oriented organization, we improve employees' professional skills and comprehensive qualities and are able to provide premiere customer services while improving our operational capabilities. For the year ended 31 December 2020, Zhengtong Academy, the Group's learning platform, launched 144 online courses, with 180 registered lecturers giving over 48 minutes of per capita teaching hours to over 37,500 trainees cumulatively. At the same time, the Group conducted off-line transfer training activities that complemented to online training, put theory into practice and helped trainees to apply new knowledge to actual business situation, thereby effectively improving employees' learning efficiency and business standards.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB16,881 million, representing a decrease of approximately 50.7% (restated) as compared to the revenue of approximately RMB34,258 million (restated) in 2019. The decrease was mainly due to a decrease in the sales of new automobiles during the year. Revenue of the Group was derived from the sales of new automobiles, after-sales services, financial services and other business. In 2020, revenue from the sales of new automobiles amounted to approximately RMB12,606 million, representing a decrease of approximately 55.9% as compared to approximately RMB28,564 million in 2019, and accounted for approximately 74.6% and 81.3% of the total revenue in 2020 and 2019, respectively. The revenue from sales of luxury and ultra-luxury branded automobiles decreased by approximately 55.8% to approximately RMB11,495 million from approximately RMB25,986 million in 2019, accounting for approximately 91.2% and 91.0% of revenue from the sales of new automobiles in 2020 and 2019, respectively. Revenue from the after-sales services was approximately RMB3,373 million, representing a decrease of approximately 29.3% as compared to approximately RMB4,771 million in 2019. In 2020, revenue from the after-sales services accounted for approximately 20.0% of our total revenue, representing an increase of approximately 6.4 percentage points in revenue from that of last year.

The main reason for the decrease in total revenue

Sales impact by COVID-19

The outbreak of COVID-19 had direct impact on the sales performance in various regions for 4S dealership business of the Group. Comparing the performance of January to April in 2019 and 2020, the Group's sales quantities decreased by 64% from 31,955 units to 11,458 units, and revenue decreased by 53% from RMB10 billion to RMB4.7 billion, respectively.

Especially in Hubei, comparing the performance of January to April in 2019 and 2020, sales quantities decreased from 6,962 to 1,134 units, with a year-on-year decrease 83.7%, and revenue have decreased from RMB1.46 billion to RMB0.3 billion, with a year-on-year decrease 79.0%, respectively.

The second wave of COVID-19 outbreak in the second half of 2020 in Beijing has negative impacted on Group's normal operations. in the second half of 2020, 683 units were sold in Beijing, with revenue of only RMB290 million, with a year-on-year decrease by 75% and 71%, respectively.

The outbreak of COVID-19 had direct impact in other area to a certain degree. Other areas with more serious impact include authorized outlets areas such as Hebei, Hunan, Fujian and Jiangxi.

Overall, the Group's automobile revenue decreased by approximately RMB7 billion due to COVID-19.

In addition, in the second half of 2020, the liquidity strain brought about by the COVID-19 outbreak has led to the Group's purchase and sales for 2020 remained behind the targets. Some manufacturers banned the Group's right of purchase new motor vehicles, or cancelled a number of dealerships, which led to a significant decrease in Group's revenue. Overall, the Group's revenue decreased by approximately RMB9 billion due to cancellation of dealerships.

Impact of liquidity strain

In the second half of 2020, the liquidity strain brought about by the COVID-19 outbreak has led to the Group's purchase and sales for 2020 remained behind the targets. Some manufacturers banned the Group's right of purchase new motor vehicles, or terminated/suspended a number of dealerships, which led to a significant decrease in Group's revenue.

In second half of 2020, the Group had reduced purchase and sales of new motor vehicles due to liquidity strain, and certain manufacturers have gradually banned the Group's right of purchase new motor vehicles after certain dealerships were terminated/suspended in the second half of 2020. The Group's revenue for 4S dealerships decreased from RMB16.9 billion in second half of 2019 to RMB7.5 billion in second half of 2020, with a year-on-year decrease of 55%, and the sales quantity decreased from 51,577 units in second half of 2019 to 19,907 units in second half of 2020, with a year-on-year decrease of 65%, respectively.

Overall, the Group's revenue decreased by approximately RMB9 billion due to liquidity risk.

Cost of sales

For the year ended 31 December 2020, the Group's cost of sales decreased by approximately 28.5% (restated) to approximately RMB22,054 million as compared to approximately RMB30,855 million (restated) in 2019. In 2020, the cost of sales for new automobiles of the Group decreased by approximately 30.1% to approximately RMB19,165 million from approximately RMB27,432 million in 2019. Cost of sales for after-sales services decreased by approximately 20.9% to approximately RMB2,083 million from approximately RMB2,633 million in 2019. The cost of sales for the year ended 31 December 2020 included a provision of RMB4,318 million made against rebate receivables.

Gross (loss)/profit and gross (loss)/profit margin

For the year ended 31 December 2020, the Group incurred gross loss of approximately RMB5,173 million, while the Group had gross profit of approximately RMB3,404 million (restated) in 2019. The Group's gross loss margin was approximately 30.6%, while gross profit margin was 9.9% (restated) in 2019.

The Group's gross profit was principally generated from sales of new automobiles and after-sales services business. In 2020, the Group incurred gross loss from sales of new automobiles of approximately RMB6,560 million, while the Group had gross profit of approximately RMB1,132 million in 2019. In 2020, the Group incurred gross loss from after-sales services of approximately RMB1,291 million, while the Group had gross profit of approximately RMB2,138 million in 2019.

The main reason for the negative gross margin

The amount of vendor rebates have been a major contributor of the Group's gross profit. For the year ended 31 December 2019, the Group's gross profit was RMB3.4 billion (restated, due to discontinued operation), while it amounted to gross loss of RMB1.75 billion by excluding the vendor rebate recognized for the year. For the year ended 31 December 2020, the Group's gross loss was RMB5.2 billion, while it amounted to gross loss of RMB1.2 billion by excluding the vendor rebate recognized for the year and before the reversal of RMB4.3 billion against rebate receivable.

The main reasons for the negative gross margin include:

- Weak purchase and sale volumes during 2020 have led to a significant reduction in the amount of vendor rebates

- The Group's liquidity control measures during 2020 have led to disputes with automakers and therefore provision for rebate receivable that the Group had previously expected to be entitled.

As disclosed in note 2 to the consolidated financial statements and analysis on revenue decrease as mentioned above, the outbreak of COVID-19 in 2020 had disrupted the operations of the Group, and the Group's purchase and sales for 2020 remained behind the targets for the year for all brands, and therefore the Group had not been entitled to significant vendor rebates for 2020, which accounts for approximately 20% of total revenue for sales of motor vehicles in previous two years.

Additionally, in light of the outbreak of COVID-19 the Group's financial performance continued to decrease and the liquidity position of the Group increased strain in the second half year of 2020. As such, the Group had carried out various measures to conserve and improve its liquidity, which led to prolonged car delivery and increased customer complaints; and that in turn resulted in failure among other things to meet certain overriding quality standards on dealership operations as set out in dealer agreements with automakers, e.g. customer satisfaction ratings. As a result, the Group was alleged by automakers to have damaged their brands, and various dealership rights were threatened to be terminated or were suspended. The Group has since been taking improvement measures and has been in active negotiation with the automakers; as at 31 December 2020 many dealerships rights have been gradually resumed, but some major dealership agreements have been terminated or remained suspended. Notwithstanding the above, as disclosed in note 4(c) and note 10(b)(ii) to the announcement, the Group has reassessed the recoverability of the rebate receivable in light of the above background and development. Accordingly, a reversal of RMB4,318,050,000 has been made against rebate receivable, which had been recorded in cost of sales during the year ended 31 December 2020. Such reversal covered stores whose dealership rights have been terminated or suspended, and also stores whose dealership rights have been resumed but there remained significant uncertainties around the recoverability of the rebate receivable owing to the prior allegation of the related automakers. The reversal of rebate receivable was recorded as an adjustment to cost of sales for 2020.

Selling and distribution expenses

For the year ended 31 December 2020, the Group's selling and distribution expenses increased by approximately 36.8% to approximately RMB1,503 million from approximately RMB1,099 million in 2019. The increase in selling and distribution was mainly attributable to an increase in discretionary bonus and redundancy cost, etc.

Administrative expenses

For the year ended 31 December 2020, the Group's administrative expenses amounted to approximately RMB1,067 million, representing a decrease of approximately 13.5% over approximately RMB1,233 million (restated) in 2019. Such decline was primarily due to the fact that the Group generated foreign exchange gain of RMB350 million from the appreciation of Renminbi during 2020, while the Group had exchange loss of RMB98 million (restated) in 2019.

Impairment losses on goodwill and intangible assets

With the outbreak of COVID-19 in early 2020, the Group's operation had been disrupted. With the continual decline in the Group's financial performance and increased strain over the Group's financial position in second half of 2020, the Group had failed to satisfy certain overriding quality standards on dealership operations, e.g. customer satisfaction ratings. Accordingly, the Group was alleged by certain automakers to have damaged their brands, and various dealership rights with the Group were threatened to be terminated or were suspended. The Group had engaged external appraisal institution to assist on the impairment tests over intangible assets and goodwill. The Group recognized impairment losses on goodwill and intangible assets (car dealerships) amounted to RMB1,241 million and RMB906 million, respectively.

(Loss)/Profit from operations

For the year ended 31 December 2020, the Group incurred loss from operations of approximately RMB9,341 million, while the Group had profit from operations of approximately RMB1,801 million (restated) in 2019. The operating loss margin was approximately 55.3% in 2020, while the operating profit margin was 5.3% (restated) in 2019.

Income tax credit

For the year ended 31 December 2020, the Group's income tax credit amounted to approximately RMB1,783 million as a result of loss from operation incurred during the year and the effective tax rate was approximately 17.2% (2019: 38.3% (restated)).

(Loss)/Profit for the year

For the year ended 31 December 2020, the Group incurred loss of approximately RMB8,589 million, while the Group had profit of approximately RMB767 million (restated) in 2019. The loss margin was 50.9% in 2020, while the profit margin was 2.2% in 2019.

Contingent liabilities

As at 31 December 2020, the Group had no material contingent liabilities or guarantees save as those assets pledged to the bank.

Current assets and current liabilities

As at 31 December 2020, the Group's current assets amounted to approximately RMB13,955 million, representing a decrease of approximately RMB10,180 million as compared to the current assets of approximately RMB24,136 million as at 31 December 2019. As at 31 December 2020, the Group's current liabilities amounted to approximately RMB17,440 million, representing a decrease of approximately RMB8,379 million as compared to the current liabilities of approximately RMB25,819 million as at 31 December 2019, which was mainly due to a decrease in loans and borrowings.

Cash flow

As at 31 December 2020, the Group had cash and cash equivalents amounting to approximately RMB491 million, representing a decrease of approximately RMB1,006 million over approximately RMB1,497 million as at 31 December 2019. The Group's transactions and monetary assets were principally conducted in Renminbi. The Group's primary uses of capital were to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and ordinary recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the year ended 31 December 2020, the Group had net cash inflow of approximately RMB346 million generated from its operating activities (2019: RMB2,546 million).

Capital expenditure and investment

For the year ended 31 December 2020, the Group's capital expenditure and investment were approximately RMB644 million (2019: RMB1,782 million).

Inventory

The Group's inventories included vehicles, automobile spare parts and properties under development for sale. In general, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group utilizes its information technology systems to manage its inventory, and also monitors the inventories within its whole dealership network and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group were approximately RMB1,802 million as at 31 December 2020, which decreased by approximately RMB1,681 million when compared with RMB3,483 million as at 31 December 2019. Such change was mainly due to the effective control in the inventories of new automobiles by the Group based upon market situation. The Group's average inventory turnover days of 2020 decreased by 4.1 days to 36.5 days from 40.6 days for 2019. The following table sets forth our average inventory turnover days (excluding the impact of properties under development for sale) for the year indicated:

	For the year ended 31 December (day)	
	2020	2019
Average inventory turnover days (excluding the impact of properties under development for sale)	**36.5**	40.6

Risks of foreign exchange

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in foreign currencies. However, the Group's operating cash flow and liquidity have not been subject to significant influence from fluctuations in exchange rate. The Group used cross currency swap to hedge its US-dollar and HKD future loans repayment. As at 31 December 2020, a financial liability of approximately RMB32 million measured at fair value was recognised by the Group on the cross currency swap, and other financial assets of approximately RMB35 million (excluding wealth management products) measured at fair value was recognised (31 December 2019: a financial liability of approximately RMB103 million measured at fair value was recognised by the Group on the cross currency swap, and other financial assets of approximately RMB17 million (excluding wealth management products) measured at fair value).

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks. As at 31 December 2020, the Group's cash and bank deposits were approximately RMB1,828 million (including: pledged bank deposits and balances with central bank of approximately RMB990 million, time deposits of RMB443 million and cash and cash equivalents of RMB395 million), representing a decrease of approximately RMB1,749 million, from approximately RMB3,577 million as at 31 December 2019. As at 31 December 2020, the Group's loans and borrowings, lease liabilities, and bonds payable amounted to approximately RMB14,664 million (31 December 2019: loans and borrowings, obligations under finance leases, and bonds payable amounted to approximately RMB21,450 million).

On 19 October 2020, the controlling shareholder of the Company, i.e. Joy Capital Holdings Limited ("**Joy Capital**") and Mr. Wang Muqing (the "**Seller**") entered into a sale and purchase agreement (the "**SPA**") with Xiamen Xindeco Ltd. ("**Xindeco**", the "**Buyer**"). Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of the Company (the "**Target Shares**") at a consideration of HK$1,403,371,394 (the "**Transaction**"). Upon completion of the Transaction, Xindeco shall become the single largest shareholder of the Company and will be able to provide financial support to the Group. The completion of the Transaction is subject to fulfillment or waiver of several conditions precedent set out in the SPA, including obtaining necessary authorizations, agreements or approvals from relevant regulators, etc. As of the date of approval of these financial statements, the Transaction is still in process.

Potential disposal of a subsidiary

On 20 October 2020, the Company received from Shanghai Office of the China Banking and Insurance Regulatory Commission (the "**CBIRC**") an administrative decision against the Company (the "**CBIRC Decision**"), alleging that (i) the Company obtained administrative licenses and permits for the establishment of Shanghai Dongzheng Automotive Finance Co., Ltd* ("**Dongzheng**"), a subsidiary of the Company, by improper means and the Company and its related parties engaged in non-compliant related-party transactions with Dongzheng; and (ii) Dongzheng's dealer auto loan business was carried out in serious violation of the principle of prudent operation. CBIRC required that the Company shall withdraw its interests in Dongzheng within 3 months from the date of the CBIRC decision.

In response to the CBIRC Decision, the Company had committed to sell its entire interests in Dongzheng. The Company had been actively identifying potential purchasers and had engaged a financial adviser to assist on the possible disposal of its interests in Dongzheng (the "**Potential Disposal**") with an objective of achieving a completed sale within 2021. Accordingly, the interests in Dongzheng have been presented as a disposal group held for sale as at 31 December 2020 and as discontinued operations for the year.

As of the date of this report, no binding sales and purchase agreements have been entered into by the Company with any potential purchasers and no valuation of Dongzheng has been performed in respect of the Potential Disposal, and the discussion and negotiation are still in progress although already passed 3 months as requested by CBIRC.

Pledged assets

The Group has pledged its assets as the security for loans and borrowings as well as bank financings to be used as working capital for daily operations. As at 31 December 2020, the pledged assets of the Group amounted to approximately RMB5,458 million (31 December 2019: approximately RMB4,954 million).

Investments held in foreign currency and hedging

For the year ended 31 December 2020, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

Employees and remuneration policies

As at 31 December 2020, the Group had a total of 7,997 employees in China (at 31 December 2019: 10,729 employees). The staff costs incurred for the year ended 31 December 2020 were approximately RMB1,392 million (2019: approximately RMB992 million). The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provided good working environment and diversified training program.

FUTURE OUTLOOK AND STRATEGIES

The COVID-19 pandemic in China has been effectively controlled currently, and the regular pandemic prevention measures make the pandemic's impact on the national economy controllable. In the future, China's macroscopic economy will demonstrate its development potential after recovery and maintain a steady growth with a steady increase in household disposable income. At the same time, the government will adhere to the expansion of domestic demand as the strategic basis, accelerate the construction of a new development paradigm with the domestic cycle as the main body and the domestic and international cycles mutually reinforcing. It is expected that the domestic consumption capacity will continue to grow, the level of consumption will be further improved, and the trend of consumption upgrading will continue to develop. Thanks to it, demands for luxury vehicle in China's market will continue to improve steadily and the development for the industry as a whole is positive.

4S business is the key business of the Group, and therefore, the Group will continue to negotiate with automakers to resume the terminated or suspended dealerships. After 31 December 2020 and up to the latest practicable date, one Volvo dealership store whose dealership right had been terminated had the right resumed. At the same time, the Group had been actively converting certain of stores to other luxury brands, such as Lexus, Benz, etc., in case the resumption would not be approved by automakers.

Based on the outlook of the future market, the Group has formulated short-term, medium-term and long-term and targeted development strategies based on the operational status. In the short term, the Group will introduce strategic investment partners, eliminate its liquidity risks, improve operating environment, enhance operating efficiency, and accelerate business recovery to its due level; In the medium term, leveraging on a diversified portfolio of luxury brands and personalized finance, insurance and other high value-added services, the Group will adhere to the development strategy rooted in the luxury vehicle market, continue to improve the network layout of luxury brands so as to create a leading consumer experience for customers and continue to enhance the competitiveness of the market; In the long term, based on the luxury vehicle market, the Group will integrate superior resources, enhance external cooperation and form a business loop centring on the whole car ownership cycle, aiming to build a world-class automobile service brand. During this period, the Group will accelerate the process of transformation and upgrading, continue to optimize internal management, improve operational efficiency and continue to create greater value for Shareholders, staff and society.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with the applicable code provisions (the "**Code Provisions**") of the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transaction (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the Securities Code and the Model Code during the year ended 31 December 2020.

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

BOARD OF DIRECTORS

Board Composition

The Board consisted of seven Directors, including four executive Directors and three independent non-executive Directors as at the date of this report.

During the year and up to the date of this report, the Board consists of the following Directors:

Executive Directors:

Mr. Wang Muqing *(Chairman)*
Mr. Wang Kunpeng *(Chief Executive Officer and Vice Chairman)*
Mr. Koh Tee Choong *(retired on 12 June 2020)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Wan To

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin
Dr. Cao Tong
Ms. Wong Tan Tan

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

To the knowledge of the Company, there is no other financial, business, family and/or other relationship among the members of the Board.

During the year ended 31 December 2020, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Not less than one-third of the members of the Board were independent non-executive Directors.

The Company has received written annual confirmation of independence from three independent non-executive Directors, namely Dr. Wong Tin Yau, Kelvin, Dr. Cao Tong and Ms. Wong Tan Tan. Therefore, the Company considers all independent non-executive Directors were independent in accordance with the independence guidelines set out in the Listing Rules.

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

Responsibilities

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

All Directors have performed their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times.

Delegation by the Board

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

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

The day-to-day management, administration and operation of the Company are delegated to the Executive Committee (previously known as Operation and Management Committee) which is the management authority of the Group. The members of such committee are the Chief Executive Officer and four executive Directors. Its delegated functions and responsibilities are periodically reviewed by the Board. Any major transactions of the Group shall be subject to the approval of the Board.

The Company has maintained directors and executives liability and company reimbursement insurances for its Directors and executives.

Appointment and Re-election of Directors

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

Each of the Directors has entered into a service contract (for executive Director) or a letter of appointment (for non-executive Director and independent non-executive Director). Each of the independent non-executive Directors was appointed for a term of 3 years subject to provisions of retirement and rotation under the Articles of the Company. No Director proposed for re-election at the forthcoming 2021 annual general meeting of the Company to be held on 4 June 2021 (the "**2020 AGM**") has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

Accordingly, Dr. Wong Tin Yau, Dr. Cao Tong and Ms. Wong Tan Tan will retire from office by rotation at the 2021 AGM. Dr. Wong Tin Yau, Dr. Cao Tong and Ms. Wong Tan Tan, being eligible, will offer themselves for re-election.

Board Diversity

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in September 2013. In determining the composition of the Board, the Company considers whether a candidate will bring potential complementary benefits to the Board and contribute to the improvement of the overall competence, experience and expertise of the Board. The Company may consider the diversity of the composition of the Board in various aspects, including professional experience and qualifications, gender, age, ethnicity, and cultural and educational background, as well as any other factors that the Board from time to time deems relevant and appropriate. Selection of candidates will be based on a range of diversity perspectives, including but not limited to experience and expertise, professional experience and qualifications, gender, age, ethnicity and cultural and educational background. The Nomination Committee will review the Board Diversity Policy as and when appropriate to ensure its effectiveness.

Induction and Continuing Development of Directors

Every newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

The existing Directors are continuously updated with developments in legal and regulatory regime and the business and market environments so as to facilitate the discharge of their responsibilities. The Company irregularly organized seminar for Directors and relevant management sharing with them changes in Listing Rules and other regulations. During the year, all Directors have participated in appropriate continuous professional development by attending training courses or by reading materials relevant to the Company's business or management or Directors' duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, for the period from the beginning of the year up to 12 June 2020, the positions of Chairman and Chief Executive Officer were held separately by Mr. Wang Muqing and Mr. Koh Tee Choong, both being executive Directors of the Company, respectively, neither of them has any financial, business, family or other relationship with each other. On 12 June 2020, Mr. Koh Tee Choong retired as an executive Director and ceased to be the Chief Executive Officer on the same date. Mr. Wang Kunpeng was appointed as the Chief Executive Officer. There is no financial, business, family or other relationship between Mr. Wang Muqing and Mr. Wang Kunpeng. This separation in accordance with code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules ensures that there is a clear division of responsibilities of the management of the Board and the day-to-day management of business of the Company to ensure a balance of power and authority. The Chief Executive Officer is responsible for leading the day-to-day management of the Company, implementing the strategic plans and business goals of the Company and formulating and recommending business plans and budgets to the Board.

ATTENDANCE RECORDS

The attendance of the Directors at the AGM, Board meetings and Committee meetings in 2020 was as follows:

Members of the Board of Directors	Meeting Attended during Tenure of Office/Held					
	2020 AGM	2020 EGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:						
Mr. Wang Muqing *(Chairman)*	1/1	1/1	4/4	—	1/1	1/1
Mr. Wang Kunpeng	1/1	1/1	4/4	—	—	—
Mr. Koh Tee Choong (retired on 12 June 2020)	1/1	—/—	2/2	—	—	—
Mr. Li Zhubo	1/1	1/1	4/4	—	—	—
Mr. Wan To	1/1	1/1	4/4	—	—	—
Independent Non-executive Directors:						
Dr. Wong Tin Yau, Kelvin	1/1	1/1	3/4	3/3	1/1	—
Dr. Cao Tong	1/1	0/1	2/4	2/3	1/1	0/1
Ms. Wong Tan Tan	1/1	1/1	3/4	3/3	—	1/1

BOARD AND COMMITTEE MEETINGS

Board Practices and Conduct of Meetings

During the year ended 31 December 2020, the Company held a total of 4 Board meetings. At the Board meetings, the Board reviewed and approved the final results for the year ended 31 December 2019 and interim results for the six months ended 30 June 2020 and also considered other significant matters of the Company.

The Company has draft agenda of each meeting of the Board and the Committees made available to Directors in advance, and serves notices of regular Board meetings at least 14 days before the date of the meetings. For other Board and Committee meetings, reasonable notices are given.

Documents in relation to the meeting together with all appropriate, complete and reliable information are sent to all Directors at least three business days before the date of each Board meeting or Committee meeting to keep the Directors abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and every Director also have separate and independent access to the senior management where necessary.

Draft and final versions of minutes are circulated to Directors or relevant Committee members for comments and records respectively within a reasonable time after each meeting. Minutes of Board meetings and Committee meetings are kept by the appointed secretary of the meeting and are available for inspection by all Directors at all reasonable time.

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

BOARD COMMITTEES

The Board has established three Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. The Remuneration Committee, the Nomination Committee and the Audit Committee are established with defined written terms of reference. These terms of reference are posted on the websites of the Company and the Stock Exchange, respectively and are available for inspection of Shareholders upon request. These Committees are provided with sufficient resources to discharge their duties and are required to report to the Board on their decisions or recommendations. During the year ended 31 December 2020, three meetings of the Audit Committee were held, and one meeting of each of the Remuneration Committee and the Nomination Committee was held respectively.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, including Chairman of the Board and executive Director, Mr. Wang Muqing, and independent non-executive Directors, Dr. Cao Tong and Dr. Wong Tin Yau, Kelvin. Dr. Cao Tong is the chairman of the Remuneration Committee.

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

During the year ended 31 December 2020, the Remuneration Committee held one meeting to review the remuneration policies and strategies of the Group, make recommendations to the Board on remuneration of Directors and senior management.

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

Nomination Committee

As at the date of this report, the Nomination Committee comprises three members, including Chairman of the Board and executive Director, Mr. Wang Muqing, independent non-executive Directors, Dr. Cao Tong and Ms. Wong Tan Tan. Mr. Wang Muqing is the chairman of the Nomination Committee.

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

During the year ended 31 December 2020, the Nomination Committee held one meeting. The Nomination Committee has performed the following works during the year: (1) reviewing the structure, size, diversity and composition of the Board to ensure the professional knowledge, skills and experience of the Board to meet the business needs of the Company; (2) reviewing the annual confirmation of independence of the independent non-executive Directors and assessing their independence; and (3) making recommendations to the Board on re-appointment of Directors retiring and offering themselves for re-election at the 2020 AGM.

Audit Committee

As at the date of this report, the Audit Committee comprises three members, all being independent non-executive Directors (including one independent non-executive Director with appropriate professional qualifications and accounting expertise), namely Dr. Wong Tin Yau, Kelvin, Dr. Cao Tong and Ms. Wong Tan Tan. Dr. Wong Tin Yau, Kelvin is the chairman of the Audit Committee.

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

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

During the year ended 31 December 2020, the Audit Committee held three meetings. The Audit Committee has performed the following works during the year: (i) reviewing the preliminary unaudited results and annual results for the year ended 31 December 2019 and interim results for the six months ended 30 June 2020; (ii) reviewing the relevant financial reporting procedures and compliance procedures, the report of internal audit on internal controls and risk management system; (iii) reviewing the non-exempt continuing connected transactions entered into by the Group and non-competition undertakings made by the controlling Shareholders of the Company; and (iv) reviewing the re-appointment of external auditors and providing relevant recommendations to the Board.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

(e) to review the Group's compliance with the corporate governance code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual reports.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company in respect of its reporting responsibilities for the financial statements is set out in the section headed "Independent Auditor's Report" on page 77.

The remuneration received by the Company's auditors, KPMG, during the year ended 31 December 2020 is set out below:

Category of Services	Fee Paid/Payable RMB
Audit Services	**13,800**
Non-audit Services	**200**
Total	**14,000**

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective risk management and internal control systems to safeguard the investments of the Shareholders and the assets of the Company.

The Board monitors the risk management and internal control systems principally through the Internal Audit Department of the Group, and is committed to conducting, at least annually, a review on the effectiveness of the risk management and internal control systems of the Group, including adequacy of resources, qualifications and experience of the accounting and financial reporting personnel of the Company, and the training programmes and budget thereof.

The Board, through the Audit Committee, has conducted a review on the risk management and internal control systems of the Group for the year ended 31 December 2020. Such review covered the finance, operation, supervision and risk management of the Group. The Board confirmed that the risk management and internal control systems of the Company are sound, effective and sufficient.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

COMPANY SECRETARY

The Company Secretary of the Company is an external service provider. Her primary corporate contact person is Mr. Raphael Ng, senior compliance manager of the Company. With the assistance of the senior compliance manager being an employee of the Company, the Company Secretary shall provide assistance to the Board and the Directors have access to the advice and services of the Company Secretary.

RIGHTS OF SHAREHOLDERS

A summary of certain rights of the Shareholders which shall be disclosed by the Company in accordance with the mandatory disclosure requirement under Paragraph O of the CG Code is set out below:

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

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

2. Such requisition shall be made in writing and delivered to the Board at the principal place of business of the Company in Hong Kong at Unit 5905, 59/F, The Center, 99 Queen's Road Central, Hong Kong or via email at ir@zhengtongauto.com.

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

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

Procedures for Shareholders to submit proposals at general meetings

1. A Shareholder of the Company should lodge a written notice of his/her proposal ("**Proposal**") together with his/her detailed contact information at the principal place of business of the Company in Hong Kong at Unit 5905, 59/F, The Center, 99 Queen's Road Central, Hong Kong.

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

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

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

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

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

Procedures for Shareholders to make enquiries to the Company

For matters in relation to the Board, the Shareholders of the Company may contact the Company at Unit 5905, 59/F., The Center, 99 Queen's Road Central, Hong Kong or via email at ir@zhengtongauto.com.

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

CONSTITUTIONAL DOCUMENTS

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

1 INTRODUCTION

This report is the fifth Environmental, Social and Governance Report (hereinafter referred to as the "**ESG Report**") issued by the Company. The Board and all Directors are aware of their responsibility for authenticity of the ESG Report, take full responsibility for the Group's environmental, social and governance strategies and reporting, and have reviewed and approved this report.

Basis of Preparation

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**ESG Guide**") issued by the Stock Exchange (the version effective for financial years beginning on or after 1 January 2017).

Reporting Period

This report is prepared annually and the one for next reporting period (2021) is expected to be released in 2022.

Scope of the Report

This report discloses the Group's management approaches, measures and performance in environmental, social and governance aspects from 1 January 2020 to 31 December 2020, and partial contents of which provides a brief review and introduction on previous relevant activities and relevant information before the release of this report.

This report focuses on the operating environment and social policies in relation to the sales of luxury and ultra-luxury brand and other brand vehicles, after-sales services, post-market businesses and supply chain business, which are mainly engaged by the Group in the PRC during the reporting period. The social elements of the statistics of key performance indicator and other factors cover all business segments of the Group. The environmental elements of the statistics cover the business segments having the most significant impacts on the environment, the automobiles sales and after-sales services, or the 4S/5S shops. As the Group only started to systematically collect data on the environment factors and vehicle recalls in recent years, 31 significant shops were selected by taking into account their locations, operation history, automobiles brands and sales, representing a larger scope of collection as compared to the previous years. The survey forms a strong basis for future expansion of the survey.

Source

The information in this report is derived from the internal documents and related statistics of the Group.

Availability

The Chinese and English version of this report is available on the website of the Stock Exchange (http://www.hkexnews.hk) and the official website of the Group. This report is prepared in both Chinese and English and in case of inconsistencies, the Chinese version shall prevail.

2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

2.1 Business and ESG Strategy

Business of the Group

The Group is committed to developing a one-stop automobile service platform mainly for (i) the sales of luxury and ultra-luxury branded automobiles; (ii) after-sales services (including maintenance, repair and sales of auto parts); (iii) post-market businesses (including auto financing, insurance brokerage, finance leasing, pre-owned automobiles trading, e-commerce platform and other highly value-added businesses); and (iv) supply chain business, covering automobile logistics and trading of auto maintenance supplies. As of the end of the reporting period, the Group had 125 4S shops and 5S shops.

ESG Strategy of the Group

The Group highly values the harmonious relationship among people, operating results and environment, which is crucial to its stable growth and sustainable development. In the pursuit of business and profit growth, the concept of sustainability is incorporated in every aspect of our operation through the adoption of effective and comprehensive policies and measures for the achievement of our mission in respect of the environment and community. It is our objective to enhance the corporate governance of the Group, to share our results with the suppliers, customers, employees and other stakeholders and to minimize the negative impacts of our operation on the environment.

2.2 ESG Governance Structure

The Group has established a top-down ESG governance structure, where the Board is responsible for supervising the environmental and social aspects of the Group, including risk assessment, risk prioritizing and management, overseeing and reviewing the Group's performance with respect to environmental and social fields, so as to guide the sustainable development direction and path of the Group. The Group also established an ESG working team, which is led by senior management and includes middle management. The working team consists of core representatives from human resources department, legal department and administration department, covering all relevant departments in daily management process of the Group. The working team reports to the Board on a regular basis for recommendations and advice and is responsible for conveying, communicating and implementing the strategies, measures and feedback of the Group on issues related to ESG, which is an indispensable execution party for the sustainable development of the Group.

2.3 Involvement of Stakeholders

Stakeholders of the Group in respect of environmental, social and governance interests can be classified as internal and external stakeholders, which mainly involve internal staff (from the management to front-line employees), suppliers, customers, shareholders, investors, governments and communities where the businesses are operated. The stakeholders involved included the directors and senior management of the Group as strategic decision makers and designers, and the middle management and general staff working in the front line of operation. In organizing the involvement of stakeholders, in addition to interviews, online questionnaires were also conducted to provide better technical support for expanding the participation base of stakeholders.

During the reporting period, the Group has collected a total of 99 valid questionnaires.

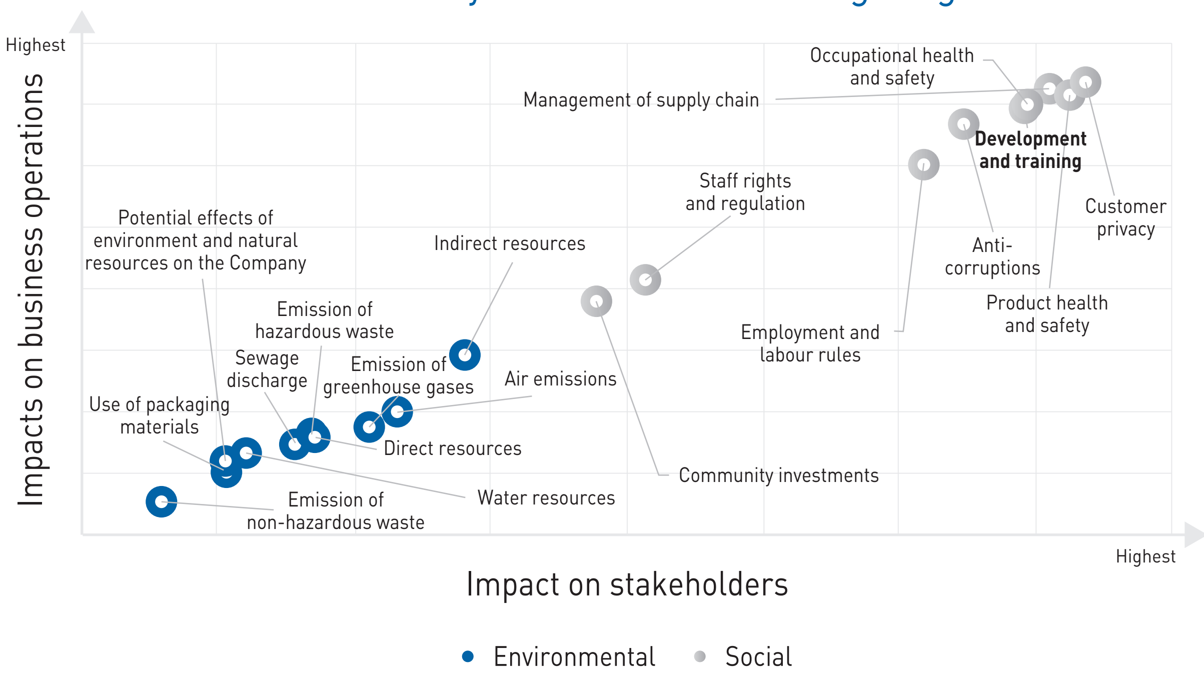
2.4 Materiality Assessment

Based on the results of involvement of stakeholders, the Group periodically reviews and updates the materiality assessment so as to ensure that the report can fully reflect the Group's management practices and progress in environmental, social and governance aspects. In the future, external stakeholders may also be invited when the situation warrants for comprehensive materiality assessment, which will be reflective of the expectations and concerns from more stakeholders.

Materiality Assessment

Based on interview with the stakeholders and questionnaire collected, we have prepared the following materiality assessment matrix.

Materiality assessment of ZhengTong



2.5 Reporting Principles

In preparing and disclosing the ESG Report, the Group has fully taken into account of the following reporting principles:

Materiality principle: The Group has prepared and disclosed the ESG Report based on the materiality principle.

Quantitative principle: In accordance with the "key performance indicators" of the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules, the Group disclosed quantitative indicators to the greatest extent, and will be fully disclosed in the future after the statistical process is gradually optimized.

Balance principle: This report strives to achieve objective, fair and truthful disclosure and reflection of the Group's management practices and achievements in the environment, social and governance aspects in 2020, and also the problems encountered and improvement measures with a sense of responsibility.

Consistency principle: This report follows a consistent range of statistics.

3 ENVIRONMENTAL PROTECTION

The Group is dedicated to an environmentally friendly operation so as to reduce emissions and energy consumption, ultimately minimizing the negative impacts of operating activities on the environment. The construction and operation of operating premises of the Group, such as maintenance centres and showrooms, and product marketing campaigns held outside its operating premises have strictly complied with the laws and regulations that have a significant impact on the Group such as the Environmental Protection Law of the PRC (《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 the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》).

Waste disposal

Certain wastes are generated from after-sales repair and maintenance of vehicles involved in our business operation. The Group seeks to reduce the discharge of pollutants with various means from different dimensions and channels.

First, to reduce the generation of hazardous wastes, the Group has been in active response to and in compliance with administrative rules introduced by the government and industry, including adopting environmental materials. For instance, the Group has for many years required our business outlets to use water-based paints from a famous brand in the spray booth, instead of oil-based paints which were commonly used for vehicle painting. Such practice can improve the quality of maintenance works for vehicles on the one hand and is safe for the health of maintenance staff and the surrounding conditions on the other hand. For the paint surface treatment of vehicles, the dry polishing process will gradually substitute the wet polishing approach, which not only improves the work efficiency and the paint surface treatment effects, but also greatly reduces the generation of sewage.

Second, the Group strictly controls the disposal of wastes. Special venues for the temporary disposal of waste are set up in each 4S shop/5S shop, and different containers are arranged for different types of waste. Warning signs are placed outside the venues and the containers to prevent staff and customers from undue exposure. Each of our 4S shops/5S shops has entered a disposal agreement with qualified hazardous waste management providers to ensure that our disposal process is in strict compliance with national and local environmental policies without any unauthorized or direct discharge of waste. The qualification of the providers will be regularly checked on relevant websites by the administration department of each district to ensure that they are authorized by the government to handle wastes of the 4S shops/5S shops of the Group to prevent any potential hazards.

The waste discharge of the Group is for the year ended 31 December 2020 was as follows:

	Emissions in total		Emissions per Unit	
	2020	2019	**2020**	2019
Solid waste — batteries	**99.85 tonnes**	335.48 tonnes	**3.22 tonnes/shop**	11.57 tonnes/shop
Solid waste — others	**118.03 tonnes**	130.63 tonnes	**3.81 tonnes/shop**	4.50 tonnes/shop
Liquid waste	**594,000 liters**	564,000 liters	**19,200 liters/shop**	19,400 liters/shop

Third, the Group strives to adopt technical means designed for preliminary treatment of the generated emissions, so as to further reduce environmental impacts. In order to reduce environmental impacts of exhaust gas, each shop actively introduces and installs the VOCs photo-oxygen purification equipment to the premises where exhaust gas is generated during the maintenance process, including the spray booth, and is then treated and discharged. The shop will also be equipped with facilities for emission equipment to monitor the rationality of emission data in real time. There are three levels of design in the VOCs system: the first level of mechanical filtration prevents particulate matter (such as painting mist, etc.) from entering the photocatalyst clean room, which helps to reduce the impact on the treatment effect and the life of equipment (such as high-performance UV tubes, and nano-photocatalysts). The second level of high-performance nano-photocatalysts purification decomposes and oxidizes the organic matter and odor pollutants in the exhaust gas into low molecular compounds, water and carbon dioxide under the synergy of hydroxyl radicals, active oxygen and ozone generated by the purifier. The third level of gas-phase molecular sieve enhances the treatment effect and achieves up-to-standard emission by further efficiently treating the exhaust gas that has not been decomposed in the previous processes.

In addition, the generated wastewater will be pre-treated by taking measures such as wastewater oil filtering and tertiary sedimentation tank filtration, which will be discharged to the municipal sewage pipeline after meeting the standards. Subject to actual conditions, each shop will separate rainwater and sewage so that rainwater can be recycled after simple treatment to maximize the use of resources.

Besides repair process, the emissions of nitrogen oxides, sulfides and particulate matter from providing rescue vehicles, test-drive automobiles and scooters to customers and vehicles for daily use were 2,405.16 kilograms, 18.80 kilograms and 216.36 kilograms, respectively, during 2020. Greenhouse gas emissions from generating electricity for the above-mentioned vehicles and business premises was 17,614.77 tonnes of carbon dioxide equivalent.

Fourth, waste classification has been introduced in areas such as Shanghai and Beijing. In this regard, each of the 4S/5S shops is in strict compliance with national and local regulations and rules. On the one hand, publicity and education, waste notices posted inside and outside of our shops, and on-site supervision enable our employees to develop the habit of waste classification. On the other hand, we control the number of trash cans and inform customers.

The Group will gradually establish and improve the management system to manage and control waste reduction and emission reduction targets.

Use of resources

4S shops or 5S shops of the Group are the major users of energy, including electricity and gas for kitchens and heating in northern China.

The use of resources of the Group for the year ended 31 December 2020 was as follows:

	2020	2019
Electricity*	**16,076,600 kWh**	16,417,300 kWh
Natural gas (For canteen)*	**40,700 cubic meters**	51,500 cubic meters
Natural gas (For heating)*	**243,900 cubic meters**	308,600 cubic meters
Liquefied gas*	**1,594,100 liters**	17,800 liters
Diesel oil — vehicles	**6,600 liters (consumption per unit: 11.17 liters/100 km)**	13,800 liters (consumption per unit: 10.42 liters/100 km)
Gasoline	**1,270,400 liters (consumption per unit: 13.32 liters/100 km)**	761,100 liters (consumption per unit: 8.81 liters/100 km)

* There is no proper denominator. Taking into account the principle of economic benefits, the Group has not calculated the consumption per unit of these resources as the calculation is not meaningful.

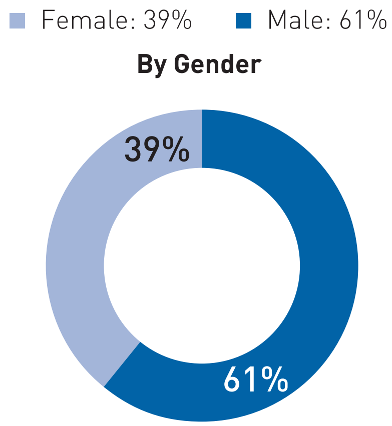
4 EMPLOYMENT AND LABOUR PRACTICE

Employees have always been our major concern and are regarded as the most powerful and effective driving force behind the sustainable development of the Group. The Group has established standardized recruitment procedures, providing our employees with competitive compensation packages and fair and just promotion opportunities at a non-discriminatory workplace. We have always insisted on providing multiple channels and diversified training programs to different employees to improve their work performance, life satisfaction, and the sense of belonging at the Company, laying a solid foundation for a talent pool required for the future development of the enterprise.

4.1 Employment

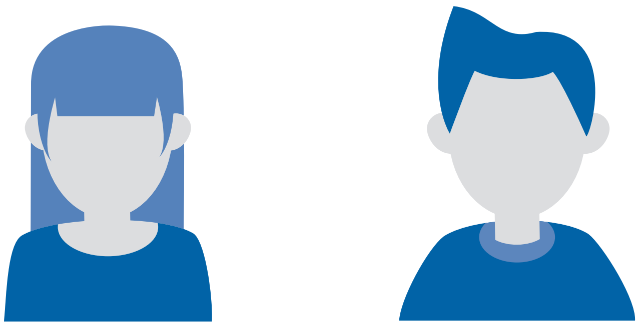
The remunerations and benefit packages for the employees of the Group were determined based on the market condition and their respective responsibilities and performance.

We recognize the rights of our employees to customary values and practices, while respecting the rights to ethnicity, social class, nationality, religion, physical health, disability, gender, sex orientation, workers' union, and political views. In any circumstance, no managerial personnel is permitted to adopt any form of coercion, intimidation, insult, or exploitation against our employees, including posture, language abuse, and physical contact. The principle of equal opportunity has been applicable throughout all stages of employment, in particular recruitment, training, career development and promotion. During the reporting period, the Group has complied with all relevant labour laws and regulations and strictly followed through national labour laws and regulations and local labour regulations, such as the Labour Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China.



As at the end of the reporting period, the Group's female employees accounted for 39% while male employees accounted for 61%, which was mainly due to the industry where the Group operated and did not disobey the gender equality under the employment policies.

To improve the employment rates of the local markets where the subsidiaries are located, except certain necessary experienced staff seconded from other 4S shops or 5S shops, the Group will hire local employees as far as possible for new 4S shops or 5S shops. During the reporting period, the Group had additional 311 (2019: 293) fresh graduates in total. As at the end of the reporting period, the Group had a total of 7,997 (2019: 10,729) employees.



As at 31 December 2020 the Group had a total of 7,997 employees

311 additional fresh graduates jointed the Group for 2020

The young force represents a vital factor in the future development of a business, thereby leading the business to a prosperous tomorrow. ZhengTong provides the young professionals with tremendous employment opportunities, as well as a platform for young professionals to seek self-improvement and learning. During the reporting year, 2 out of seven general brand managers were of the post-80s generation, and there are quite a few number of middle management who were of the post-90s generation. As at the end of the reporting period, 46% and 33% of the employees have worked in the Group for more than two years and five years, respectively.

To build up a human resources management team which can understand the thoughts of youngsters, the Group constantly provides targeted trainings to relevant staff at their positions.

4.2 Health and Safety

The Group recognizes the importance of employee health and workplace safety, and considers occupational health and safety as part of our important social responsibilities. We particularly take safety control seriously in order to minimize any accidents that may cause casualties during the operation. During the reporting period, the Group remained in strict compliance with the relevant laws and regulations such as the "Production Safety Law of the People's Republic of China" (《中華人民共和國安全生產法》), "Prevention and Control of Occupational Diseases Law of the PRC" (《中華人民共和國職業病防治法》) and "Administrative Regulations on Personal Protection Equipment of Employers" (《用人單位勞動防護用品管理規範》), and strives to provide employees with a safe, healthy and comfortable workplace.

In the preparation and revision of safety guidelines, the Group has identified the major safety risks in operation and has proposed specific risk control measures based on the characteristics of the risk. In highly dangerous areas, such as maintenance workshop, professional protection gear is provided to staff of high risk positions. Staff working in dangerous areas are strictly required to put on the safety equipment at all time. Meanwhile, the Group is in the process to use materials which are more environmentally friendly, non-harmful or less harmful (e.g. the use of water-based paint for paint-drying) so as to minimize personal damage that these operations may cause to the staff.

Pandemic Combat

Since the outbreak of COVID-19 in 2020, every individual has been taken by storm. The Group has immediately and proactively taken actions to implement a series of measures to protect the health and safety of employees. The Group has first engaged various functional departments, including administration, human resources, finance and operation to safeguard the provision of masks and other anti-pandemic equipment at each shop. When our operation resumes, our canteen adopts social distancing for diners, body temperature is measured and recorded on each day, and health codes are inspected. In the meantime, the health status of our employees and their family members is registered, while all public venues are disinfected regularly. In addition to physical health, the Group arranges psychological counseling to provide emotional support to our employees. At the spiritual level, we convey the caring message to our employees, including weekly phone calls to those employees in isolation as a gesture of solicitude. The Group believes that each employee is part of the ZhengTong family.

Fire Safety

Fire accidents are ruthless, and thus fire safety is critical to the safety of life and property of our employees and customers. To address fire accidents, the Group always persists in preventative measures as the major defense, while aggressively promoting the fire prevention awareness and making good preparation for fire extinguishing equipment. On the other hand, we designate fire control responsible officers, and ensure that evacuation routes and safety exits are constantly accessible. The electrical appliance and wiring must be in strict compliance with the regulations. Furthermore, the fire extinguisher and other basic fire control facilities must be in good condition and subject to regular and thorough inspection. During the reporting year, the Group arranged fire drills, and all people in the relevant shops took part in the drills. Through fire fighting simulations and evacuation drills, the safety awareness and emergency response ability of our staff and customers have been raised.

During the reporting period, the Group continued to organize different types of health and safety educational programmes in order to raise the awareness of our staff in this respect, including trainings, safety knowledge quizzes and competitions. The Group also regularly examined the compliance of safety guidelines of the 4S/5S shops and vehicle maintenance workshops. During the year, the Group arranged in-house safety inspections for each shop so as to ensure all certificates required by laws and regulations have been obtained or renewed. In addition, we also accept external safety supervision.

The Group has conscientiously insisted on compliance with the requirements of healthy and safe works. During the reporting period, there was no such incident that had adverse impacts on the health and safety of our employees due to substandard workplaces, nor was there any major safety accident.

4.3 Development and Trainings

Against the fierce market competition, an enterprise must maintain a talent pool of high-caliber professionals as the pillar to support the long-term sustainable development. Despite high-quality talents being sourced from external recruitment, internal development and training plays a greater role. Training significantly improves and enhances an employee's knowledge, expertise and attitude, which also helps our employees understand and accept our corporate values. Besides, training helps boost the working capability of our employees, while the business gains a competitive advantage. As the automobile retail business is labor-intensive in nature, the human resources department of the Group has introduced a complete series of programs for different business and positions. Vertically, introduction program, promotion training program and advanced training program are developed for new recruits, candidates for promotion and senior management respectively. Horizontally, the training of sales executives and after-sales technicians is concentrated on sales skills and maintenance technique respectively. Through training, examination and assessment, the Group has built a quality service team.

Various marketing and technical training sessions for new car models were also arranged by the maintenance centres of different brands of vehicles. The Group actively organized our staff to participate in such trainings to ensure that our customers are provided with the sales, repair and maintenance services using the latest technologies.

To cope with the steady growing business, the Group strived to maintain its high quality services by developing its human resources. The Group has continued organizing "senior manager training program" since 2009. Members of the middle management from various departments as well as 4S or 5S shops are selected to attend lectures given by senior management, department heads, experienced general shop managers of the Group and external lecturers. During the reporting period, the Group had a "Co-innovation Programme" online training programme in place for general shop managers and business managers, and set up more than a hundred learning groups for the management team of 4S shops. The Group has organized a total of 11 sessions of trainings with a coverage of more than 800 managing officers (general shop managers of 4S shops and business managers of various departments).

ZhengTong College (正通學院)

The Group established ZhengTong College in 2019, which is an internal college managed by ZhengTong Group. Our internal self-built learning platform utilizes internal and external lecturers, courses and other resources to roll out online and offline learning projects for various positions, which will constantly provide the Company with talents.

Positioned as an employee growth consultant, business development partner, and business transformation catalyst, ZhengTong College aims to become a comprehensive, systematic, and professional training institution rooted in ZhengTong, and envisions transforming into an incubation base for talents and the accelerator for business growth. To ultimately establish as a learning organization, ZhengTong College seeks to evolve into the most respected training institution in the automobile circulation industry.

There are more than 180 internal lecturers at ZhengTong College. There are more than 1,340 internal and external online courses. The total course duration lasts more than 176 hours, which covers the topics of improving the professional capabilities of new employees and on-the-job employees at their positions (sales, after-sales, marketing, customer services, etc.). During the reporting period, more than 5,400 active learning users have logged on with a total of more than 31,440 learning hours.

5 ANTI-CORRUPTION

Any misconduct in business operation, including graft, and accepting or committing bribery, will severely damage our reputation, and seriously disrupts the proper management and operation of a business, as well as damaging the integrity of a company. These misconducts will impede the sustainable and healthy development of a business. As a result, the Group always holds its clearly uncompromising position to oppose any form of fraud or corruption. In addition, the Group has adopted a series of measures to prevent and punish actions involving corruption. We have adopted a preventive approach through system building and publicity and education. The establishment of anti-corruption system aims to strengthen the restriction and supervision through deterrent punishment, effective prevention and stringent security mechanisms that eliminate corruption. Our legal department also arranges relevant training programs for our staff to promote the prevention of corruption and uphold moral uprightness and integrity with zero tolerance to corruption. During the reporting period, the legal department carried out incorruptibility training sessions, and achieved positive results.

In addition, the Group strictly complies with the Labor Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China, the Law of the People's Republic of China on Anti-money Laundering, the Interim Provisions Governing Prohibition of Commercial Briberies, and other relevant laws and regulations to strictly prohibit bribery by our staff so as to make contribution to a healthy business environment for the whole society.

The Group has adopted a zero tolerance policy to strictly prohibit corruption in all aspects of our operation. The Group believes that the strict compliance and implementation of regulatory systems can maintain the proper business management and can safeguard the career of our staff. Our workforce is expanding with more and more youngsters who may be inexperienced and be easily tempted. The Group will repeatedly educate our staff to improve their moral cultivation and regularly help staffs to review relevant training, so that they can remember, respect and observe the law and discipline. During the reporting period, the Group did not aware of any corruption incident.

6 SUPPLY CHAIN MANAGEMENT

The automobile dealership represents an intermediary that connects to both the downstream and the upstream players, as it deals with massive upstream suppliers and directly caters to end users in the downstream. Supply chain plays an integral role in the automobile sales and after-sales services of the Group. The stable supply of automobiles and spare parts has always been a guarantee that the Group is able to render quality products and services to consumers.

Automobile brands and ZhengTong are two different stakeholders on the same benefit chain. Automobile brands provide products, while ZhengTong directly faces customers. Both have common interests and share the concerns. Automobile brands and ZhengTong work together to identify market development initiatives and strategic planning. Furthermore, ZhengTong taps into its own advantages in terminals and regions to deepen its market presence in the regional distribution, which will assist with its own development while delivering the strategic objectives to automobile brands. The business relationship between automobile suppliers and the Group was always a mutual selection. Due to our long history of reputation in providing quality products and services, offering efficient sales channels and communications methods for automobiles suppliers and focusing on employee interests and environmental protection, our Group is able to acquire the dealership of many renowned automobile brands and maintain stable business relations.

In the meantime, the Group also collaborates with various automobile brands and other suppliers on social and environmental aspects for the purposes of making contribution to the sustainability of the entire industry and community. Regarding after-sales services, the Group collaborates closely with service providers and arrange regular meetings to enhance mutual communication. Our Group also regularly undertakes evaluations on our suppliers' performance in environmental and social responsibility aspects. For the suppliers of spare parts and other items, our Group has stringent criteria for selection of suppliers, including requirements of environmental and social responsibilities regarding "Prohibition of Child Labour", "Health and Safety" and "Environmental Protection". The Group has entered into "integrity agreement" with each of our suppliers to show our determination and require them to comply with our anti-corruption policy. Suppliers who do not comply with such requirements will have unfavourable assessment. In addition, for suppliers that require the related industrial qualifications, we will confirm and ensure all of these suppliers and manufacturers have obtained all of the qualifications as required by their respective industries.

7 PRODUCT LIABILITIES

Dealership in stores

"Offering supreme driving experience to our customers" is the mission and principle of all employees of our Group. To continue to offer better experience for customers when purchasing and using their cars, we have further strengthened the depth of services to improve the service quality and diversified our offerings to provide more comprehensive services for customers.

In 2019, the transition of the vehicle emission standard from China V standard to China VI standard has become a hot topic in the automotive industry, and it has also caused great confusion for many consumers. In order to better answer queries of consumers, the Group conducted relevant policy training for employees during the transition from China V standard to China VI standard, and actively and transparently introduced the latest policies and regulations to consumers to help them understand the impact of the change to the policy on car purchase and help consumers make car purchase decisions that suit them. Through this measure, the Group not only helped to promote the transition from China V standard to China VI standard, but also promoted the inventory circulation of some vehicles with China V standard to a certain extent, which reduced the waste of resources due to vehicle disposals.

The Group attaches great importance to cooperation with automobile brands to jointly improve customers' automobile living standards. For example, in the course of cooperation with BMW, we fully recognize and strongly support its brand strategy promotion campaign with the core theme of "BMW Joy" launched in China. We hope to work with BMW to enhance the customer's all-round experience. In some BMW stores of the Group, customers who purchase and repair cars will establish a WeChat after-sales interaction group with the store before leaving. Customers will promptly give feedback on their own experience of buying and using cars and make queries through the WeChat group, which consists of relevant sales and after-sales personnel, as well as store leaders.

Supporting services

Employees of ZhengTong always uphold the mission of "offering supreme driving experience to our customers" and strive to provide our customers with high quality services. We have continuously spared no effort to fulfil the vision of the Group of "being a world-class automobile services brand".

The Group has maintained a clear price list for the products and services provided by the Company at all 4S/5S stores. In order to better implement this objective, during the reporting period, all stores were equipped with one or two large-scale electronic displays showing the prices and warranty information of all accessories and services offered in the stores. Customers may compare the information shown on the displays with the promotion made by sales representatives, and may provide feedbacks on any inconsistent information. It is ensured that all customers are provided with transparent and fair information of prices.

The Group continues to improve its services with focus on "fulfilling customers' needs and requirement". We have created a friendly and convenient consumption environment, and actively responded to the potential demands of customers based on their feedbacks. In 2020, the spread of new coronavirus diseases has brought great inconvenience to the travel of the residents, and also caused difficulties for customers to buy and use cars. Under the premise of ensuring safety, the Group and its stores have taken a series of measures to help customers solve practical problems based on their actual situations. For example, Wuhan Luze Land Rover shop, together with Jaguar and Land Rover brands, replaced new batteries for free for those consumers with damaged car batteries in the regions affected by the epidemic in Wuhan. In addition, a number of stores of the Group have launched cloud car-watching activities in different regions, and conducted online cloud sales and provided cloud after-sales services. For customers who were inconvenient to go out for vehicle maintenance, we provided free door-to-door pickup and delivery service, and maintained real-time communication with customers through photos and videos throughout the vehicle maintenance process, so that customers could keep abreast of the situation.

Customer Privacy

Customer privacy is not only concerned with the information security of customers, but also commercial confidentiality of our Company. To ensure the long-term sound and stable development of our Group and to safeguard the personal information of our customers effectively, we have implemented strict measures for information management and control to protect customers' privacy with regards to systems and equipment:

1. No USB flash drives and external email systems are allowed to be used with the computers in all stores;

2. All mails sent by the company email shall be inspected by the internal checking system;

3. All general staff may only input information of the specific customers they served to our system and shall have no authority to access information of other customers;

4. The authority to access customer information is only vested to a limited number of management members, and all of them have entered into confidential agreements with our Group;

5. A confidentiality agreement is entered into with the customers, and the customer care and return visit can only be carried out upon obtaining the customers' consent and authorization. During the customer's return visit, we will also confirm with the customers whether there is any information leakage.

The above measures have strengthened the confidential awareness of our staff of the Group, greatly mitigated the concerns of our customers or potential customers and safeguarded customer privacy effectively. There has been no divulgement of customer privacy for the Group during the reporting period.

Vehicle recalls

The research, development and manufacture of automobiles involve systematic and complicated processes, and potential deficiencies or problems may exist during the course. Therefore, timely recall of defective vehicles is an important method of the automobile industry to eliminate defects and also a necessary measure to ensure product quality and the safety of life and properties of customers. ZhengTong has always believed that recalls are truly responsible to consumers, and in most cases, recalls are aimed at active recalls and goodwill recalls for the purpose of not affecting the safety of vehicles. As a distributor who closely cooperates with manufacturers, ZhengTong plays a primary role in the recalls, and giving prompt notifications and proper recalls arrangement are important safeguards for customers and road safety. We have improved the customer satisfaction and increased customers' loyalty through recalls, which was a win-win result for the Group and consumers.

New energy automobile

New energy automobile is an important direction for the sustainable development of automobiles. In response to the current national policy, our Group focuses on the sales of new energy automobiles in order to contribute to environmental protection with our own resources. The Group has actively cooperated with various automobile brands and set up charging stations inside and outside our showrooms. ZhengTong also continues to increase the proportion of new energy automobiles sold in its daily operations, and each of our stores are also actively striving to obtain the qualifications needed to sell new energy automobiles. In the process of sales at stores, we will make full vehicle introductions for potential consumers of new energy automobiles, and will actively assist new energy automobile owners to obtain relevant licenses and install new energy charging equipment. In addition, many stores' test drive activities have also begun to include new energy automobiles, allowing more consumers to experience new energy automobiles in person. We actively promoted new energy automobiles and publicize the concept of environmental protection through public welfare activities.

8 COMMUNITY INVESTMENTS

ZhengTong always regards the philosophy of "business wealth from the society and for the society" as an important part of its corporate culture, and constantly explores how to better integrate with society. Community investment is the driving force for the Company's continuous development in the future and participating in social welfare can shape a good corporate culture and public image. Therefore, ZhengTong has always implemented the saying of "April showers bring May flowers" with concrete actions, proactively participated in local community development, organized and encouraged its employees to take part in a wide range of charity activities.

Engagement in Pandemic Combat

Following the outbreak of COVID-19, every individual is taken by storm. Faced with various needs arising from the epidemic prevention and control warfare, the Group has immediately and proactively taken actions, and, based on its own advantages, supported and safeguarded the pandemic combat.

ZhengTong is very moved and grateful to the medical staff and volunteers who participated in the fight against the epidemic during the outbreak. Convergence of love brings together anti-epidemic forces; for perseverance in love, we see the respected medical staff and volunteers rush to combat the pandemic. Because of the guardianship of these selfless and dedicated angels, winter has been overcome and spring has arrived. Therefore, ZhengTong has cooperated with various brands to provide many discounts and conveniences in the purchase and use of cars for medical and nursing staff and their families who have made great contributions to the fight against the epidemic. For example, Shenzhen Baotai BMW shop provided life-time free testing and free 4-year unlimited-kilometer warranty for car-purchasing medical staff; Wuhan Luze Land Rover shop replaced batteries for free for those countermarching people. In addition, each of our stores also actively responded to the call of various places, and joined with auto club and other individuals and groups to participate in the transfer of medical staff and the delivery of epidemic prevention and living materials for medical staff and communities.

INDEX OF DISCLOSURES

Aspects	Major Category, Aspects, General Disclosure and Key Performance Indicator ("KPI") Descriptions	Index Chapter	Note
A. Environmental			
A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to waste gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include the emissions of nitrogen oxides, sulfur oxides and other pollutants restricted by the national laws and regulations. Greenhouse gas include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes shall be those defined by the national regulations.	3	
	KPI A1.1 Types of emissions and respective emission data.		
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).		
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).		
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).		note 1
	KPI A1.5 Description of measures to reduce emissions and results achieved.		
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.		

Aspects	Major Category, Aspects, General Disclosure and Key Performance Indicator ("KPI") Descriptions	Index Chapter	Note
A2: Use of Resources	General Disclosure Policies on the effective use of resources, including energy, water and other raw materials. Note: The resources may be used for/in production, storage, transportation, buildings, and electronic equipment.	3	
	KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume and per facility).		
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume and per facility).		note 2
	KPI A2.3 Description of energy use efficiency initiatives and results achieved.		
	KPI A2.4 Description of whether there are any issues in acquiring suitable water sources, water efficiency initiatives and results achieved.		note 2
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, where appropriate, volume per production unit.		note 3
A3: Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on environmental and natural resources.	3	
	KPI A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.		note 4

Aspects	Major Category, Aspects, General Disclosure and Key Performance Indicator ("KPI") Descriptions	Index Chapter	Note
B. Social			
B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1	
	KPI B1.1 Total workforce by gender, employment type, age group and geographical region.		
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.		note 5
B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to providing a safe working environment and protecting employees from occupational hazards.	4.2	
	KPI B2.1 Number and rate of work-related fatalities.		note 5
	KPI B2.2 Number of working days lost due to work-related injuries.		note 5
	KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.		

Aspects	Major Category, Aspects, General Disclosure and Key Performance Indicator ("KPI") Descriptions	Index Chapter	Note
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to the occupational training, including internal and external programs at the expenses of the employers.	4.3	
	KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management and middle management).		note 6
	KPI B3.2 The average training hours completed per employee by gender and employee category.		note 6
B4: Labor Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to prevention of child or forced labor.	4.1	note 7
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labor.		note 7
	KPI B4.2 Description of steps taken to eliminate the irregular practices when discovered.		note 7
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	6	
	KPI B5.1 Number of suppliers by geographical region.		note 5
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		

Aspects	Major Category, Aspects, General Disclosure and Key Performance Indicator ("KPI") Descriptions	Index Chapter	Note
B6: Product Liabilities	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	7	
	KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.		note 5
	KPI B6.2 Number of complaints on products and services and the follow-up measures.		
	KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.		note 5
	KPI B6.4 Description of quality assurance process and recall procedures.		
	KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.		
B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to bribery, extortion, fraud and money laundering.	5	
	KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		
	KPI B7.2 Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.		

Aspects	Major Category, Aspects, General Disclosure and Key Performance Indicator ("KPI") Descriptions	Index Chapter	Note
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take the communities' interests into consideration.	8	
	KPI B8.1 Key areas of contribution (e.g. education, environmental concerns, labor needs, health, culture and sport).		
	KPI B8.2 Resources contributed (e.g. money or time) to the key areas.		note 5

Note 1: As the Group mainly focuses on providing services, the emission of non-hazardous waste is not important to the Group.

Note 2: As the water used at 4S/5S shops for the Group's car washing business is recycled, consumption of water resources is insignificant to the Group.

Note 3: Automobiles sold by the Group are packed by the manufacturers, over which the Group has no control.

Note 4: The Group's business activities are involved less natural resources, so it is immaterial.

Note 5: The Group has not yet disclosed the key performance indicators in these social areas.

Note 6: The Group disclosed other quantitative training data.

Note 7: The Group opposes the use of child labor and forced labor, and it is impossible for the Group to employ any child labor due to its business mode. As such, this item is not applicable to the Group and no disclosure is made.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

DIRECTORS

Executive Directors

Mr. WANG Muqing (王木清先生), aged 70, is the founder of the Group and has served as a non-executive Director of the Company since 9 July 2010 and was re-designated as an executive Director on 30 March 2015. Mr. Wang was appointed as the chairman of the Board on 28 August 2013. He was appointed as a member of the Nomination Committee and a member of the Remuneration Committee on 8 April 2016, and was appointed as the chairman of the Nomination Committee on 13 December 2016. He is also the controlling shareholder of the Company. He started his automobile trading business in 1996 and engaged in automobile dealership business. Mr. Wang founded the Group in 1999. Mr. Wang holds directorships in numerous major subsidiaries of the Group, including (but not limited to) Wuhan Zhengtong United Industrial Investment Group Co., Ltd., ZhengTong Automobile Investment Holding (Wuhan) Co., Ltd., and Shenzhen SCAS Investment Group Co., Ltd.

Mr. WANG Kunpeng (王昆鵬先生), aged 49, obtained a bachelor's degree in professional vehicle engineering from Jilin University of Technology, the PRC. Mr. Wang Kunpeng has been an executive Director since 20 July 2010 and served as a member of the Remuneration Committee from 20 July 2010 to 8 April 2016. He has held several senior management positions with the Group and its major subsidiaries after joining the Group in 2006, including the chief executive officer of the Group. Mr. Wang was re-designated as the vice chairman of the Board on 6 January 2017 and ceased to serve as the chief executive officer. Subsequently, he was re-appointed as the chief executive officer of the Group on 12 June 2020. He is currently responsible for the strategic planning of the Group. Before joining the Group, Mr. Wang worked for FAW-Volkswagen Sales Company Ltd., a company engaged in distribution-related activities with respect of Volkswagen automobiles, from 1997 to 2006, responsible for the management of the sale, after-sales services and logistics services relating to Audi and Volkswagen branded automobiles.

Mr. LI Zhubo (李著波先生), aged 51, obtained an executive master of business administration degree from Wuhan University, the PRC. Mr. Li has been an executive Director of the Company since 20 July 2010. He joined the Group in 1999 and is currently the chief financial officer of the Group, responsible for financial planning and financial management of the Company. Before joining the Group, Mr. Li has engaged in financial management in automobile dealership industry with nearly 26 years of experience in financial management in automobile dealership industry.

Mr. WAN To (尹濤先生), aged 48, obtained a master's degree in business administration from the University of Leeds in the United Kingdom. He has been an executive Director of the Company since 16 November 2015. Mr. Wan had been assistant to chief executive officer and general manager of the network development department of the Company since joining the Group in January 2008. Since April 2013, he has been the vice president of the Company and is currently in charge of the investments and development of the Company. Since December 2013, Mr. Wan has also been serving as an executive director of Shenzhen SCAS Investment Group Co., Ltd., a wholly-owned subsidiary of the Company. Prior to joining the Group, Mr. Wan worked with BMW Brilliance Automotive Ltd. from 2003 to 2006. Mr. Wan has nearly 20 years' experience in marketing and investment management for Chinese and foreign-invested auto dealers.

Independent Non-executive Directors

Dr. WONG Tin Yau, Kelvin (黃天祐博士), JP, aged 60, has served as an independent non-executive Director since 17 November 2010. Dr. Wong also serves as the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Wong was the chairman of Financial Reporting Council and was its member from 2015 to 2018. Besides being a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, he served as a non-executive director of the Securities and Futures Commission from 2012 to 2018, chairman of Investor and Financial Education Council from 2017 to 2018, chairman of The Hong Kong Institute of Directors from 2009 to 2014, and members of the Listing Committee of the Main Board and GEM of the Stock Exchange of Hong Kong Limited from 2007 to 2013. From 2010 to 2016, he was a member of Standing Committee on Company Law Reform. Dr. Wong obtained his master's degree in business administration from Andrews University in Michigan, the United States in 1992 and a Ph.D. in business administration from The Hong Kong Polytechnic University in 2007. Dr. Wong is an executive director and a deputy managing director of COSCO SHIPPING Ports Limited (stock code: 1199), responsible for the strategic planning, management of capital markets and investor relations. Dr. Wong is an independent non-executive director of I.T Limited (stock code: 999) and JS Global Lifestyle Company Limited (stock code:1691). Dr. Wong served as an independent non-executive directors at Asia Investment Finance Group Limited (currently known as Amber Hill Financial Holdings Limited)(stock code: 33), Mingfa Group (International) Company Limited (stock code: 846), and Huarong International Financial Holdings Limited (stock code: 993). All the aforementioned companies are listed on the Stock Exchange. Dr. Wong is an independent non-executive director at Xinjiang Goldwind Science & Technology Co., Ltd., a company listed in Hong Kong and Shenzhen (stock code: 2208 and 002202.SZ), Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company listed in Hong Kong and Shanghai (stock code: 2196 and 600196.SH), and Yangtze Optical Fibre and Cable Joint Stock Limited Company* (stock code: 6869 and 601869.SH). He served as an independent non-executive director of Bank of Qingdao Co., Ltd., a company listed in Hong Kong and Shenzhen (stock code: 3866 and 002948.SZ). Dr. Wong was appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

Dr. CAO Tong (曹彤先生), aged 52, has been appointed as an independent non-executive Director since 8 April 2016. Dr. Cao is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. Dr. Cao is currently the chairman of Shenzhen Hande Financial Technology Holdings Co., Ltd.* (深圳瀚德金融科技控股有限公司), Xiamen International Financial Technology Co.,Ltd. (廈門國際金融技術有限公司) and Shenzhen Han De Chuang Ke Financial Investment Co., Ltd. (深圳瀚德創客金融投資有限公司) respectively. Dr. Cao is also a chairman of Beijing Tepia Technology Co., Ltd.* (北京太比雅科技股份有限公司). From March 2019 to September 2019, Dr. Cao served as a chairman for Whole Easy Internet Technology Co., Ltd.* (眾應互聯科技股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 002464.SZ). He worked with the planning and treasury department of the Beijing Branch of the People's Bank of China from July 1990 to January 1994. He had also been the deputy general manager of the planning and treasury department, the general manager of business department, the assistant to the president and the vice president of the Beijing Branch, the general manager of the personal banking department of the head office and deputy head of the Shenzhen management department of China Merchants Bank from January 1994 to December 2004. He had also been the assistant to the president and the vice president of China CITIC Bank Corporation Limited, a company listed on the Stock Exchange (stock code: 998) from December 2004 to August 2013 and had been an executive director from December 2011 to September 2013. He also served as the president of WeBank Co., Ltd. in Qianhai, Shenzhen from November 2014 to September 2015. He has nearly 28 years' experience in finance industry. Dr. Cao obtained his master's degree in economics from Renmin University of China in July 1999. He further obtained a Ph.D. in finance from Dongbei University of Finance and Economics in June 2011 and a Ph.D. in business administration from Arizona State University, the United States in July 2015.

Ms. WONG Tan Tan (王丹丹女士), aged 44, has served as an independent non-executive Director since 13 December 2016. Ms. Wong also serves as a member of the Audit Committee and Nomination Committee of the Company. Ms. Wong had served as a financial commissioner of the financial department and a senior manager of the marketing department at UTStarcom (USA) from March 2001 to February 2005, and served as an assistant to the chief executive officer at the Beijing headquarters of UTStarcom from February 2005 to April 2006. From May 2006 to September 2016, she was a chief representative and an executive director of the Beijing Office of J.P. Morgan Chase & Co. Ms. Wong studied business administration at Vanguard University in the United States from 1997 to 1998. From 1998 to 2000, she studied at the University of Southern California, Gordon S. Marshall School of Business, the United States, where she obtained a bachelor's degree in business administration, majoring in finance.

* *For identification purpose only*

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL PLACE OF BUSINESS

The Company is an exempted company incorporated in the Cayman Islands with limited liability. Its registered office is located in the Cayman Islands and its operating headquarters are located in Beijing, the PRC.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries of the Company are set out in note 15 to the consolidated financial statements.

BUSINESS MODEL AND STRATEGIES

The principal business of the Group comprises 4S dealership business, supply chain business and financial services business. The Group has concentrated on luxury and ultra-luxury branded automobile sales in China, and has made significant effort to its traditional after-sales services and post-market businesses in sectors of financing, insurance brokerage, pre-owned automobiles and beyond. The operations strategies implemented by the Group in the year under review were set out in the "Business Review" of the section headed "Management Discussion and Analysis" on pages 10 to 17 of this annual report.

SUBSIDIARIES

Please refer to note 15 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated financial statements.

BUSINESS REVIEW

Business performance, financial review, business review as well as prospects and strategies of the Group are set out in the section headed "Management Discussion and Analysis" in this report. Certain key financial indicators are provided in the section "Five-year' Financial Summary" in this report. Since the end of the financial year under review, save as disclosed in this annual report, there are no significant events that have an impact on the Group.

DIVIDEND

Given the severity of the COVID-19 epidemic development across the world and its unfathomable impact on the local and global economy in the foreseeable future, the Board has decided that no dividends shall be paid out of the remaining profits for 2020 after thorough consideration. The Group considers such temporary suspension of dividends payment is a reasonable move under current situation and feels optimistic about the prospects of economic recovery from COVID-19 and resumption of our dividends policy.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021, both days inclusive, during which period no transfer of ordinary shares of the Company ("**Shares**") will be registered. In order to be eligible for attending and voting at the forthcoming annual general meeting, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, 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 Monday, 31 May 2021.

FIVE-YEAR FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The single largest customer and the top five customers in aggregate of the Group accounted for 2.07% and 6.83% of the Group's total sales for the year ended 31 December 2020 respectively. The single largest supplier and the top five suppliers in aggregate of the Group accounted for 25.12% and 71.3% of the Group's total purchases for the year respectively.

As far as the Directors are aware, neither the Directors, their close associates, nor Shareholders who own more than 5% of the number of issued Shares of the Company as at 31 December 2020 had any interest in any of the five largest suppliers and customers disclosed above.

RETIREMENT BENEFIT SCHEMES

Details of retirement schemes of the Group are set out in note 28 to the consolidated financial statements in this annual report. In addition to contributing into retirement benefit schemes organised by the PRC municipal government, the Group also makes contributions into mandatory provident fund scheme ("**MPF Scheme**") set up under the Mandatory Provident Fund Schemes Ordinance for all the Group's qualifying employees in Hong Kong. Contributions into MPF Scheme are made based on 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2020 are set out in the Consolidated Statement of Changes in Equity on page 91 and note 31 to the consolidated financial statements.

At 31 December 2020, reserves of the Company amounted to deficit RMB109 million (31 December 2019: RMB2,085 million). The Board proposed not to declare a final dividend for the year of 2020 (2019: Nil), in order to maximize the liquidity of the Group, in light of the severity of the COVID-19 epidemic development across the world and its unfathomable impact on the local and global economy in the foreseeable future.

In 2020, the Company proposed not to paid an interim dividend for the six months ended 30 June 2020 (2019: HK$0.10).

DIRECTORS

The Directors during the year ended 31 December 2020 were as follows:

Executive Directors:

Mr. Wang Muqing *(Chairman)*
Mr. Wang Kunpeng *(Chief Executive Officer and Vice Chairman)*
Mr. Koh Tee Choong *(retired on 12 June 2020)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Wan To

Independent Non-executive Directors:

Dr. Wong Tin Yau, Kelvin
Dr. Cao Tong
Ms. Wong Tan Tan

The biographical information of the Directors is set out in the section headed "Directors' and Senior Management's Profiles" of this annual report.

Dr. Wong Tin Yau, Kelvin, Dr. Cao Tong and Ms. Wong Tan Tan will retire from office by rotation at the 2021 AGM. Dr. Wong Tin Yau, Kelvin, Dr. Cao Tong and Ms. Wong Tan Tan, being eligible, will offer themselves for re-election. The Board proposes to re-appoint the Directors standing for re-relection at the 2021 AGM of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2021 AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than disclosed in the section headed "Continuing Connected Transactions" in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with him/her had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this report, no contract of significance had been entered into and/or subsisting during or at the end of the year between the Company or any of its subsidiaries, and any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries and no contract of significance for provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries had been entered into during the year and/or subsisting during or at the end of the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed under the section headed "Continuing Connected Transactions" in this report, none of the Directors or their respective associates has any interests in a business, which competes or is likely to compete with the business of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

CONTINUING CONNECTED TRANSACTIONS

During 2020, the following lease agreements and property management agreements as well as property development and management services agreement which constituted non-exempt continuing connected transactions subject only to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules have been subsisting.

(1) Lease Agreements and Property Management Agreements

(i) Lease Agreements

On 10 April 2019, the Group renewed the lease agreements (the "**2019 Lease Agreements**") with the respective connected persons as lessors (as defined below as the "**Connected Lessors**") in relation to the lease of the office, 4S stores, garage as well as logistics and storage of the Group for a three years period from 1 January 2019 to 31 December 2021. Pursuant to the 2019 Lease Agreements, the Group shall pay the Connected Lessors an amount of approximately RMB28.10 million quarterly during the lease term.

The Connected Lessors, namely, 湖北熙可實業有限公司 (Hubei Xike Industry Co., Ltd.) ("**Hubei Xike**"), 北京寶澤汽車科技發展有限公司 (Beijing Baoze Automobile Technology Development Co., Ltd.) ("**Beijing Development**"), 武漢聖澤捷運貿易有限公司 (Wuhan Shengze Jieyun Trading Co., Ltd.) ("**Wuhan Shengze**

Jieyun"), 武漢聖澤捷眾物流有限公司 (Wuhan Shengze Jiezhong Logistics Co., Ltd.) ("**Wuhan Shengze Jiezhong**"), 長沙聖澤瑞寶電子產品貿易有限公司 (Changsha Shengze Ruibao Electronics Trading Co., Ltd.) ("**Changsha Shengze**"), 內蒙古聖澤鼎傑汽車貿易有限公司 (Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.) ("**Inner Mongolia Shengze Automobile Trading**"), 武漢江融投資有限公司 (Wuhan Jiangrong Investment Co., Ltd.) ("**Wuhan Investment**"), are directly or indirectly wholly-owned by family members of Mr. Wang Muqing, an executive Director and the controlling shareholder of the Company.

The table below sets out the details of the 2019 Lease Agreements and the term of all such agreements are from 1 January 2019 to 31 December 2021:

	Location	Gross floor area (sq.m.)	Use	Lessor	Lessee (being subsidiaries of the Company)	Quarterly rental (RMB)
1.	4S shop the basement and levels 1, 2, 3, 4 and 5 on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC	19,633.40	The Group's head office, operation of 4S businesses and garage	Beijing Development	北京寶澤行汽車銷售服務有限公司 (Beijing Baozehang Automobile Sales Services Co., Ltd.*) ("**Beijing Baozehang**")	6,663,973
2.	4S shop the basement and levels 1, 2, 3, 4 and 5 on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC	1,472.09	Office	Beijing Development	北京恒毅盈通廣告傳媒有限公司 (Beijing Hengyi Ying Tong Advertising Media Co., Ltd.*)	519,850
3.	4S shop the basement and levels 1, 2, 3, 4 and 5 on No. 59 West Third Ring South Road, Feng Tai District, Beijing, the PRC	5,224.92	Office	Beijing Development	鼎澤保險代理有限公司 (Dingze Insurance Agency*)	1,763,949
4.	4S Store, No.40, Xing'an North Road Yi, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC (Note 2)	4,662.00	Operation of 4S businesses	Inner Mongolia Shengze Automobile Trading	呼和浩特市英菲汽車銷售服務有限公司 (Huhhot Yingfei Automobile Sales Services Co., Ltd.*)	55,303
5.	4S Store, No.42, Xing'an North Road, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC	4,615.29	Operation of 4S businesses	Inner Mongolia Shengze Automobile Trading	內蒙古鼎傑汽車貿易有限公司 (Inner Mongolia Dingjie Automobile Trading Co., Ltd.*)	593,815
6.	4S Store, No.40, Xing'an North Road Yi, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC	10,199.00	Operation of 4S businesses	Inner Mongolia Shengze Automobile Trading	呼和浩特市祺寶汽車銷售有限公司 (Huhhot Qibao Automobile Sales Services Co., Ltd.*)	2,624,458
7.	4S Store, No.40, Xing'an North Road Jia, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC	7,439.00	Operation of 4S businesses	Inner Mongolia Shengze Automobile Trading	呼和浩特市捷運行汽車銷售服務有限公司 (Huhhot Jieyunhang Automobile Sales Services Co., Ltd.*)	2,952,818
8.	4S Store, No.688, Changsha Avenue, Yuhua District, Changsha, Hunan, the PRC	4,498.26	Operation of 4S businesses	Changsha Shengze	長沙瑞寶汽車銷售服務有限公司 (Changsha Ruibao Automobile Sales Services Co., Ltd.*)	694,090

	Location	Gross floor area (sq.m.)	Use	Lessor	Lessee (being subsidiaries of the Company)	Quarterly rental (RMB)
9.	No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	4,661.59	Operation of 4S businesses	Hubei Xike	湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.*)	654,146
10.	No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	6,541.52	Operation of 4S businesses	Hubei Xike	武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.*)	913,147
11.	Shiqiao Village, Houhu County, Jiangan District, Wuhan City, Hubei Province, the PRC	18,600.00	Operation of 4S businesses	Wuhan Investment	湖北奧澤汽車銷售服務有限公司 (Hubei Aoze Automobile Sales Services Co., Ltd.*)	4,030,434
12.	Shiqiao Village, Houhu County, Jiangan District, Wuhan City, Hubei Province, the PRC	2,556.00	Operation of 4S businesses	Wuhan Investment	武漢寶澤汽車銷售服務有限公司 (Wuhan Baoze Automobile Sales Services Co., Ltd.*)	553,860
13.	Lot 6C2 in Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	120,951.22	Operation of logistics and storage businesses	Wuhan Shengze Jieyun	聖澤捷通供應鏈有限公司 (Shengze Jietong*)	5,278,996
14.	Lot 5C2 in Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	10,422.59	Operation of Logistics and storage businesses	Wuhan Shengze Jiezhong	聖澤捷通供應鏈有限公司 (Shengze Jietong*)	715,372

Notes:

1. The rental amounts of the 2019 Lease Agreements were determined after arm's length negotiations between the Group's subsidiaries and the relevant Connected Lessors with reference to the prevailing market rate determined by a valuer engaged by the Group's subsidiaries.

2. The land located at No. 40, Xing'an North Road Yi, New District, Hohhot is owned by Inner Mongolia Shengze Automobile Trading, one of the Connected Lessors, and the buildings erected there on are owned by Huhhot Yingfei Automobile Sales Services Co., Ltd., the lessee, being a subsidiary of the Company.

* for identification purpose only

(ii) Property Management Agreements

In order to ensure the continual use of the property management services of Beijing Development by the Group after the expiry of the property management agreement with Beijing Development on 31 December 2015 for a period of 3 years from 1 January 2016 to 31 December 2018, the Group entered into a property management agreement with Beijing Development on 10 April 2019 for a period of 3 years from 1 January 2019 to 31 December 2021 (the "**2019 Property Management Agreement**"). Pursuant to the 2019 Property Management Agreement, Beijing Baozehang shall pay property management monthly fee of RMB362,043 in total to Beijing Development from 1 January 2019. In addition, Beijing Development shall charge Beijing Baozehang the air-conditioning annual fee of RMB2,908,898 under the 2019 Property Management Agreement payable semiannually. The property management fee under the 2019 Property Management Agreement was determined with reference to the market rate determined by a valuer engaged by Beijing Baozehang.

For further details of the 2019 Lease Agreements and the 2019 Property Management Agreement, please refer to the announcements of the Company dated 10 April 2019 and 18 April 2019 respectively.

(iii) Proposed Annual Caps

The Directors expect for each of the three years ending 31 December 2021 that (i) the rental amounts payable by the Group to the lessors during the lease term under the 2019 Lease Agreements; and (ii) the property management fee and air-conditioning fee payable to Beijing Development under the 2019 Property Management Agreement would not exceed the annual caps of RMB121 million. The proposed annual cap was determined with reference to the rental amount payable by the Group to the lessors during the effective term of the lease pursuant to the 2019 Lease Agreements and the property management fee and air-conditioning fee payable to Beijing Development pursuant to the 2019 Property Management Agreement. For the year ended 31 December 2020, the total amounts of payments incurred by the Group under the lease agreements with related parties and the property management expense were RMB119.31 million.

The Connected Lessors are the connected persons of the Company. As a result, the transactions contemplated under the 2019 Lease Agreements and the 2019 Property Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(2) Property Development Service Agreement

In order to reduce project development costs, on 4 July 2019, the Company entered into an agreement on contracted development and management (the "**Agreement on Contracted Development and Management**") with Beijing Guangze Real Estate Development Co., Ltd. (北京廣澤房地產開發有限公司 ("**Beijing Guangze**")), pursuant to which the Company engages Beijing Guangze to undertake the overall management and coordination services for the development, construction, renovation and expansion of certain 4S stores and the relevant commercial complex projects owned by the Group. The Company shall pay Beijing Guangze 5% of the estimated total project cost under the Agreement on Contracted Development and Management as the contracted management service fee. As the total project cost under the Agreement on Contracted Development and Management is estimated to be approximately RMB848 million, the contracted management service fee payable by the Company to Beijing Guangze is approximately RMB42.40 million. Taking into consideration the amount of the contracted management service fee of RMB42.40 million and the maximum amount of early completion bonus of RMB0.5 million, the annual cap for the Agreement on Contracted Development and Management shall not exceed RMB45 million. The amount was determined after arm's length negotiations between parties taking into account, among other factors, the project scale, investment amount for the project, scope of design and technical standards and scope of services provided by Beijing Guangze. For the year ended 31 December 2020, the total amount of management service fee was RMB0 million.

Beijing Guangze possesses adequate commercial experience in the development and construction project of 4S stores, with corresponding real estate development and management capabilities. Accordingly, the Group engaged Beijing Guangze to undertake the development, establishment, new establishment, renovation and expansion of 4S stores and relevant commercial projects in order to further reduce the cost and risk of the development and construction of such 4S stores and projects, as well as speed up the project construction to achieve our network expansion goals.

For further details of the Agreement on Contracted Development and Management, please refer to the announcement of the Company dated 4 July 2019.

REVIEW OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged KPMG, its independent external auditor, to perform certain procedures in respect of the continuing connected transactions undertaken by the Group for the year ended 31 December 2020 which has reported to the Board of Directors in a letter dated 31 March 2021. KPMG has confirmed the matters stated in Rule 14A.56 of the Listing Rules.

The independent non-executive Directors of the Company have reviewed the non-exempt continuing connected transactions and the report of KPMG and are of the opinion that the transactions were entered into by the Group:

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

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

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

RELATED PARTY TRANSACTIONS

Save as disclosed in the sections headed "Material Acquisition and Disposal" and "Continuing Connected Transactions" of this report, the Group had not entered into any related party transaction during the year under review.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") pursuant to a resolution in writing passed by the Shareholders on 17 November 2010, which enabled the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme became effective on 10 December 2010 and would be in force for 10 years from the date of its adoption.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the Company's subsidiaries or any entity (the "**Invested Entity**") in which the Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of the Company's subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any member of any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group, and for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The total number of the Shares of the Company available for issue under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, i.e. 200,000,000 Shares, representing 7.41% of the issued share capital of the Company as at the date of this report. No option was outstanding under the Share Option Scheme as at the date of this report.

The maximum number of the Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder, chief executive or Director as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of share options in excess of the Individual Limit is subject to Shareholders' approval at a general meeting.

Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their respective associates, in excess of 0.1% of the Shares of the Company in issue 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, in the 12-month period up to and including the date of grant, are subject to Shareholders' approval at a general meeting.

The offer of a grant of share options may be accepted by a participant within 21 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the options subject to the provisions for early termination under the Share Option Scheme.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the Shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of the offer of the grant, which must be a business day; (ii) the average closing price of the Shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Shares of the Company.

No options have been granted under the Share Option Scheme since its adoption.

The Share Option Scheme expired on 16 November 2020.

(b) Pre-IPO Share Option Scheme

The Company has, based on a framework plan formulated on 9 August 2010, formally adopted a pre-initial public offering share option scheme (the "**Pre-IPO Share Option Scheme**") pursuant to a resolution in writing passed by the Shareholders on 17 November 2010, which enables the Company to recognise and reward the contribution of certain Directors, senior management and employees of the Group to the growth and development of the Group and the listing.

The share options granted under the Pre-IPO Share Option Scheme were fully exercised/lapsed during the year ended 31 December 2017, and there were no share options outstanding as at 31 December 2020.

(c) Restricted Share Award Scheme

Adoption of the Share Award Scheme

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

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

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

The aggregate number of the Shares administered under the Share Award Scheme and underlying all grants of Shares (excluding the Shares where the rights to acquire them have been released or lapsed in accordance with the Share Award Scheme) made pursuant to the Share Award Scheme shall not exceed in total 5% of the Company's issued Shares as at the Adoption Date. The maximum number of the Shares which may be granted to an individual selected participant shall not exceed 1% of the issued Shares as at the Adoption Date.

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

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required to adopt the Share Award Scheme.

On 12 June 2020, based on the recommendation of the Remuneration Committee, the Board considered and approved the grant of a total of 47,100,000 Grant Shares to 40 selected participants in accordance with the terms of the Share Award Scheme. The Trustee will be issued and allotted with a total of 47,100,000 new Shares which shall be held by the Trustee on trust for those selected participants and will be transferred to such selected participants at no cost upon satisfaction of the vesting conditions as set out in the Scheme Rules.

Out of the 47,100,000 Grant Shares, (i) 35,700,000 Grant Shares were granted to 37 non-connected selected participants, all being independent employees of the Group who are not connected persons of the Company, which shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 12 June 2020; and (ii) 11,400,000 Grant Shares were granted to 3 executive Directors of the Company, namely, Mr. Wang Kunpeng, Mr. Li Zhubo and Mr. Wan To, which shall be satisfied by the allotment and issue of new Shares, fully paid or credited as fully paid to the Trustee pursuant to the specific mandate granted by the independent Shareholders to the Directors at the extraordinary general meeting of the Company held on 17 September 2020.

The nominal value of the 47,100,000 Grant Shares is HK$4,710,000. The issue price of the Grant Shares is based on the average five-day closing price of the Shares immediately preceding but excluding the Grant Date (i.e. 12 June 2020) of approximately HK$1.178 and the market value of such 47,100,000 Grant Shares is HK$55,483,800.

During the year ended 31 December 2020, details of the interests of the selected participants under the Share Award Scheme are set out below:

		Number of Shares granted					
	Grant Date	As at the Grant Date	Granted during the period from the Grant Date up to 31 December 2020	Vested during the period from the Grant Date up to 31 December 2020	Lapsed during the period from the Grant Date up to 31 December 2020	Outstanding as at 31 December 2020	Vesting date/ period (Note 1)
WANG Kunpeng	12 June 2020	4,400,000	–	–	–	4,400,000	12 June 2021
LI Zhubo	12 June 2020	4,000,000	–	–	–	4,000,000	12 June 2021
WAN To	12 June 2020	3,000,000	–	–	–	3,000,000	12 June 2021
37 selected participants who are independent employees of the Group	12 June 2020	35,700,000	–	–	5,940,000 (Note 2)	29,760,000	12 June 2021 to 12 June 2024 (Note 3)
		47,100,000				**41,160,000**	

Notes:

1. The allotment and issue of the Grant Shares and the vesting thereof to the selected participants shall be subject to the satisfaction of the annual performance review of the relevant selected participants and other vesting conditions applicable to them as set out in the Scheme Rules.

2. During the period from the Grant Date up to 31 December 2020, 4 out of the 37 selected participants tendered their resignation and ceased to be a participant under the Share Award Scheme, hence their 5,940,000 Grant Shares became immediately forfeited, as such grant automatically lapsed forthwith. The Trustee shall hold such 5,940,000 Grant Shares for the time being which shall be applied towards future grants.

3. Among the 29,760,000 Grant Shares, subject to the satisfaction of the annual performance review of the relevant selected participants and other vesting conditions applicable to them, (i) 10,960,000 Grant Shares will vest on 12 June 2021 (i.e. the first anniversary of the Grant Date); (ii) 7,960,000 Grant Shares will vest on 12 June 2022 (i.e. the second anniversary of the Grant Date); (iii) 7,960,000 Grant Shares will vest on 12 June 2023 (i.e. the third anniversary of the Grant Date) and (iv) 2,880,000 Grant Shares will vest on 12 June 2024 (i.e. the fourth anniversary of the Grant Date).

The said 47,100,000 Grant Shares represent approximately 1.92% of the total number of issued Shares as at the Grant Date and approximately 1.75% of the total number of issued Shares as at the date of this report.

For details of the summary of the major terms of the Share Award Scheme and the grant of the Grant Shares for the year ended 31 December 2020, please refer to the announcements of the Company dated 12 June 2020 and 18 June 2020 and the circular of the Company dated 31 August 2020.

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

As at 31 December 2020, the interests and short positions of the Directors, the chief executives and their respective associates in the shares and underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares and underlying Shares of the Company:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding
Wang Muqing	Founder of a discretionary trust	1,383,516,820 (Note 2)	51.29%
Wang Kunpeng	Beneficial owner	1,230,000	0.05%
	Beneficiary of a trust (other than a discretionary trust)	4,400,000 (Note 3)	0.16%
Li Zhubo	Beneficial owner	1,550,000	0.06%
	Beneficiary of a trust (other than a discretionary trust)	4,000,000 (Note 4)	0.15%
Wan To	Beneficiary of a trust (other than a discretionary trust)	3,000,000 (Note 5)	0.11%

Notes:

1. As at 31 December 2020, the total number of Shares in issue was 2,697,442,420.

2. Prior to 24 July 2020, these Shares were directly held by Joy Capital Holdings Limited ("**Joy Capital**"), the entire voting share capital of which was held by Bright Brilliant Holdings Limited ("**Bright Brilliant**"), which in turn was wholly-owned by Credit Suisse Trust Limited in Guernsey as trustee of a family discretionary trust of which Wang Muqing is one of the founders (the other founder being Wang Weize who is the son of Wang Muqing).

On 24 July 2020, the entire issued share capital of Bright Brilliant became wholly-owned by Credit Suisse Trust Limited in Guernsey as trustee of a new family discretionary trust of which Wang Muqing is one of the founders (the other founder being Wang Boheng who is the grandson of Wang Muqing).

On 19 October 2020, Joy Capital (as seller) and Mr. Wang Muqing entered into a sale and purchase agreement with Xiamen Xinde Co. Ltd. (廈門信達股份有限公司) (as purchaser) ("**Xiamen Xindeco**"), pursuant to which Joy Capital conditionally agreed to sell 806,535,284 Shares to Xiamen Xindeco, completion of which will be subject to fulfilment or waiver (as the case may be) of the conditions set out in the said sale and purchase agreement.

3. The 4,400,000 Shares were granted to Wang Kunpeng and to be issued to BOCI-Prudential Trustee Limited, i.e. the Trustee on trust for him under and pursuant to the terms and conditions of the Share Award Scheme.

4. The 4,000,000 Shares were granted to Li Zhubo and to be issued to the Trustee on trust for him under and pursuant to the terms and conditions of the Share Award Scheme.

5. The 3,000,000 Shares were granted to Wan To and to be issued to the Trustee on trust for him under and pursuant to the terms and conditions of the Share Award Scheme.

Save as disclosed above, as at 31 December 2020, none of the Directors, the chief executives or any of their respective associates 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), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, the interests or short positions of such persons (other than the Directors or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding
Joy Capital	Beneficial owner	1,383,516,820 (Note 2)	51.29%
Bright Brilliant	Interest of a controlled corporation	1,383,516,820 (Note 2)	51.29%
Credit Suisse Trust Limited	Trustee	1,383,516,820 (Note 2)	51.29%
Wang Boheng	Founder of a discretionary trust	1,383,516,820 (Note 2)	51.29%
Xiamen Xindeco	Other (Note 3)	806,535,284 (Note 3)	29.90%

Notes:

1. As at 31 December 2020, the total number of Shares in issue was 2,697,442,420.

2. Prior to 24 July 2020, these Shares were directly held by Joy Capital, the entire voting share capital of which was held by Bright Brilliant, which in turn was wholly-owned by Credit Suisse Trust Limited in Guernsey as trustee of a family discretionary trust of which Wang Muqing is one of the founders (the other founder being Wang Weize who is the son of Wang Muqing).

On 24 July 2020, the entire issued share capital of Bright Brilliant became wholly-owned by Credit Suisse Trust Limited in Guernsey as trustee of a new family discretionary trust of which Wang Muqing is one of the founders (the other founder being Wang Boheng, the grandson of Wang Muqing).

On 19 October 2020, Joy Capital (as seller) and Mr. Wang Muqing entered into a sale and purchase agreement with Xiamen Xindeco pursuant to which Joy Capital conditionally agreed to sell 806,535,284 Shares to Xiamen Xindeco, completion of which will be subject to fulfilment or waiver (as the case may be) of the conditions set out in the said sale and purchase agreement.

3. On 19 October 2020, Xiamen Xindeco (as purchaser) entered into a sale and purchase agreement with Joy Capital (as seller) and Mr. Wang Muqing pursuant to which Xiamen Xindeco conditionally agreed to purchase 806,535,284 Shares from Joy Capital, completion of which will be subject to fulfilment or waiver (as the case may be) of the conditions set out in the said sale and purchase agreement.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Option Scheme, the Pre-IPO Share Option Scheme and the Share Award Scheme, at no time during the year ended 31 December 2020 was the Company, or any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

NON-COMPETE UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

In accordance with the non-compete undertakings (the "**Non-Compete Undertakings**") contained in the share purchase agreement dated 17 November 2010 between the Company, Mr. Wang Muqing, Grand Glory Enterprises Limited ("**Grand Glory**") and Joy Capital, each of Mr. Wang Muqing, Grand Glory and Joy Capital (collectively, the "**Covenantors**") has undertaken to the Company that during the period in which he and his associates, individually or taken as a whole, remains a controlling shareholder (as defined under the Listing Rules) of the Company, they would comply with the terms of the Non-Compete Undertakings.

In addition, under the Non-Compete Undertakings, each of the Covenantors has undertaken to the Company that he shall provide to the Company and/or the Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-Compete Undertakings. Each of the Covenantors has also undertaken to issue an annual confirmation to the Company on compliance with the terms of the Non-Compete Undertaking, their interests in any projects or business opportunities, if any, and consenting to the disclosure of such confirmation in the annual reports of the Company, thereby enabling the Company to keep monitoring the relevant compliance by the Covenantors.

The Company has received an annual confirmation from the Covenantors who remain a controlling shareholder of the Company in respect of their compliance with the terms of the Non-Compete Undertakings and that they have not engaged, nor been interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year ended 31 December 2020.

The independent non-executive Directors have reviewed the said undertakings and are of the view that the Covenantors have complied with the Non-Compete Undertakings during the year ended 31 December 2020.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in notes 24 and 27 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

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

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

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

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is aware of the importance of complying with the relevant laws and regulations, and has allocated systems and human resources to guarantee our constant compliance to provisions and codes, and builds good relationship with supervision authorities through effective communication.

On 20 October 2020, the Company received from the Shanghai Office of the China Banking and Insurance Regulatory Commission (the "**CBIRC**") an administrative decision against the Company (the "**CBIRC Decision**"), alleging that (i) the Company obtained administrative licenses and permits for the establishment of Dongzheng AFC, a subsidiary of the Company, by improper means and the Company and its related parties engaged in non-compliant related-party transactions with Dongzheng AFC; and (ii) Dongzheng AFC's dealer auto loan business was carried out in serious violation of the principle of prudent operation.

Based on the information available and the advice of the PRC legal advisors of the Company, all of the existing Directors confirmed that they are not aware of any irregularity or impropriety in relation to the application for the establishment of Dongzheng AFC (the "**Application**") or the involvement of the then Board in any improper conduct. The existing Directors had not been provided with any information regarding the allegation, the Company's internal review of materials on the Application had not revealed any irregularity or impropriety. Under such circumstance, the Board had no reason to suggest that the existing Directors may not have properly discharged his/her fiduciary duties and duties of skill, care and diligence or that they do not have the character, experience and integrity as required under Rules 3.08 and 3.09 of the Listing Rules.

The Company filed an application for administrative review of the CBIRC Decision on 18 December 2020. On 22 February 2021, the Company received the administrative review decision (the "**Review Decision**") from the CBIRC and the CBIRC has upheld the CBIRC Shanghai Office's Decision. After seeking legal advice in relation to the CBIRC Decision and the Review Decision and having due and careful consideration, the Company has determined not to file an application for an administrative lawsuit.

For further details of the above matters, please refer to the announcements of the Company dated 7 December 2020, 3 February 2021 and 9 March 2021 respectively.

Save as disclosed above, during the year under review, to the knowledge of Directors, the Company was in compliance with the laws and regulations in all material respects relating to its business, including those relating to automobile dealership, auto financing and insurance brokerage. In addition, the Group maintains compliance with laws and regulations relating to employees' rights and benefits, and provides them with a healthy and safe working environment and condition. Meanwhile, the Group is committed to achieving high standards of corporate governance by observing laws and regulations on taxation, financial issues and listing compliance.

MAJOR RISKS AND UNCERTAINTIES

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

(i) Macro-economic environment

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

(ii) Industry policies

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

(iii) Manufacturers' policies

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

(iv) Intense competition

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

(v) Supply chain

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

(vi) Information systems

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

(vii) Market risks

The Group is subject to various types of market risks, including credit risks, liquidity risks, interest rate risks and exchange risks, the details of which are set out in note 31 to the financial statements in this annual report. The Group has exercised effective control over market risks through continuous monitoring of risks and changes, timely risk warnings and appropriate application of hedge instruments.

PERMITTED INDEMNITY

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

MANAGEMENT CONTRACTS

Except for the service contracts of the Directors and senior management of the Company or otherwise disclosed in this report, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management of all or any material part of the Company's business.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2020, the Company had complied with the Code Provisions set out in the CG Code in Appendix 14 to the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

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

On 15 July 2020, after trading hour, the Company entered into a placing and subscription agreement ("**Placing and Subscription Agreement**") with Joy Capital (as vendor) and CCB International Capital Limited (as placing agent) ("**Placing Agent**"), pursuant to which the Placing Agent has agreed to procure placees, on a best effort basis, for purchase of a total of up to 245,222,000 shares of the Company ("**Placing Share(s)**") owned by Joy Capital at the placing price of HK$1.09 per Placing Share. The aggregate nominal value of the Placing Shares is HK$24,522,200. The closing price as quoted on the Stock Exchange on 15 July 2020 was HK$1.29 per share.

Under the Placing and Subscription Agreement, Joy Capital has conditionally agreed to subscribe for the subscription shares ("**Subscription Share(s)**") (the exact number of which would be equivalent to the number of the Placing Shares actually placed under the placing) at HK$1.09 per Subscription Share ("**Subscription**"), such Subscription Shares would be issued and allotted pursuant to the general mandate ("**General Mandate**") granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 12 June 2020.

On 20 July 2020, 245,222,000 Placing Shares were placed to no less than six placees. To the best knowledge of the Directors after having made all reasonable enquiries, the placees and their ultimate beneficial owners are not connected persons of the Company and are independent of and not connected with the Company, the Directors, chief executive or substantial Shareholders of the Company or its subsidiaries, or any of their respective associates. The 245,222,000 Subscription Shares, representing approximately 9.09% of the total number of 2,697,442,420 issued shares immediately after the completion of Subscription and as enlarged by the Subscription Shares, were allotted and issued to Joy Capital on 27 July 2020 pursuant to the General Mandate.

The net proceeds from the Subscription were approximately HK$263,350,000 and the net price per Subscription Share was HK$1.07. The Company intended to use the net proceeds from the Subscription primarily for general working capital purpose. In particular, approximately 90% of the net proceeds will be used for providing capital for operation of the Company's automobile business, including purchases of automobiles and related components; and approximately 10% of the net proceeds will be used for repayment of offshore operating expense. As at the date of this report, all of the net proceeds have been utilized for the above purposes.

By entering into the Placing and Subscription Agreement, the Group is able to raise capital through the Subscription to further strengthen its capital base and financial position.

For details of the above top-up placing, please refer to the announcements of the Company dated 15 July 2020 and 28 July 2020 respectively.

Save as the Subscription, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

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

AUDITORS

KPMG will retire and, being eligible, offer themselves for re-appointment at the 2021 AGM of the Company. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the 2021 AGM of the Company.

On behalf of the Board

Wang Muqing
Chairman
31 March 2021

KPMG

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

OPINION

We have audited the consolidated financial statements of China ZhengTong Auto Services Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 87 to 189, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which describes that the Group incurred a net loss of RMB8,589 million for the year ended 31 December 2020 and the Group expects to repay loans and borrowings totaling RMB10,122 million, trade and other payables of RMB4,197 million, lease liabilities of RMB530 million and income tax payables of RMB388 million, within one year, and the Group also had capital commitment of RMB1,172 million as at 31 December 2020. As explained in note 2, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the availability of support from Xiamen Xindeco Ltd, a potential investor, the Group's lenders and the Group's ability to generate sufficient net cash inflows from future operations. These facts and circumstances, along with other matters as set forth in note 2, indicate 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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.

Impairment of goodwill and intangible assets — car dealerships

Refer to note 13 & note 14 to the consolidated financial statements on pages 130 to 133 and the accounting policies on pages 99 to 100.

The Key Audit Matter	How the matter was addressed in our audit
As a result of acquisitions by the Group of 4S dealership stores, the Group recognised goodwill and intangible assets — car dealership in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealership stores, which are considered to represent individual cash-generating units ("**CGUs**"). As at 31 December 2020, goodwill and intangible assets — car dealership, after provision for impairment, amounted to RMB694 million (31 December 2019: 1.9 billion) and RMB2.0 billion (31 December 2019: 3.1 billion), respectively. The 4S dealership business in China operates in a highly competitive and regulated market which increases the risk of sales volatility of the 4S dealership stores. Consequently, there are uncertainties as to whether the acquired 4S dealership stores can meet forecast growth projections.	Our audit procedures to assess impairment of goodwill and intangible assets — car dealerships included the following: • evaluating the appropriateness of management's identification of CGUs and the amounts of goodwill and intangible assets — car dealerships allocated to each CGU; • evaluating the reasonableness of management's identification of impairment indications of goodwill and intangible assets — car dealership and determination of recoverable amount; • assessing the qualifications, experience and expertise of the external valuer appointed by management in assessing the impairment of goodwill and intangible assets — car dealerships and considering their objectivity and independence;

KEY AUDIT MATTERS (Continued)

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

Refer to note 13 & note 14 to the consolidated financial statements on pages 130 to 133 and the accounting policies on pages 99 to 100.

The Key Audit Matter	How the matter was addressed in our audit
Management reviews internal and external sources of information at the end of each reporting period to identify indications that intangible assets may be impaired, and if such indication exists, the recoverable amount is estimated. As at 31 December 2020, management assesses goodwill and intangible assets — car dealerships for potential impairment by determining the recoverable amount for each CGU to which the goodwill and intangible assets — car dealerships have been allocated, with reference to a valuation report prepared by an external valuer appointed by management. The recoverable amount of each CGU is determined by management using the discounted cash flow method. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating sales growth rates, corresponding gross margin rates and working capital changes, which are based on past performance and management's expectation of market developments. We identified impairment of goodwill and intangible assets — car dealerships as a key audit matter because these assets are material to the consolidated financial statements and because the impairment assessments prepared by management are complex and contain certain judgements and assumptions which are inherently uncertain and could be subject to management bias.	• with the assistance of our internal valuation specialists, evaluating the methodology adopted by management and the valuer in determining the recoverable amount of goodwill and intangible assets — car dealership with impairment indications or the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry; • comparing data in the discounted cash flow forecast of each individual CGU with relevant data, including forecast revenue, forecast cost of sales, forecast other operating expenses and forecast working capital, in the financial budget which was approved by the directors and comparing forecast revenue growth trends with sales forecasts issued by industry research institutions; • comparing forecast revenue, forecast cost of sales, forecast other operating expenses and forecasts working capital included in the discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified; • obtaining from management sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • considering the disclosures in the consolidated financial statements of the assumptions in the impairment assessments of goodwill and intangible assets — car dealerships with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (Continued)

Recognition of vendor rebates	
Refer to note 19 to the consolidated financial statements on page 155 and the accounting policies on page 112.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group earns vendor rebates under various and differing arrangements with automobile manufacturers. Rebate arrangements, which can vary in different fiscal years and between automobile manufacturers, include rebates based on purchase or (for certain specific car models) sales volumes, performance rebates and other specific rebates. Rebates based on purchase or sales volumes are granted by vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with the vendors' comprehensive assessment of the Group's business performance. In addition, other specific rebates are granted to the Group, including, but not limited to, compensation for automobile mortgage sales, new store one-off compensation, regional annual awards and car demonstration compensation.	Our audit procedures to assess the recognition of vendor rebates included the following: • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the Group's accounting policies in respect of the recognition of vendor rebates by inspecting the terms and conditions set out in each type of rebate arrangement communicated by the respective automobile manufacturers with reference to the requirements of the prevailing accounting standards; • selecting a sample of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or underlying bank payment slips;

KEY AUDIT MATTERS (Continued)

Recognition of vendor rebates (Continued)

Refer to note 19 to the consolidated financial statements on page 155 and the accounting policies on page 112.

The Key Audit Matter	How the matter was addressed in our audit
The Group manually calculates rebates and recognises them to the extent that the management estimates it is probable that the associated conditions will be met and the amount can be estimated reliably. We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because the manual calculation of the Group's entitlement to such rebates involves material management's estimation, which increases the risk that vendor rebates are not accurately recognised in accordance with the underlying entitlement conditions.	• for vendor rebate receivables at the reporting date, performing recalculations of the amounts receivable, on a sample basis, based on the terms of the underlying vendor rebate policies and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate policies; • evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; • assessing, on a sample basis, whether vendor rebates accrued at the previous financial reporting date were subsequently settled in the current year; and • for reversal of vendor rebate entitlements as an adjustment to cost of sales recorded during the reporting period, assessing the reasonableness of management's identification of significant uncertainties around the recoverability of certain rebate receivable and determination of corresponding reversal amount, by understanding the business rationale behind and, on a sample basis, inspecting underlying supporting documents, including but not limited to notices from respective automobile manufacturers regarding the Group's deterioration in certain overriding and ongoing performance metrics under the various dealership agreements, and claw back the Group's prior years' rebate entitlements.

KEY AUDIT MATTERS (Continued)

Loss allowance of receivables from financial services operations	
Refer to note 32 & note 33(a) to the consolidated financial statements on pages 171 to 175 and the accounting policies on page 102.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's financial services operations mainly comprise automobile consumer financing services; i.e. providing loans and advances to individual car buyers, which are recorded as receivables from financial services in the consolidated financial statements, included in assets held for sale, under discontinued operations. As at 31 December 2020, loss allowance of receivables from financial services amounted to RMB385 million, as disclosed in note 33(a). The Company uses the expected credit loss ("**ECL**") model to calculate the loss allowance in accordance with Hong Kong Financial Reporting Standard 9 — Financial instruments. The Group classifies receivables from financial services operations into different stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the receivable, depending on whether credit risk on that receivable has increased significantly since initial recognition.	Our audit procedures to assess loss allowance of receivables from financial services operations included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of receivables from financial services operations, the credit grading process and the measurement of loss allowance of receivables from financial services operations; • with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, and adjustments for forward-looking information;

KEY AUDIT MATTERS (Continued)

Loss allowance of receivables from financial services operations (continued)	
Refer to note 32 & note 33(a) to the consolidated financial statements on pages 171 to 175 and the accounting policies on page 102.	
The Key Audit Matter	**How the matter was addressed in our audit**
The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, discount rate, and adjustments for forward-looking information and impact of the COVID-19. Management judgement is involved in the selection of these parameters and the application of assumptions. In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy for financial services operations. The expected credit losses for receivables from financial services are derived from estimates, whereby management takes into consideration data on historical overdues and historical loss experiences for receivables from financial services. We identified the loss allowance of receivables from financial services operations as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results of the Group.	• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model: ➢ for key parameters derived from internal data relating to original agreements, by comparing the total balance of the receivables from financial services list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual receivables from financial services information with the underlying agreements and other related documentation to assess the accuracy of compilation of the receivables from financial services list; ➢ for key parameters involving judgements, by seeking evidence from external sources and comparing to the Group's internal records, including historical loss experience. As part of these procedures, challenging the reasons for modifications to estimates and input parameters compared with prior period and considered the consistency of judgements. We compare the economic factors used in the models with market information to assess whether they were aligned with market and economic developments; ➢ for key parameters which were derived from system-generated internal data, by assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logic and compilation of the overdue information;

KEY AUDIT MATTERS (Continued)

Loss allowance of receivables from financial services operations (continued)	
Refer to note 32 & note 33(a) to the consolidated financial statements on pages 171 to 175 and the accounting policies on page 102.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• evaluating the validity of management's assessment on whether the credit risk of the receivables from financial services has, or has not, increased significantly since initial recognition and whether any of the receivables from financial services is credit-impaired by selecting risk-based samples and making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses; • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of receivables from financial services where the credit risk of the receivables from financial services has not, or has, increased significantly since initial recognition, respectively; and • evaluating whether the disclosures on loss allowance of receivables from financial services meet the disclosure requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020 (Expressed in RMB'000)

	Note	For the year ended 31 December 2020	2019 (Restated) (Note)
Continuing operations			
Revenue	3	**16,880,923**	34,258,232
Cost of sales		**(22,054,370)**	(30,854,527)
Gross (loss)/profit		**(5,173,447)**	3,403,705
Other income	4	**665,223**	800,578
Selling and distribution expenses		**(1,502,673)**	(1,099,365)
Administrative expenses		**(1,066,925)**	(1,232,809)
Impairment losses on goodwill and intangible assets	13, 14	**(2,262,744)**	(71,222)
(Loss)/profit from operations		**(9,340,566)**	1,800,887
Finance costs	5(a)	**(1,091,937)**	(1,074,627)
Share of profit of a joint venture and associates		**37,077**	61,753
(Loss)/profit before taxation	5	**(10,395,426)**	788,013
Income tax credit/(expense)	6(a)	**1,782,957**	(302,163)
(Loss)/profit for the year from continuing operations		**(8,612,469)**	485,850
Discontinued operations	32		
Profit for the year from discontinued operations, net of tax		**23,865**	280,855
(Loss)/profit for the year		**(8,588,604)**	766,705
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company			
— from continuing operations		**(8,596,060)**	450,484
— from discontinued operations		**16,954**	213,378
		(8,579,106)	663,862
(Loss)/profit for the year attributable to:			
Non-controlling interests			
— from continuing operations		**(16,409)**	35,366
— from discontinued operations		**6,911**	67,477
		(9,498)	102,843
(Loss)/profit for the year		**(8,588,604)**	766,705
Basic and diluted (loss)/earnings per share	9		
from continuing operations (RMB cents)		**(335.5)**	18.4
from discontinued operations (RMB cents)		**0.7**	8.7
		(334.8)	27.1

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

The notes on pages 93 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020 (Expressed in RMB'000)

	Note	For the year ended 31 December 2020	2019 (Restated) (Note)
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
financial statements of entities outside the Mainland China		**14,772**	(5,342)
Other comprehensive income for the year		**14,772**	(5,342)
Total comprehensive income for the year		**(8,573,832)**	761,363
Attributable to:			
Equity shareholders of the Company			
— from continuing operations		**(8,581,288)**	445,142
— from discontinued operations		**16,954**	213,378
		(8,564,334)	658,520
Non-controlling interests			
— from continuing operations		**(16,409)**	35,366
— from discontinued operations		**6,911**	67,477
		(9,498)	102,843
Total comprehensive income for the year		**(8,573,832)**	761,363

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

The notes on pages 93 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020 (Expressed in RMB'000)

	Note	At 31 December 2020	At 31 December 2019
Non-current assets			
Property, plant and equipment	11	**6,098,398**	6,609,129
Right-of-use assets	12	**3,036,412**	3,431,989
Intangible assets	13	**2,979,596**	4,193,072
Goodwill	14	**693,791**	1,935,113
Interest in a joint venture		**—**	355,002
Interest in associates	16	**516,887**	15,466
Receivables from financial services	20	**—**	3,631,142
Deferred tax assets	30	**442,782**	321,474
Long-term receivables		**237,924**	212,946
Other financial assets	21	**35,000**	17,028
		14,040,790	20,722,361
Current assets			
Inventories	17	**1,801,768**	3,483,098
Trade and bills receivables	18	**1,054,337**	1,434,828
Prepayments, deposits and other receivables	19	**4,373,866**	10,216,300
Receivables from financial services	20	**—**	5,138,900
Other financial assets	21	**250,000**	285,000
Pledged bank deposits and balances with central bank	22	**989,711**	1,399,158
Time deposits		**443,180**	680,929
Cash and cash equivalents	23	**395,119**	1,497,400
Assets held for sale	32	**4,647,182**	—
		13,955,163	24,135,613
Current liabilities			
Loans and borrowings for financial services	24	**—**	5,966,821
Loans and borrowings for non-financial services	24	**10,122,239**	11,061,164
Lease liabilities	25	**529,620**	428,019
Trade and other payables	26	**4,197,308**	6,296,033
Income tax payables		**387,750**	2,064,217
Other financial liabilities		**—**	2,761
Liabilities held for sale	32	**2,203,270**	—
		17,440,187	25,819,015
Net current liabilities		**(3,485,024)**	(1,683,402)
Total assets less current liabilities		**10,555,766**	19,038,959

The notes on pages 93 to 189 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020 (Expressed in RMB'000)

	Note	At 31 December 2020	2019
Non-current liabilities			
Loans and borrowings for financial services	24	—	15,316
Loans and borrowings for non-financial services	24	**1,433,964**	2,225,939
Bonds payable	27	**1,417,105**	298,535
Lease liabilities	25	**1,161,212**	1,454,183
Deferred tax liabilities	30	**946,546**	1,027,790
Trade and other payables	26	**251,656**	277,057
Other financial liabilities		**32,383**	99,842
		5,242,866	5,398,662
NET ASSETS		**5,312,900**	13,640,297
CAPITAL AND RESERVES	31		
Share capital		**231,265**	209,150
Reserves		**3,876,829**	12,209,118
Total equity attributable to equity shareholders of the Company		**4,108,094**	12,418,268
Non-controlling interests		**1,204,806**	1,222,029
TOTAL EQUITY		**5,312,900**	13,640,297

Approved and authorised for issue by the board of directors on 31 March 2021.

Wang Kunpeng
Director, CEO

Li Zhubo
Director, CFO

The notes on pages 93 to 189 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020 (Expressed in RMB'000)

	Attributable to shareholders of the Company										
	Share capital (note 31(c))	Share premium	Capital reserve	PRC statutory reserve (note 31(d)(i))	Exchange reserve (note 31(d)(ii))	Discretionary surplus reserve	General reserve (note 31(d)(iii))	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2019	209,320	6,120,051	284,097	651,482	(12,610)	4,459	107,041	4,602,535	11,966,375	182,124	12,148,499
Profit for the year	–	–	–	–	–	–	–	663,862	663,862	102,843	766,705
Other comprehensive income	–	–	–	–	(5,342)	–	–	–	(5,342)	–	(5,342)
Total comprehensive income for the year	–	–	–	–	(5,342)	–	–	663,862	658,520	102,843	761,363
Transfer of profits to general reserve	–	–	–	–	–	–	49,006	(49,006)	–	–	–
Dividends (note 31(b))	–	–	–	–	–	–	–	(522,144)	(522,144)	(56,589)	(578,733)
Issue of ordinary shares by placement	–	–	315,517	–	–	–	–	–	315,517	993,651	1,309,168
Purchase and cancellation of own shares	(170)	(7,377)	7,547	–	–	–	–	–	–	–	–
Appropriation to reserves	–	–	–	126,281	–	–	–	(126,281)	–	–	–
Balance at 31 December 2019, and 1 January 2020	209,150	6,112,674	607,161	777,763	(17,952)	4,459	156,047	4,568,966	12,418,268	1,222,029	13,640,297
Profit for the year	–	–	–	–	–	–	–	(8,579,106)	(8,579,106)	(9,498)	(8,588,604)
Other comprehensive income	–	–	–	–	14,772	–	–	–	14,772	–	14,772
Total comprehensive income for the year	–	–	–	–	14,772	–	–	(8,579,106)	(8,564,334)	(9,498)	(8,573,832)
Dividends (note 31(b))	–	–	–	–	–	–	–	–	–	(7,725)	(7,725)
Issue of ordinary shares by placement (note 31(c))	22,115	214,735	–	–	–	–	–	–	236,850	–	236,850
Equity settled share-based transactions	–	–	17,310	–	–	–	–	–	17,310	–	17,310
Appropriation to reserves	–	–	–	19,465	–	–	–	(19,465)	–	–	–
Balance at 31 December 2020	**231,265**	**6,327,409**	**624,471**	**797,228**	**(3,180)**	**4,459**	**156,047**	**(4,029,605)**	**4,108,094**	**1,204,806**	**5,312,900**

The notes on pages 93 to 189 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020 (Expressed in RMB'000)

	Note	For the year ended 31 December 2020 (Note)	2019
Operating activities:			
Cash generated from operations	23(b)	**520,074**	2,773,466
Income tax paid		**(173,844)**	(227,445)
Net cash generated from operating activities		**346,230**	2,546,021
Investing activities:			
Payment for purchase of property, plant and equipment		**(563,451)**	(1,243,748)
Payment for purchase of right-of-use assets		**(13,733)**	(334,776)
Proceeds from disposal of property, plant and equipment		**384,453**	436,143
Payment for purchase of financial assets		**—**	(150,000)
Proceeds from sale of financial assets		**—**	262,782
Payment for purchase of intangible assets		**(8,716)**	(21,861)
Dividend received from joint venture		**24,061**	—
Net cash used in business acquisition		**(71,000)**	(71,000)
Decrease in time deposits		**237,749**	107,586
Interest received		**33,051**	45,593
Net cash generated from/(used in) investing activities		**22,414**	(969,281)
Financing activities:			
Proceeds from loans and borrowings	23(c)	**16,695,255**	16,685,821
Repayment of loans and borrowings	23(c)	**(16,939,663)**	(18,901,606)
Capital element of lease rentals paid	23(c)	**(238,559)**	(481,218)
Interest element of lease rentals paid	23(c)	**(104,548)**	(140,699)
Proceeds from issue of ordinary shares by placement	31(c)	**236,850**	—
Proceeds from issuance of new shares of a subsidiary		**—**	1,413,670
Dividends paid to non-controlling interests	31(b)	**(7,725)**	(56,589)
Dividend paid to equity shareholders of the Company	31(b)	**—**	(522,144)
Interest paid	23(c)	**(1,146,051)**	(1,022,168)
Pledged bank deposits for bank loans and standby letter of credit	22	**150,360**	63,220
Proceeds of derivative financial instruments	23(c)	**—**	46,387
Payments for issue costs and listing expenses of a subsidiary	23(c)	**(5,185)**	(80,078)
Net cash used in financing activities		**(1,359,266)**	(2,995,404)
Net decrease in cash and cash equivalents		**(990,622)**	(1,418,664)
Cash and cash equivalents at the beginning of the year		**1,497,400**	2,911,395
Effect of foreign exchange rate changes		**(16,238)**	4,669
Cash and cash equivalents at the end of the year	23	**490,540**	1,497,400

Note: Consolidated cash flow statement for the year ended 31 December 2020 include cash flows from both continuing and discontinued operations.

The notes on pages 93 to 189 from part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture and associates.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 39.

Material uncertainty related to going concern

The outbreak of COVID-19 in early 2020 and the resulting mandatory extension of holidays, travel restriction and quarantine measures in China disrupted the operations of and had a severe and direct impact on the financial performance of the Group, in particular its 4S dealership business.

The Group has sixteen 4S stores located in the Hubei province, which was more severely impacted than other regions in China. In addition, the Group had fifty-seven stores located in the Guangdong province where business resumed later than the other regions, and the Group had eight stores located in Beijing which suffered from the second wave of COVID-19 outbreak in May and June 2020.

In the second half year of 2020, in response to the continual decline in the Group's financial performance and the increased strain over the Group's liquidity position, the Group had carried out various measures to improve its liquidity. These measures, while necessary, resulted in failure among other things to satisfy with certain overriding standards on dealership operations as set in dealer agreements with automobile manufacturers, e.g. customer satisfaction ratings. As a result, the Group was alleged by automobile manufacturers to have damaged their brands, and various dealership rights were threatened to be terminated or suspended. The Group has since been taking improvement measures and has been in active negotiation with the automobile manufacturers; as at 31 December 2020 many dealerships rights have been gradually resumed, but some major dealership agreements have been terminated or remained suspended. Against this background, the Group's purchase and sales for 2020 remained behind the targets for the year, and the Group had to continue with repositioning some of its underperforming 4S stores and planning new car purchase volume strategically to maximize its financial resources.

The above changes in circumstances have led to impairment losses on or re-assessment of the carrying amounts of various assets, including goodwill (see note 14), intangible assets (see note 13), property, plant and equipment (see note 11), inventories (see note 17), and rebate receivables (see note 17(b)).

And as a consequence, the Group incurred a net loss of RMB8,589 million for the year ended 31 December 2020. As at 31 December 2020, included in the current liabilities were loans and borrowings of RMB10,122 million and trade and other payables of RMB4,197 million, lease liabilities of RMB530 million, income tax payables of RMB388 million, and the Group also had capital commitment of RMB1,172 million. The Group only had cash and cash equivalents, time deposits and pledged bank deposits amounting to RMB395 million, RMB443 million and RMB990 million, respectively, as at 31 December 2020.

The Group will be unable to repay the loans and borrowings or other liabilities in full when they fall due unless the Group is able to generate sufficient cash inflows from its future operations, to renew or refinance the banking facilities upon maturity and to obtain additional financing.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Material uncertainty related to going concern (Continued)

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

In view of these circumstances, the directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. The directors have reviewed the Group's cash flow projections prepared by management, which covers a period of twelve months from 31 December 2020. Certain measures have been planned or taken to mitigate the liquidity pressures and to improve its financial position which include, but not limited to, the following:

(i) On 19 October 2020, the controlling shareholder of the Company, i.e. Joy Capital Holdings Limited ("**Joy Capital**") and Mr. Wang Muqing (the "**Seller**") entered into a sale and purchase agreement (the "**SPA**") with Xiamen Xindeco Ltd. ("**Xindeco**", the "**Buyer**"). Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of the Company (the "**Target Shares**") at a consideration of HK$1,403,371,394 (the "**Transaction**"). Upon completion of the Transaction, Xindeco shall become the single largest shareholder of the Company and will be able to provide financial support to the Group. The completion of the Transaction is subject to fulfillment or waiver of several conditions precedent set out in the SPA, including obtaining necessary authorizations, agreements or approvals from relevant regulators, etc. As of the date of approval of these financial statements, the Transaction is still in process. Although the Buyer and Seller continue to work together to fulfil the conditions as set out in the SPA and they anticipate to complete the Transaction within 2021, there is no guarantee that all conditions will be satisfied as scheduled.

(ii) On 22 March 2021, the Company negotiated and revised the repayment schedule with the Group's lenders for an outstanding instalment of a loan in the amount of US$290.5 million (RMB equivalent 1,691 million), revising the due date from 19 January 2021 to a date of no later than 19 July 2022, after partially repaid RMB223 million after 31 December 2020. The Company reached the extension of loan with the lenders on the condition that the Transaction as mentioned above will be completed.

(iii) Among the current liabilities of loans and borrowings amounting to RMB1,080 million that were originally due during 1 January 2021 to 31 March 2021, RMB708 million had been subsequently repaid after 31 December 2020, and the Group negotiated and revised the repayment schedule for the remaining part with the Group's lenders for an extension of 2 to 6 months and the Group anticipate that they can obtain further extension of their repayment schedule based on current negotiation with the lenders on the condition that the Transaction as mentioned above will be completed within 2021.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Material uncertainty related to going concern (Continued)

Among the current liabilities of loans and borrowings amounting to RMB6,871 million that were originally due during 1 April 2021 to 31 December 2021, the Group had negotiated with the lenders for extension or repayment plans. RMB606 million had been subsequently repaid after 31 December 2020, and the Group anticipate that they can obtain extension of repayment schedule for the remaining part when they fall due based on current negotiation with lenders, on the condition that the Transaction as mentioned above will be completed within 2021, or the Group may fulfill repayments via new proceeds obtained from the following ways:

— issuance of senior notes or draw down additional loans from banks or financial institutions;

— financial support from Xindeco when the Transaction is completed; or

— Operating cash flows from business operations.

Among the current liabilities of loans and borrowings amounting to RMB480 million were due to auto finance companies of the respective automobile manufactures for purchase of motor vehicles, which are pledged by inventories purchased, and they are being drawn down and repaid on a revolving basis. The Group anticipate that these borrowings can be rolled over following the resumption of business operations.

(iv) The Group will continue its efforts to recover from the impact of COVID-19, and expedite sales of inventories, collection of receivables, while maintaining more stringent cost control measure and containment of discretionary capital expenditures.

The plans and measures as described above incorporate assumptions about future events and conditions. Assuming the completion of the Transaction as planned and success of other measures set out above, the directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2020. Accordingly, the directors are of the opinion that it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 December 2020 on a going concern basis. If the Transaction is not completed as planned and the Group is not able 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 further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policy

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Property, plant and equipment (Continued)

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

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

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

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

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

(i) Intangible assets (other than goodwill)

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

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

—	Car dealership	40 years
—	Dealership operation rights	10 years
—	Favourable lease contracts	Over the unexpired term of lease, being 1–10 years

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(j) Leased assets

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

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily property charges or office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(h) and 2(k)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses

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

— Pledged bank deposits and balances with central bank;

— Cash and cash equivalents;

— Time deposits;

— Receivables from financial services;

— Trade and bills receivables; and

— Deposits and long-term receivables.

Other financial assets measured at fair value, including financial assets at fair value through profit and loss is not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

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

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

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

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

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

Loss allowances for trade and bills receivables from contracts with customers within the scope of HKFRS 15 are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For receivables from financial services, deposits, pledged bank deposits and balances with central bank, cash and cash equivalents, time deposits and long-term receivables, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset has past due certain periods under different risk profiles. 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.

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

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

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

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

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

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

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(u)(viii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit-impaired financial assets

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

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

— significant financial difficulties of the debtor;

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

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

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

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

— the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current 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 property carried at revalued amounts);

— right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*
The recoverable amount of an asset is the greater 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iii) Interim financial reporting and impairment

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

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

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

— 4S dealership business

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

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

— Property development business

Cost and net realisable values are determined as follows:

— *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories (Continued)

— Property development business (Continued)

— *Completed property held for resale*

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Contract liabilities

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

(n) Trade and bills receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)(i)).

(o) Cash and cash equivalents

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(x)).

(r) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits 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 values.

(ii) Defined contribution retirement plan

Obligation for contributions to defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the consolidated statement of profit or loss as incurred.

(iii) Share-based payments

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(u) Revenue and other income

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

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

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

(i) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised upon delivery of motor vehicles when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

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

Revenue arising from the sale of motor spare parts is recognised when significant risks and rewards of ownership have been transferred to the buyers.

(iii) After-sales services — maintenance services income

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

(iv) Logistics services income and other related services income

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

(v) Sales of lubricant oil

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

(vi) Service income from financial services — consulting services

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

(vii) Service income from financial services — joint loan services

Revenue arising from joint loan services is recognised when the loan-related service is rendered to the bank.

(viii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) 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 (see note 2(k)(i)).

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

(v) Vendor rebates

Incentive rebates provided by vendors are recognised to the extent that the Group estimates it is probable that the associated conditions will be met and the amount can be estimated reliably.

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2. In addition, if the fair value less costs to sell of a disposal group is below its carrying amount, but the carrying amount of the non-current assets (other than those assets subject to the exceptions above) within the disposal group is insufficient to absorb the impairment loss, then the amount of impairment loss recognised is limited to the carrying amount of those non-current assets.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(aa) Segment reporting

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

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

3 REVENUE

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

(i) Disaggregation of revenue

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000 (Restated) (Note)
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Sales of passenger motor vehicles	**12,605,564**	28,564,086
Provision of after-sales services	**3,373,363**	4,771,068
Provision of logistics services	**611,266**	563,764
Sales of lubricant oil	**280,576**	328,755
	16,870,769	34,227,673
Discontinued operations		
Service income from financial services	**72,597**	173,828
Revenue from other sources		
Continuing operations:		
Others	**10,154**	30,559
Discontinued operations:		
Interest income from financial services	**547,908**	705,734
	17,501,428	35,137,794
Revenue from continuing operations	**16,880,923**	34,258,232
Revenue from discontinued operations	**620,505**	879,562

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

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

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

4 OTHER INCOME

	Note	For the year ended 31 December 2020 RMB'000	 2019 RMB'000 (Restated) (Note)
Continuing operations:			
Service income		**430,838**	734,355
Interest income from bank deposits		**33,051**	45,593
Net gain on disposal of property, plant and equipment		**34,909**	23,556
Realised and unrealised net gain/(loss) on derivative financial instruments		**1,216**	(18,850)
Gain on disposal of interest in a joint venture		**133,403**	—
Others		**31,806**	15,924
		665,223	800,578
Discontinued operations:			
Government grants		**12,164**	50,817
Others		**(2,643)**	39,453
		9,521	90,270
		674,744	890,848

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

5 (LOSS)/PROFIT BEFORE TAXATION

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

		Note	For the year ended 31 December 2020 RMB'000	 2019 RMB'000 (Restated) (Note)
(a)	**Finance costs:**			
	Continuing operations:			
	Interest on loans and borrowings for non-financial services and bonds payable		**1,046,242**	955,852
	Interest on lease liabilities		**102,650**	139,066
	Finance cost for consideration of business combination	(i)	**22,219**	27,689
	Other finance costs	(ii)	**20,433**	39,998
	Less: Interest capitalised*		**(99,607)**	(87,978)
			1,091,937	1,074,627
	Discontinued operations:			
	Interest on lease liabilities		**1,899**	1,633
			1,093,836	1,076,260

* The borrowing costs have been capitalised at a rate of 4.13%–8.80% per annum (2019: 4.13%–7.50%).

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

5 (LOSS)/PROFIT BEFORE TAXATION (Continued)

		Note	2020 RMB'000	2019 RMB'000 (Restated) (Note)
			For the year ended 31 December	
(b)	**Staff costs:**			
	Continuing operations:			
	Salaries, wages and other benefits		**1,293,136**	828,594
	Contributions to defined contribution retirement plans	(iii)	**17,944**	73,065
	Equity settled share-based transactions		**17,310**	—
			1,328,390	901,659
	Discontinued operations:			
	Salaries, wages and other benefits		**69,101**	90,328
	Contributions to defined contribution retirement plans	(iii)	**749**	8,115
			69,850	98,443
			1,398,240	1,000,102

(i) It represents the unwinding of interest element of business combination consideration.

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

(iii) Employees of the Group's PRC subsidiaries are required to participate in defined contribution retirement schemes administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal government to the schemes to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

Due to the impact of an outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain defined contribution plans during the year.

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

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

5 (LOSS)/PROFIT BEFORE TAXATION (Continued)

		For the year ended 31 December	
		2020	2019
		RMB'000	RMB'000
			(Restated)
			(Note)
(c)	**Other items:**		
	Continuing operations:		
	Cost of inventories (note 17(b))	**21,312,963**	30,110,252
	Depreciation		
	— Owned property, plant and equipment	**371,919**	372,510
	— Right-of-use assets	**397,899**	377,424
	Amortisation of intangible assets	**183,897**	188,664
	Operating lease charges	**5,735**	53,468
	Realised and unrealised net (gain)/loss on derivative financial instruments (note 4)	**(1,216)**	18,850
	Net foreign exchange (gain)/loss	**(350,442)**	94,188
	Impairment losses		
	— Goodwill (note 14)	**1,241,322**	71,222
	— Intangible assets (note 13)	**1,021,422**	—
	— Property, plant and equipment (note 11)	**235,628**	—
	Auditors' remuneration		
	— Audit services	**10,000**	7,500
	— Non-audit services	**140**	160
	Discontinued operations:		
	Cost of interests*	**147,915**	373,603
	Depreciation		
	— Owned property, plant and equipment	**3,143**	2,563
	— Right-of-use assets	**9,290**	8,609
	Amortisation of intangible assets	**5,536**	6,488
	Operating lease charges	**320**	345
	Net foreign exchange loss/(gain)	**995**	(39,703)
	Impairment losses		
	— Receivables from financial services	**309,266**	110,154
	Listing expenses	**—**	9,207
	Auditors' remuneration		
	— Audit services	**3,800**	2,800
	— Non-audit services	**60**	60

* The cost of interests is the borrowing costs for financial services, and is recognised in the cost of sales.

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

6 INCOME TAX

(a) Continuing operation

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

	For the year ended 31 December	
	2020 **RMB'000**	2019 RMB'000 (Restated) (Note)
Current tax:		
Provision for income tax for the year	**(1,548,535)**	375,161
Deferred tax:		
Origination of temporary differences (note 30)	**(234,422)**	(72,998)
	(1,782,957)	302,163

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

(ii) Reconciliation between income tax expense and accounting profit at applicable tax rates:

		For the year ended 31 December	
		2020 **RMB'000**	2019 RMB'000 (Restated) (Note)
(Loss)/profit before taxation		**(10,395,426)**	788,013
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%		**(2,598,857)**	197,003
Non-deductible expenses, net of non-taxable income		**408,382**	89,032
Unused tax losses not recognised		**246,690**	19,406
Share of profits recognised under the equity method		**(9,269)**	(15,438)
Effect of PRC dividend withholding tax	(iv)	**—**	12,160
Effect of other withholding tax	(iv)	**170,097**	—
Income tax		**(1,782,957)**	302,163

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

6 INCOME TAX (Continued)

(b) Discontinued operations:

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
		(Restated)
		(Note)
Current tax:		
Provision for income tax for the year	**64,434**	103,076
Over-provision in respect of prior years	**(143)**	—
Subtotal	**64,291**	103,076
Deferred tax:		
Origination of temporary differences (note 30)	**(55,678)**	(8,880)
	8,613	94,196

Note: The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

(ii) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before taxation	**32,478**	375,051
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**8,120**	93,763
Non-deductible expenses	**636**	433
Over-provision in respect of prior years	**(143)**	—
Income tax	**8,613**	94,196

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

(ii) No provision for Hong Kong Profits Tax was made for the subsidiaries located in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the year. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% (2019:25%).

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

6 INCOME TAX (Continued)

(b) Discontinued operations: (Continued)

(ii) Reconciliation between income tax expense and accounting profit at applicable tax rates: (Continued)

(iv) Under the CIT law and its relevant regulations, capital gains and dividends receivable on investment by non-PRC resident enterprises from PRC resident enterprises for earnings beginning on 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. The PRC dividend withholding tax of RMB12,160,000 was paid for dividend distribution out of earnings of PRC subsidiaries of RMB121,600,000 during the year ended 31 December 2019. As at 31 December 2020, a deferred tax liability of RMB170,097,000 on withholding tax is recognised for a potential gain from intended disposal of a subsidiary by the Group.

7 DIRECTORS' REMUNERATION

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

Year ended 31 December 2020

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Share-based payments (note (ii)) RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Chairman						
Wang Muqing	—	—	—	—	—	—
Executive directors						
Wang Kunpeng	—	412	618	2,733	23	3,786
Koh Tee Choong, Ivan (note (i))	—	507	217	—	—	724
Li Zhubo	—	412	618	2,484	13	3,527
Wan To	—	264	396	1,863	—	2,523
Independent non-executive directors						
Wong Tin Yau, Kelvin	278	—	—	—	—	278
Cao Tong	264	—	—	—	—	264
Wong Tantan	278	—	—	—	—	278
	820	1,595	1,849	7,080	36	11,380

Note:

(i) Mr. Koh Tee Choong, Ivan retired as executive director of the Company on 12 June 2020.

(ii) It represents the fair value of restricted shares granted to the directors under the Company's employee restricted shares plan. The value of these restricted shares is measured according to the Company's accounting policies for share-based payment transactions as set out in note 2(r)(iii). Details are disclosed in note 29.

7 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2019

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Chairman					
Wang Muqing	—	—	—	—	—
Executive directors					
Wang Kunpeng	—	384	576	28	988
Koh Tee Choong	—	2,488	1,019	—	3,507
Li Zhubo	—	384	576	50	1,010
Wan To	—	264	396	—	660
Shao Yongjun (note (iii))	—	72	108	15	195
Independent non-executive directors					
Wong Tin Yau, Kelvin	296	—	—	—	296
Cao Tong	296	—	—	—	296
Wong Tantan	296	—	—	—	296
	888	3,592	2,675	93	7,248

Note:

(iii) Mr. Shao Yongjun resigned as executive director of the Company on 2 April 2019.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2019: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2019: 1) individuals are as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**398**	216
Discretionary bonuses	**595**	324
Contributions to retirement benefit schemes	**9**	—
	1,002	540

The emolument of the one (2019: 1) individual with the highest emoluments is within the following band

	2020 Number of individuals	2019 Number of individuals
RMB		
Nil–1,000,000	**—**	1
1,000,001–1,500,000	**1**	—

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2020 was based on the loss attributable to equity shareholders of the Company of RMB8,596,060,000 from continuing operations and profit attributable to equity shareholders of the Company of RMB16,954,000 from discontinued operations (2019: profit of RMB450,484,000 and RMB213,378,000 from continuing and discontinued operations, respectively) and the weighted average number of ordinary shares in issue during the year ended 31 December 2020 of 2,562,402,360 (2019: 2,452,220,420), calculated as follows:

Weighted average number of ordinary shares

	For the year ended 31 December	
	2020	2019
Issued ordinary shares at 1 January	**2,452,220,420**	2,452,220,420
Effect of shares issued for placing	**110,181,940**	—
Weighted average number of ordinary shares at 31 December	**2,562,402,360**	2,452,220,420

There were no dilutive potential ordinary shares for the year ended 31 December 2020 and, therefore, diluted earnings per share are equal to basic earnings per share.

10 SEGMENT REPORTING

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

1 4S dealership business

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

2 Supply chain business

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

3 Financial services business

Financial services business mainly includes providing financial services to auto customers and dealers.

4 Comprehensive properties business

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

10 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

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

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

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

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

- In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter-segment sales), loans and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

	Continued operation 4S dealership business		Continued operation Supply chain business		Discontinued operation Financial services business		Continued operation Comprehensive properties business		Total	
	2020 **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000
Revenue from external customers	**15,989,081**	33,335,154	**891,842**	892,519	**620,505**	910,121	**–**	–	**17,501,428**	35,137,794
Inter-segment revenue	**–**	–	**–**	–	**188,204**	309,868	**–**	–	**188,204**	309,868
Reportable segment revenue	**15,989,081**	33,335,154	**891,842**	892,519	**808,709**	1,219,989	**–**	–	**17,689,632**	35,447,662
Reportable segment profit	**(7,855,348)**	1,107,958	**4,905**	108,321	**73,971**	530,040	**–**	–	**(7,776,472)**	1,746,319
Depreciation and amortisation for the year	**925,143**	893,271	**28,572**	25,832	**17,969**	37,155	**–**	–	**971,684**	956,258
Reportable segment assets	**12,180,340**	22,891,093	**538,804**	638,017	**6,144,922**	11,083,556	**629,484**	380,038	**19,493,550**	34,992,704
Additions to non-current segment assets during the year	**633,479**	2,107,260	**123,614**	160,205	**651**	55,013	**–**	–	**757,744**	2,322,478
Reportable segment liabilities	**(16,670,612)**	(19,551,077)	**(225,710)**	(267,124)	**(2,185,823)**	(6,330,700)	**(629,484)**	(380,038)	**(19,711,629)**	(26,528,939)
Investment in a joint venture and an associate	**–**	–	**500,949**	355,002	**15,938**	15,466	**–**	–	**516,887**	370,468

10 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment

	For the year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Revenue:		
Reportable segment revenue	**17,689,632**	35,447,662
Elimination of inter-segment revenue	**(188,204)**	(309,868)
Consolidated revenue	**17,501,428**	35,137,794
(Loss)/profit before taxation:		
Reportable segment profit	**(7,776,472)**	1,746,319
Elimination of inter-segment profits	**(41,493)**	(160,864)
Unallocated head office expenses	**144,475**	(126,054)
Other income	**665,223**	851,145
Finance costs	**(1,091,937)**	(1,076,260)
Impairment of goodwill	**(1,241,322)**	(71,222)
impairment of intangible assets	**(1,021,422)**	—
Consolidated (loss)/profit before taxation	**(10,362,948)**	1,163,064

	At 31 December	
	2020 **RMB'000**	2019 RMB'000
Assets:		
Reportable segment assets	**19,493,550**	34,992,704
Intangible assets	**2,990,933**	4,193,072
Goodwill	**693,791**	1,935,113
Deferred tax assets	**530,330**	321,474
Unallocated head office assets	**5,954,650**	5,505,002
Elimination of inter-segment receivables	**(1,667,301)**	(2,089,391)
Consolidated total assets	**27,995,953**	44,857,974
Liabilities:		
Reportable segment liabilities	**(19,711,629)**	(26,528,939)
Income tax payables	**(406,129)**	(2,064,217)
Deferred tax liabilities	**(946,546)**	(1,027,790)
Unallocated head office liabilities	**(3,286,050)**	(3,686,122)
Elimination of inter-segment payables	**1,667,301**	2,089,391
Consolidated total liabilities	**(22,683,053)**	(31,217,677)

(c) Geographic information

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2019	4,037,575	99,870	582,903	710,093	367,260	1,608,375	7,406,076
Additions	—	—	13,272	496,238	24,370	913,466	1,447,346
Transfer	157,932	7,615	3,955	—	21,157	(190,659)	—
Transfer to properties under development for sale (note (c))	—	—	—	—	—	(263,323)	(263,323)
Disposals	—	—	(6,072)	(526,638)	(16,748)	—	(549,458)
At 31 December 2019, and At 1 January 2020	4,195,507	107,485	594,058	679,693	396,039	2,067,859	8,040,641
Additions	—	—	9,684	201,090	14,803	404,268	629,845
Transfer	502,484	781	—	—	—	(503,265)	—
Transfer to properties under development for sale (note (c))	—	—	—	—	—	(169,469)	(169,469)
Disposals	—	—	(3,069)	(517,019)	(8,203)	—	(528,291)
Reclassification to assets classified as held for sale (note 32)	—	(14,428)	—	—	(5,449)	—	(19,877)
At 31 December 2020	**4,697,991**	**93,838**	**600,673**	**363,764**	**397,190**	**1,799,393**	**7,952,849**
Accumulated depreciation:							
At 1 January 2019	453,996	86,735	206,047	199,201	247,331	—	1,193,310
Charge for the year	137,167	3,664	62,379	130,954	40,909	—	375,073
Written back on disposals	—	—	(4,527)	(127,297)	(5,047)	—	(136,871)
At 31 December 2019, and At 1 January 2020	591,163	90,399	263,899	202,858	283,193	—	1,431,512
Charge for the year	150,797	4,725	59,962	124,700	34,878	—	375,062
Written back on disposals	—	—	(2,209)	(165,644)	(7,619)	—	(175,472)
Reclassification to assets classified as held for sale (note 32)	—	(8,537)	—	—	(3,742)	—	(12,279)
At 31 December 2020	**741,960**	**86,587**	**321,652**	**161,914**	**306,710**	**—**	**1,618,823**
Accumulated impairment losses							
At 1 January 2019, 31 December 2019 and 1 January 2020	—	—	—	—	—	—	—
Additions	235,628	—	—	—	—	—	235,628
At 31 December 2020	**235,628**	**—**	**—**	**—**	**—**	**—**	**235,628**
Net book value:							
At 31 December 2020	**3,720,403**	**7,251**	**279,021**	**201,850**	**90,480**	**1,799,393**	**6,098,398**
At 31 December 2019	3,604,344	17,086	330,159	476,835	112,846	2,067,859	6,609,129

(a) The Group's buildings are located in the PRC. The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB209,085,722 as at 31 December 2020 (2019: RMB251,984,380). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2020.

(b) Property, plant and equipment with carrying amount of RMB717,241,000 are pledged for bank loans (see note 24) (2019: RMB182,416,000) as at 31 December 2020.

(c) To fully utilise the potential value of the land use rights held by the Group's subsidiaries engaged in 4S dealership business, the Group commenced construction of comprehensive property projects in 2019. The Group obtained pre-sale permits for two service apartments projects in December 2019 and May 2020 and then transferred the net book value of land use rights of RMB55,321,000 (2019: RMB115,908,000) (see note 12) and construction in progress of RMB169,469,000 (2019: RMB263,323,000), related to such service apartments, to properties under development for sale (see note 17(a)).

(d) As disclosed in note 2, many automobile manufacturers have alleged that the Group has damaged their brands and threatened to terminate the dealership agreements. While the Group has since been taking improvement measures and has been in active negotiation with the automobile manufacturers and a number of dealerships rights have been gradually resumed, as at 31 December 2020, some major dealership have been terminated or remained suspended. An impairment losses amounting to RMB235,628,000 has recognised for relevant property, plant and equipment during the year ended 31 December 2020.

12 RIGHT-OF-USE ASSETS

	Land use rights carried at cost (i) RMB'000	Properties and land leased for own use carried at cost (ii) RMB'000	Total RMB'000
Cost:			
At 1 January 2019	1,700,648	1,608,838	3,309,486
Additions	334,776	518,495	853,271
Transfer to properties under development for sale (note (a))	(118,880)	—	(118,880)
At 31 December 2019, and at 1 January 2020	1,916,544	2,127,333	4,043,877
Additions	13,733	105,450	119,183
Disposals	—	(52,940)	(52,940)
Transfer to properties under development for sale (note (a))	(62,334)	—	(62,334)
Reclassification to assets classified as held for sale (note 32)	—	(36,212)	(36,212)
At 31 December 2020	**1,867,943**	**2,143,631**	**4,011,574**
Accumulated depreciation:			
At 1 January 2019	144,802	84,025	228,827
Charge for the year	41,498	344,535	386,033
Transfer to properties under development for sale (note (a))	(2,972)	—	(2,972)
At 31 December 2019, and at 1 January 2020	183,328	428,560	611,888
Charge for the year	41,668	365,521	407,189
Written back	—	(21,326)	(21,326)
Transfer to properties under development for sale (note (a))	(7,013)	—	(7,013)
Reclassification to assets classified as held for sale (note 32)	—	(15,576)	(15,576)
At 31 December 2020	**217,983**	**757,179**	**975,162**
Net book Value:			
At 31 December 2020	**1,649,960**	**1,386,452**	**3,036,412**
At 31 December 2019	1,733,216	1,698,773	3,431,989

(a) To fully utilise the potential value of the land use rights held by the Group's subsidies engaged in 4S dealership business, the Group commenced construction of comprehensive property projects in 2019. The Group obtained pre-sale permits for two service apartments projects in December 2019 and May 2020 and then transferred the net book value of land use rights of RMB55,321,000 (2019: RMB115,908,000) (see note 12) and construction in progress of RMB169,469,000 (2019: RMB263,323,000), related to such service apartments, to properties under development for sale (see note 17(a)).

12 RIGHT-OF-USE ASSETS (Continued)

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

(a) Continuing operations

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights (i)	**41,668**	41,498
Properties and land leased for own use (ii)	**356,231**	335,926
	397,899	377,424
Interest on lease liabilities (note 5(a))	**102,650**	139,066
Expense relating to short-term leases	**5,735**	53,813
COVID-19-related rent concessions received	**(7,187)**	—

(b) Discontinued operations

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties and land leased for own use (ii)	**9,290**	8,609
Interest on lease liabilities (note 5(a))	**1,899**	1,633
Expense relating to short-term leases	**320**	345

During the year, additions to right-of-use assets were RMB119,183,000. This amount included the purchase of a land use right of RMB13,733,000, and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 23(d) and 25 respectively.

(i) Land use rights

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

Land use rights with net book value of RMB582,677,000 are pledged as security for bank loans (see note 24) as at 31 December 2020 (2019: RMB398,730,000).

(ii) Properties and land leased for own use

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

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

13 INTANGIBLE ASSETS

	Car dealerships RMB'000	Dealership operation rights RMB'000	Favourable lease contracts RMB'000	Trademark RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
Cost:							
At 1 January 2019	3,967,085	881,468	36,904	362,732	31,082	363	5,279,634
Additions	—	—	—	—	21,861	—	21,861
At 31 December 2019 and 1 January 2020	3,967,085	881,468	36,904	362,732	52,943	363	5,301,495
Additions	—	—	—	—	8,716	—	8,716
Reclassification to assets classified as held for sale (note 32)	—	—	—	—	(38,189)	—	(38,189)
At 31 December 2020	**3,967,085**	**881,468**	**36,904**	**362,732**	**23,470**	**363**	**5,272,022**
Accumulated amortisation:							
At 1 January 2019	780,423	88,147	29,469	—	15,232	—	913,271
Additions	96,476	88,147	3,221	—	7,308	—	195,152
At 31December2019 and 1 January 2020	876,899	176,294	32,690	—	22,540	—	1,108,423
Additions	177,326	—	2,828	—	9,279	—	189,433
Reclassification to assets classified as held for sale (note 32)	—	—	—	—	(26,852)	—	(26,852)
At 31 December 2020	**1,054,225**	**176,294**	**35,518**	**—**	**4,967**	**—**	**1,271,004**
Accumulated impairment losses							
At 1 January 2019, 31 December 2019 and 1 January 2020	—	—	—	—	—	—	—
Additions	905,758	—	—	115,664	—	—	1,021,422
At 31 December 2020	**905,758**	**—**	**—**	**115,664**	**—**	**—**	**1,021,422**
Net book Value:							
At 31 December 2020	**2,007,102**	**705,174**	**1,386**	**247,068**	**18,503**	**363**	**2,979,596**
At 31 December 2019	3,090,186	705,174	4,214	362,732	30,403	363	4,193,072

Intangible assets — car dealerships

The car dealerships arise from relationship with automobile manufacturers, with an estimated useful life of 40 years. The fair value of the car dealerships as at the respective acquisition date was determined by using the multiple excess earning method.

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

13 INTANGIBLE ASSETS (Continued)

Intangible assets — car dealerships (Continued)

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

As disclosed in note 2, the operational disruption and the liquidity strain brought about by the covid-19 outbreak during 2020 has led to significant deterioration in certain overriding and ongoing performance metrics, such as customer satisfaction ratings, under the various dealership agreements between the Group and automobile manufacturers. As such, many automobile manufacturers have alleged that the Group has damaged their brands and threatened to terminate the dealership agreements. While the Group has since been taking improvement measures and has been in active negotiation with the automobile manufacturers and a number of dealerships rights have been gradually resumed, as at 31 December 2020, some major dealership have been terminated or remained suspended.

Against this background, the Group's purchase and sales for 2020 remained behind the targets for the year, and the Group had to continue with repositioning some of its underperforming 4S stores and planning new car purchase volume strategically to maximize its financial resources, which directly led to a reduced new car sales volume and revenue of certain 4S Stores during the forecast period.

Therefore, management engaged an external valuer to assist with an impairment test to determine the recoverable amount of the related CGUs as at 31 December 2020, with the result of recognition of impairment losses of goodwill and intangible assets — car dealerships of approximately RMB1,241 million and RMB906 million, respectively (2019: RMB71 million and nil).

Impairment testing of intangible assets — car dealerships and goodwill

The recoverable amount of CGUs is determined based on the higher of its fair value less costs to sell and value in use calculations according to requirements of Hong Kong Accounting Standard 36 Impairment of Assets, and fair values less costs to sell of the CGUs are not estimated to be materially different from their respective value in use amounts. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated by using an estimated growth rate of 3% (2019: 3%) which is consistent with the forecasts included in industry reports. The pre-tax discount rates applied to the cash flow projections beyond the one year period is 16% (2019: 14%). The carrying amount of these CGUs has been reduced to their recoverable amount, the impairment first reduced the carrying amount of goodwill allocated to the CGU, then the remaining amount of the impairment loss was allocated pro rata to other assets in the CGU, on the basis of the carrying amount of each asset in the CGU (including intangible assets), no less than the highest of its recoverable amount (if it is determinable) and zero.

Key assumptions used in the value in use calculation

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

13 INTANGIBLE ASSETS (Continued)

Key assumptions used in the value in use calculation (Continued)

The key inputs and assumptions used in the impairment test for the year of 2019 and 2020 are listed as follows:

As at 31 December 2020

Inputs	2021	2022	2023~2025
Annual Revenue Growth Rate	**-97.0%~194.9%**	**3.0%~70.2%**	**3.0%~12.2%**
Gross Profit Margin	**5.2%~46.5%**	**5.2%~46.5%**	
Working Capital as a % of Revenue	**-40.3%~17.7%**	**-40.3%~17.7%**	

As at 31 December 2019

Inputs	2020	2021	2022~2024
Annual Revenue Growth Rate	0.0%~221,144.5%	0.0%~20.0%	3.0%~8.0%
Gross Profit Margin	3.9%~14.7%	4.0%~15.6%	
Working Capital as a % of Revenue	−8.2%~7.3%	−11.6%~7.2%	

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

— For annual revenue growth rate:

a) For certain dealership stores whose dealership agreements had been terminated and would be focus only on after-sale services, a significant reduction in estimated revenue in 2021 was expected, while for 2022 through 2025 reverting back to a single digit growth rate;

b) For other dealership stores, a relatively one-off high revenue growth is expected in 2021 primarily because of the negative growth rate occurred in 2020 due to the impact of COVID-19 in first half of 2020 and liquidity strain in second half of 2020 and therefore the growth was from a exceptionally low base, i.e. no operation had been conducted for several months in first half of 2020 and liquidity strain in second half of 2020 that purchase and sales scale had been reduced, and rebound in 2021 was expected due to resumption of operation; for 2022 through 2025, a more steady growth rate is expected on the basis that operations will revert back to normal level before COVID-19.

— Gross profit margin was mainly estimated based on the historical performance of each stores (before COVID-19 and liquidity strain) and take into consideration of mix for different revenue categories like new car sales and after-sale services, which is generally in line with 2019.

— Working capital as % of revenue was estimated by calculation based on historical trend (before COVID-19 and liquidity strain) of turnover days of different balance sheet items or expense to revenue ratios of different profit or loss items, which is generally in line with 2019.

The pre-tax discount rate applied to the impairment test had been adjusted mainly due to the following reasons:

— due to the impact of COVID-19, the overall economic environment changed, and the risk of overall macroeconomic environment increased, leading to the increase in overall market risk;

— the outbreak of COVID-19 and declined financial performance of the Group during the year ended 31 December 2020 made it more challenging to refinance than it has historically been, the corporate specific risk and consequently the CGU-specific risk therefore increased.

13 INTANGIBLE ASSETS (Continued)

Key assumptions used in the value in use calculation (Continued)

Among the above inputs and assumptions, the main changes were the changes in revenue growth. As mentioned above, certain dealership stores that were terminated or suspended will be focus on after-sale services only or change brands to start a new store, and therefore a major reduction in revenue growth was forecasted; and other stores will have rebound in revenue growth in 2021 forecast, since the 2020 revenue base was low and the 2021 revenue would be still lower than originally forecasted in 2019. Consequently, the low base will lead to continuous increase in growth rate in future years as well. Such impacts were not reflected in the inputs and assumptions used in the 2019 year end assessment, as COVID-19 was a non-adjusting subsequent events for the year ended 31 December 2019. There have been no subsequent changes in the valuation methods used from those adopted in the year of 2019.

Intangible assets — trademark

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

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

During the year ended 31 December 2020, the operating results of several 4S dealership stores under Top Globe Limited had not achieved the 2020 financial budgets approved by management. Management has revisited the five-year financial budgets of these stores, and the fair value of trademark was reduced by RMB116 million as at 31 December 2020 (2019: Nil).

14 GOODWILL

	RMB'000
Cost:	
At 1 January 2019, 31 December 2019 and 31 December 2020	2,006,335
Accumulated impairment losses:	
At 1 January 2019, 31 December 2019 and 1 January 2020	71,222
Impairment during the year	1,241,322
At 31 December 2020	**1,312,544**
Carrying amount:	
At 31 December 2020	**693,791**
At 31 December 2019	1,935,113

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash-generating units ("**CGU**") identified according to the operating segments as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
4S dealership business	**693,791**	1,935,113

As mentioned in note 13 above, an impairment loss of RMB1,241,322,000 (2019: RMB71,222,000) had been recognised by the Group in "Impairment losses on goodwill and intangible assets". Any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment loss.

15 INTEREST IN SUBSIDIARIES

As of 31 December 2020, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Continuing operations						
Big Glory International Limited (浩榮國際有限公司)		British Virgin Islands ("**BVI**") 22 June 2006 Private limited company	US$100	100%	–	Investment holding
Top Globe Limited (同方有限公司)		British Virgin Islands ("**BVI**") 27 August 2007 Private limited company	US$100	100%	–	Investment holding
Acme Joy Group Limited		British Virgin Islands ("**BVI**") 28 April 2011 Limited liability company	US$50,000	–	100%	Investment holding
Chang Jun Limited (昌駿有限公司)		British Virgin Islands ("**BVI**") 16 June 2011 Limited company	US$100	–	100%	Investment holding
Silver Journey Global Limited		British Virgin Islands ("**BVI**") 6 July 2011 Limited liability company	US$50,000	–	100%	Investment holding
Hong Kong Nettime Investment Co., Ltd. (香港強時投資有限公司)		British Virgin Islands ("**BVI**") 03 December 2018 Limited liability company	US$1	–	100%	Investment holding
Rising Wave Development Limited (升濤發展有限公司)		Hong Kong 21 April 2006 Private limited company	HK$100	–	100%	Investment holding
Hong Kong Newspeed Technology Co., Ltd. (香港祥馳科技有限公司)		Hong Kong 18 December 2018 Limited liability company	HK$1	–	100%	Investment holding
Wealth Fame Holdings Limited (佳名集團有限公司)		Hong Kong 19 July 2007 Private limited company	HK$1	–	100%	Investment holding
Tongda Group (China) Co., Ltd. (通達集團(中國)有限公司)		Hong Kong 10 November 2008 Limited liability company	HK$10,000	–	100%	Investment holding

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wuhan Zhengtong United Industrial Investment Group Co., Ltd. (武漢正通聯合實業投資集團有限公司)		The PRC 22 November 2002 Limited liability company	RMB1,410,000,000	–	100%	Investment holding
Shanghai Shenxie Automobile Trading Co., Ltd. (上海紳協汽車貿易有限公司)		The PRC 21 April 1999 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shanghai Yige Science & Technology Trading Co., Ltd. (上海繹格科工貿有限公司)	(ii)	The PRC 25 September 2002 Limited liability company	RMB15,000,000	–	50%	Distribution of lubricant oil
Hubei Dingjie Automobile Sales Services Co., Ltd. (湖北鼎杰汽車銷售服務有限公司)		The PRC 12 December 2002 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
Inner Mongolia Dingjie Automobile Trading Co., Ltd. (內蒙古鼎杰汽車貿易有限公司)		The PRC 23 January 2003 Limited liability company	RMB7,000,000	–	100%	Automobile dealership
Hubei Bocheng Automobile Sales Services Co., Ltd. (湖北博誠汽車銷售服務有限公司)		The PRC 30 May 2003 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Wuhan Kaitai Automobile Sales Services Co., Ltd. (武漢開泰汽車銷售服務有限公司)		The PRC 20 October 2003 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Hubei Xinrui Automobile Sales Services Co., Ltd. (湖北欣瑞汽車銷售服務有限公司)		The PRC 18 March 2004 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Wuhan Baoze Automobile Sales Services Co., Ltd. (武漢寶澤汽車銷售服務有限公司)		The PRC 26 May 2004 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Inner Mongolia Dingze Automobile Sales Services Co., Ltd. (內蒙古鼎澤汽車銷售服務有限公司)		The PRC 27 October 2009 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Shantou Hongxiang Materials Co., Ltd. (汕頭市宏祥物資有限公司)		The PRC 12 July 2000 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Zhengzhou Dingwo Automobile Sales Services Co., Ltd. (鄭州鼎沃汽車銷售服務有限公司)		The PRC 3 June 2010 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
ZhengTong Automobile Investment Holding(Wuhan) Co., Ltd. (正通汽车投資控股(武漢)有限公司)	(i)	The PRC 29 March 2011 Limited liability company	RMB600,000,000	–	100%	Investment holding
Chengdu Qibao Automobile Sales Services Co., Ltd. (成都祺寶汽車銷售服務有限公司)		The PRC 13 July 2011 Limited liability company	RMB210,000,000	–	100%	Automobile dealership
Qingyuan SCAS Hezhong Automobile Sales Services Co., Ltd. (清遠南方合眾汽車銷售服務有限公司)		The PRC 31 December 2009 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Goldrich Holdings Limited (啟富集團有限公司)		Hong Kong 16 January 2014 Private limited company	HK$1	–	100%	Investment holding
Beijing Zhengtong Baozehang Automobile Sales Services Co., Ltd. (北京正通寶澤行汽車銷售有限公司)		The PRC 7 January 2014 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Wuhan Luze Automobile Sales Services Co., Ltd. (武漢路澤汽車銷售服務有限公司)		The PRC 6 January 2014 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Shenzhen Dingwo Automobile Sales Services Co., Ltd. (深圳鼎沃汽車銷售服務有限公司)		The PRC 3 September 2014 Limited liability company	RMB25,000,000	–	100%	Automobile dealership
Yiwu Xinhui Automobile Sales Service Co., Ltd (義烏市新徽汽車銷售服務有限公司)		The PRC 17 February 2015 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Shenzhen Chance Cloud Technology Co., Ltd. (深圳強時科技有限公司)		The PRC 11 February 2019 Limited liability company	RMB10,000,000	–	100%	Investment holding
Beijing Zhengtonglingze Automobile Sales Services Co., Ltd. (北京正通凌澤汽車銷售服務有限公司)		The PRC 08 August 2019 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shanghai Qize Automobile Sales Services Co., Ltd. (上海旗澤汽車銷售服務有限公司)		The PRC 30 September 2017 Limited liability company	RMB10,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jieyang Baotaihang Automobile Sales Services Co., Ltd. (揭陽寶泰行汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dalian Hengyuehang Automobile Sales Services Co., Ltd. (大連恒悦行汽車銷售服務有限公司)		The PRC 09 April 2018 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Foshan Baoyunhang Automobile Sales Services Co., Ltd. (佛山寶運行汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shiyan Shenxie Automobile Trading Co., Ltd. (十堰紳協汽車貿易有限公司)		The PRC 18 June 2004 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shanghai Luda Automobile Sales Services Co., Ltd. (上海陸達汽車銷售服務有限公司)		The PRC 8 November 2004 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Changsha Ruibao Automobile Sales Services Co., Ltd. (長沙瑞寶汽車銷售服務有限公司)		The PRC 21 June 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Hubei Jierui Automobile Sales Services Co., Ltd. (湖北捷瑞汽車銷售服務有限公司)		The PRC 24 June 2005 Limited liability company	RMB22,000,000	–	100%	Automobile dealership
Huhhot Qibao Automobile Sales Services Co., Ltd. (呼和浩特市祺寶汽車銷售服務有限公司)		The PRC 23 February 2006 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Yichang Baoze Automobile Sales Services Co., Ltd. (宜昌寶澤汽車銷售服務有限公司)		The PRC 13 June 2006 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Chenzhou Ruibao Automobile Sales Services Co., Ltd. (郴州瑞寶汽車銷售服務有限公司)		The PRC 6 September 2006 Limited liability company	RMB6,000,000	–	100%	Automobile dealership
Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. (上海紳協紳通汽車銷售服務有限公司)		The PRC 31 January 2007 Limited liability company	RMB15,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Nanchang Baoze Automobile Sales Services Co., Ltd. (南昌寶澤汽車銷售服務有限公司)		The PRC 2 June 2008 Limited liability company	RMB29,000,000	—	100%	Automobile dealership
Zhuhai Baoze Automobile Sales Services Co., Ltd. (珠海寶澤汽車銷售服務有限公司)		The PRC 27 June 2008 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Shanghai Aohui Automobile Sales Services Co., Ltd. (上海奧匯汽車銷售服務有限公司)		The PRC 4 December 2008 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Guangzhou Baoze Automobile Sales Services Co., Ltd. (廣州寶澤汽車銷售服務有限公司)		The PRC 20 April 2009 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Dongguan Jieyunhang Automobile Sales Services Co., Ltd. (東莞捷運行汽車銷售服務有限公司)		The PRC 6 July 2009 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Baotou Baoze Automobile Sales Services Co., Ltd. (包頭市寶澤汽車銷售服務有限公司)		The PRC 6 August 2009 Limited liability company	RMB26,000,000	—	100%	Automobile dealership
Beijing Baozehang Automobile Sales Services Co., Ltd. (北京寶澤行汽車銷售服務有限公司)		The PRC 16 October 2009 Limited liability company	RMB90,000,000	—	100%	Automobile dealership
Shangrao Baoze Automobile Sales Services Co., Ltd. (上饒市寶澤汽車銷售服務有限公司)		The PRC 2 November 2010 Limited liability company	RMB36,000,000	—	100%	Automobile dealership
Ganzhou Baoze Automobile Sales Services Co., Ltd. (贛州寶澤汽車銷售服務有限公司)		The PRC 3 December 2010 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Xiangyang Baoze Automobile Sales Services Co., Ltd. (襄陽寶澤汽車銷售服務有限公司)		The PRC 1 November 2010 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Xiangtan Baoze Automobile Sales Services Co., Ltd. (湘潭寶澤汽車銷售服務有限公司)		The PRC 9 November 2010 Limited liability company	RMB14,000,000	—	100%	Automobile dealership
Wuhan Shengtong Investment Management Co., Ltd. (武漢升通投資管理有限公司)		The PRC 22 April 2011 Limited liability company	RMB10,000,000	—	100%	Investment holding

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Baotou Luze Automobile Sales Services Co., Ltd. (包頭市路澤汽車銷售服務有限公司)		The PRC 4 May 2011 Limited liability company	RMB33,000,000	–	100%	Automobile dealership
Ganzhou Yizezhiye Co., Ltd. (贛州益澤置業有限公司)		The PRC 19 November 2010 Limited liability company	RMB10,000,000	–	100%	Real estate development
Xiangtan Yizezhiye Co., Ltd. (湘潭益澤置業有限公司)		The PRC 18 November 2010 Limited liability company	RMB10,000,000	–	100%	Real estate development
Shangrao Yizezhiye Co., Ltd. (上饒市益澤置業有限公司)		The PRC 18 November 2010 Limited liability company	RMB10,000,000	–	100%	Real estate development
Hubei Aoze Automobile Sales Services Co., Ltd. (湖北奧澤汽車銷售服務有限公司)		The PRC 25 May 2011 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Lhasa Jinsheng Automobile Trading Co., Ltd. (拉薩金勝汽貿有限公司)		The PRC 13 April 2011 Limited liability company	RMB20,000,000	–	100%	Automobile parts sales
Qingdao Huacheng Automobile Services Co., Ltd. (青島華成汽車服務有限公司)		The PRC 8 March 2001 Limited liability company	RMB8,800,000	–	100%	Automobile dealership
Shantou Lujie Automobile Sales Services Co., Ltd. (汕頭市路杰汽車銷售服務有限公司)		The PRC 2 September 2011 Limited liability company	RMB46,000,000	–	100%	Automobile dealership
Lhasa Hongjin Automobile Sales Co., Ltd. (拉薩弘進汽貿有限公司)		The PRC 12 April 2011 Limited liability company	RMB15,000,000	–	100%	Automobile parts sales
Henan Jintangsheng Automobile Co., Ltd. (河南省錦堂盛汽車有限公司)		The PRC 7 May 2008 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Guangzhou Baotaihang Automobile Sales Services Co., Ltd. (廣州寶泰行汽車銷售服務有限公司)		The PRC 18 December 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Foshan Dingbaohang Automobile Sales Services Co., Ltd. (佛山鼎寶行汽車銷售服務有限公司)		The PRC 19 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shenzhen Huashunbao Automobile Sales Services Co., Ltd. (深圳華順寶汽車銷售服務有限公司)		The PRC 14 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen Huashunbao Automobile Services Co., Ltd. (深圳華順寶汽車服務有限公司)		The PRC 15 September 2017 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Foshan Zheng Tong Zhong Rui Automobile Sales Services Co., Ltd. (佛山正通眾鋭汽車銷售服務有限公司)		The PRC 18 April 2011 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Baotou Zhongrui Automobile Sales Service Co., Ltd. (包頭眾鋭汽車銷售服務有限公司)		The PRC 21 September 2010 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
ZhengTong Automobile Services Co., Ltd. (正通汽車服務有限公司)		The PRC 1 September 2011 Limited liability company	RMB50,000,000	–	100%	Automobile parts sales
Jiangxi Deao Automobile Sales Services Co., Ltd. (江西德奧汽車銷售服務有限公司)		The PRC 17 September 2002 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Huhhot Jieyun Automobile Sales Services Co., Ltd (呼和浩特市捷運行汽車銷售服務有限公司)		The PRC 29 December 2011 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Jieyang Dingjie Automobile Sales Services Co., Ltd. (揭陽鼎杰汽車銷售服務有限公司)		The PRC 19 July 2011 Limited liability company	RMB31,000,000	–	100%	Automobile dealership
Shenzhen Roadmate Technology Co., Ltd. (深圳路美特科技有限公司)	(iii)	The PRC 15 March 2004 Limited liability company	US$2,100,000	–	100%	Investment holding
Shenzhen SCAS Investment Group Co., Ltd. (深圳市中汽南方投資集團有限公司)		The PRC 21 May 2001 Limited liability company	RMB50,000,000	–	100%	Investment holding
Shenzhen Yama Automobile Trading Co., Ltd. (深圳野馬汽車貿易有限公司)		The PRC 15 June 1993 Limited liability company	RMB15,000,000	–	100%	Investment holding

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen SCAS Electric Machinery Co., Ltd. (深圳市中汽南方機電設備有限公司)		The PRC 25 November 1996 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen SCAS Automobile Maintenance Co., Ltd. (深圳市中汽南方汽車維修有限公司)		The PRC 14 August 2000 Limited liability company	RMB5,000,000	–	100%	Provision of Automobile Maintenance services
Guangdong SCAS Automobile Sales Services Co., Ltd. (廣東中汽南方汽車銷售服務有限公司)		The PRC 21 July 2004 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dongguan SCAS Automobile Sales Services Co., Ltd. (東莞中汽南方汽車銷售服務有限公司)		The PRC 30 July 2004 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Zhongshan SCAS Automobile Sales Services Co., Ltd. (中山中汽南方汽車銷售服務有限公司)		The PRC 29 April 2011 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Zhuhai SCAS Automobile Sales Services Co., Ltd. (珠海中汽南方汽車銷售服務有限公司)		The PRC 10 March 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dalian Jieyuehang Real Estate Development Co., Ltd. (大連捷悦行房地產開發有限公司)		The PRC 28 March 2018 Limited liability company	RMB100,000,000	–	100%	Property management
Chengdu Hengyuehang Automobile Sales Service Co., Ltd (成都恒悦行汽車銷售服務有限公司)		The PRC 26 December 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen Baotaihang Automobile Sales Services Co., Ltd. (深圳寶泰行汽車銷售服務有限公司)		The PRC 15 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Hunan SCAS Automobile Sales Services Co., Ltd. (湖南中汽南方汽車銷售服務有限公司)		The PRC 26 May 2005 Limited liability company	RMB10,000,000	–	90%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hainan SCAS Automobile Sales Services Co., Ltd. (海南中汽南方汽車銷售服務有限公司)		The PRC 23 May 2008 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Fujian SCAS Automobile Sales Services Co., Ltd. (福建中汽南方汽車銷售服務有限公司)		The PRC 29 April 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Beijing SCAS North China Automobile Services Co., Ltd. (北京中汽南方華北汽车服務有限公司)		The PRC 2 July 2001 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Beijing BWWR Automobile Sales Services Co., Ltd. (北京百旺沃瑞汽車銷售服務有限公司)		The PRC 27 March 2008 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Beijing Dewanlong Trading Co., Ltd. (北京德萬隆經貿有限公司)		The PRC 9 September 1999 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Beijing SCAS Zhongguan Automobile Sales Co., Ltd. (北京中汽南方中關汽車銷售有限公司)		The PRC 19 March 2010 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Tianjin SCAS Automobile Sales Services Co., Ltd. (天津中汽南方汽車銷售服務有限公司)		The PRC 21 May 2004 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Tianjin Automobile Industry SCAS Sales Co., Ltd. (天津汽車工業銷售深圳南方有限公司)		The PRC 28 November 1995 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengxing Automobile Sales Services Co., Ltd. (深圳市南方騰星汽車銷售服務有限公司)		The PRC 15 May 2006 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd. (深圳市南方英菲尼迪汽車銷售服務有限公司)		The PRC 19 October 2006 Limited liability company	RMB40,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen SCAS Changfu Automobile Sales Co., Ltd. (深圳市中汽南方長福汽車銷售有限公司)		The PRC 10 December 2004 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengtian Automobile Sales Services Co., Ltd. (深圳市南方騰田汽車銷售服務有限公司)		The PRC 24 March 2006 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd. (深圳市南方騰龍汽車銷售服務有限公司)		The PRC 5 December 2005 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Shenzhen SCAS Toyota Automobile Sales Services Co., Ltd. (深圳南方豐田汽車銷售服務有限公司)		The PRC 9 April 2002 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhen Qianhaichichang International Trading Co., Ltd. (深圳前海馳暢國際貿易有限公司)		The PRC 09 May 2018 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Dongguan Zhengtongyijie second-hand Automobile Technology Co., Ltd. (東莞正通易捷二手汽車銷售有限公司)		The PRC 11 October 2018 Limited liability company	RMB1,000,000	–	100%	Automobile dealership
Qingyuan SCAS Toyota Automobile Sales Services Co., Ltd. (清遠南方豐田汽車銷售服務有限公司)		The PRC 17 October 2008 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Baotou Lizhongyou Materials Co., Ltd. (包頭市利中友物資有限公司)		The PRC 6 November 2003 Limited liability company	RMB1,000,000	–	100%	Automobile parts sales
Changchun Shengze Jietong Transportation Co., Ltd. (長春聖澤捷通物流有限公司)		The PRC 24 October 2008 Limited liability company	RM30,000,000	–	100%	Provision of auto-mobile related logistic services
Wuhan Yuntong Investment Management Co., Ltd. (武漢運通行投資管理有限公司)		The PRC 1 March 2012 Limited liability company	RMB10,000,000	–	100%	Investment holding

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dongguan Liaobu SCAS Automobile Sales Services Co., Ltd. (東莞寮步中汽南方汽車銷售服務有限公司)		The PRC 15 May 2012 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Guangdong SCAS Shengwo Automobile Sales Services Co., Ltd. (廣東中汽南方勝沃汽車銷售服務有限公司)		The PRC 11 June 2012 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Wuhan Baozehang Automobile Maintenance Co., Ltd. (武漢寶澤行汽車維修服務有限公司)		The PRC 12 June 2012 Limited liability company	RMB10,000,000	–	100%	Provision of Automobile Maintenance Services
Jingdezhen Shengtong Trading Co., Ltd. (景德鎮升通貿易有限公司)		The PRC 20 June 2012 Limited liability company	RMB10,000,000	–	100%	Automobile parts sales
Zhuhai SCAS Jielu Automobile Sales Services Co., Ltd. (珠海中汽南方捷路汽車銷售服務有限公司)		The PRC 21 June 2012 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Hunan SCAS Xingsha Automobile Sales Services Co., Ltd. (湖南中汽南方星沙汽車銷售服務有限公司)		The PRC 27 June 2012 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dongguan Zhengtong Kaidi Automobile Sales Services Co., Ltd. (東莞正通凱迪汽車銷售服務有限公司)		The PRC 29 October 2012 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Jiangxi Zhengtong Zetian Automobile Sales Services Co., Ltd. (江西正通澤田汽車銷售服務有限公司)		The PRC 19 November 2012 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shanghai Qibao Automobile Sales Services Co., Ltd. (上海祺寶汽車銷售服務有限公司)		The PRC 8 June 2013 Limited liability company	RMB24,000,000	–	100%	Automobile dealership
Zhanjiang Zhengtong Kaidi Automobile Sales Services Co., Ltd. (湛江正通凱迪汽車銷售服務有限公司)		The PRC 15 April 2013 Limited liability company	RMB20,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Zhengyuan Automobile Technology Co., Ltd. (深圳正源汽車科技有限公司)		The PRC 25 December 2017 Limited liability company	RMB500,000,000	80%	—	Financial services
Shenzhen Chixing Automobile Sales Services Co., Ltd. (深圳馳星汽車銷售服務有限公司)		The PRC 07 November 2018 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Wuhan Zhengtong Yuechi Automobile Sales Services Co., Ltd. (武漢正通悦馳汽車銷售服務有限公司)		The PRC 14 May 2013 Limited liability company	RMB40,000,000	—	100%	Automobile dealership
Shantou Baoze Automobile Sales Services Co., Ltd. (汕頭市寶澤汽車銷售服務有限公司)		The PRC 2 September 2013 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Jingmen Baoze Automobile Sales Services Co., Ltd. (荊門寶澤汽車銷售服務有限公司)		The PRC 11 October 2013 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Weihai Luze Automobile Sales Services Co., Ltd. (威海路澤汽車銷售服務有限公司)		The PRC 31 October 2013 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Baotou Baozehang Automobile Maintenance Services Co., Ltd. (包頭寶澤行汽車維修服務有限公司)		The PRC 18 December 2013 Limited liability company	RMB40,000,000	—	100%	Provision of automobile maintenance services
Shantoushi Luze Automobile Sales Services Co., Ltd. (汕頭市路澤汽車銷售服務有限公司)		The PRC 20 November 2013 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Shenzhenshi Qianhaizhengtong Logistic Equipment Services Co., Ltd. (深圳市前海正通物流設備服務有限責任公司)	(i)	The PRC 24 May 2013 Limited liability company	US$5,000,000	—	100%	Provision of auto-mobile related logistic services
Changsha Ruize Real Estate Development Co., Ltd. (長沙瑞澤房地產開發有限公司)		The PRC 4 March 2013 Limited liability company	RMB20,000,000	—	100%	Property management
Shantoushi Ruize Real Estate Development Co., Ltd. (汕頭市瑞澤房地產開發有限公司)		The PRC 14 August 2013 Limited liability company	RMB160,000,000	—	100%	Property management

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dingze Insurance Agency Co., Ltd. (鼎澤保險代理有限公司)		The PRC 16 September 2013 Limited liability company	RMB50,000,000	–	100%	Insurance agency services
Wuhan Jiewo Advisory Services Limited (武漢捷沃諮詢服務有限公司)		The PRC 8 August 2013 Limited liability company	RMB1,000,000	–	100%	Consulting services
Sky Wonder Limited (天悅有限公司)		Hong Kong 14 March 2014 Private limited company	HK$1	–	100%	Investment holding
Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. (深圳市卓瑞翔信息諮詢有限公司)		The PRC 31 December 2013 Limited liability company	RMB32,000,000	–	100%	Consulting services
ChengTong Developments Limited (成通發展有限公司)		British Virgin Islands ("**BVI**") 1 April 2014 Limited company	US$1	–	100%	Investment holding
Landtime International Limited (裕泰國際有限公司)		Hong Kong 7 April 2014 Private limited company	US$1	–	100%	Investment holding
Wuhan Jieyuehang Supply Chain Co., Ltd. (武漢捷悅行供應鏈有限公司)		The PRC 17 July 2017 Limited liability company	RMB60,000,000	–	100%	Provision of auto-mobile related logistic services
Shanghai Taishijie Automobile Sales Services Co., Ltd. (上海泰士杰汽車銷售有限公司)		The PRC 23 February 2004 Limited liability company	RMB48,800,000	–	100%	Automobile dealership
Yiwu Dongtai Health Food Co., Ltd. (義烏東太保健食品有限公司)		The PRC 19 June 2003 Limited liability company	RMB5,000,000	–	100%	Automobile trading agency
Shangraoshi Luze Automobile Sales Services Co., Ltd. (上饒市路澤汽車銷售服務有限公司)		The PRC 17 February 2014 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Langfangshi Luze Automobile Sales Services Co., Ltd. (廊坊市路澤汽車銷售服務有限公司)		The PRC 23 May 2014 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Yichun Baoze Automobile Sales Services Co., Ltd. (宜春寶澤汽車銷售服務有限公司)		The PRC 6 March 2014 Limited liability company	RMB40,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Qingdao Aoze Automobile Sales Services Co., Ltd. (青島奧澤汽車銷售服務有限公司)		The PRC 9 May 2014 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Shengzhou Aoze Automobile Sales Services Co., Ltd. (嵊州奧澤汽車銷售服務有限公司)		The PRC 30 May 2014 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Dongguan Zhengtong Kaize Automobile Sales Services Co., Ltd. (東莞正通凱澤汽車銷售服務有限公司)		The PRC 17 February 2014 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Shanghai Chichang Trading Co., Ltd. (上海馳暢貿易有限公司)	(i)	The PRC 24 July 2014 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Beijing Zhengtong Baoze Automobile Sales Services Co., Ltd. (北京正通寶澤汽車銷售服務有限公司)		The PRC 14 July 2014 Limited liability company	RMB50,000,000	–	100%	Provision of Automobile Maintenance services
Loudi Dingwo Automobile Sales Services Co., Ltd. (婁底鼎沃汽車銷售服務有限公司)		The PRC 10 July 2014 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Shenzhen Aoze Automobile Sales Services Co., Ltd. (深圳奧澤汽車銷售服務有限公司)		The PRC 2 July 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Dongguan Aoze Automobile Sales Services Co., Ltd. (東莞奧澤汽車銷售服務有限公司)		The PRC 21 July 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Foshan Aoze Automobile Sales Services Co., Ltd. (佛山奧澤汽車銷售服務有限公司)		The PRC 5 September 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Zhengzhou Aoze Automobile Sales Services Co., Ltd. (鄭州奧澤汽車銷售服務有限公司)		The PRC 25 July 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Baoding Aoze Automobile Sales Services Co., Ltd. (保定奧澤汽車銷售服務有限公司)		The PRC 18 September 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Fuzhou Dingwo Automobile Sales Services Co., Ltd. (福州鼎沃汽車銷售服務有限公司)		The PRC 19 August 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Chengdu Dingbaohang Second Hand Automobile Sales Services Co., Ltd. (成都鼎寶行二手車銷售服務司)		The PRC 12 June 2016 Limited liability company	RMB10,000,000	–	100%	Automobile trading agency
Yongkang Guobang Automobile Sales Co., Ltd. (永康市國邦汽車銷售有限公司)		The PRC 8 August 2012 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Jieyang Luze Automobile Sales Services Co., Ltd. (揭陽路澤汽車銷售服務有限公司)		The PRC 14 August 2014 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
ShenzhenLuze Automobile Sales Services Co., Ltd. (深圳路澤汽車銷售服務有限公司)		The PRC 15 August 2014 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Yichang Baozehang Automobile Sales Services Co., Ltd. (宜昌寶澤行汽車銷售服務有限公司)		The PRC 22 August 2014 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Shenzhenshi SCAS Huawo Automobile Sales Services Co., Ltd. (深圳市中汽南方華沃汽車銷售服務有限公司)		The PRC 11 June 2014 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Shenzhen Hengyiyingtong Investment Management Co., Ltd. (深圳恒毅盈通投資管理有限公司)		The PRC 3 April 2014 Limited liability company	RMB100,000,000	–	100%	Investment holding
Shenzhenshi Huianqi Investment Advisory Co., Ltd. (深圳市匯安啟投資諮詢有限公司)		The PRC 13 May 2014 Limited liability company	HK$500,000	–	100%	Consulting services
Shenzhen Baoze Automobile Sales Services Co., Ltd. (深圳寶澤汽車銷售服務有限公司)		The PRC 31 March 2015 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Beijing Zhengtong Dingwo Automobile Sales Services Co., Ltd. (北京正通鼎沃汽車銷售服務有限公司)		The PRC 30 January 2015 Limited liability company	RMB5,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hengyang Luze Automobile Sales Services Co., Ltd. (衡陽路澤汽車銷售服務有限公司)		The PRC 2 July 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Huhhot Yingfei Automobile Sales Services Co., Ltd. (呼和浩特市英菲汽車銷售服務有限公司)		The PRC 27 May 2015 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Beijing Hengyiyingtong Advertising Media Co., Ltd. (北京恒毅盈通廣告傳媒有限公司)		The PRC 21 May 2015 Limited liability company	RMB5,000,000	–	100%	Consulting services
Shanghai Zhengtong Dingze Financial Leasing Co., Ltd. (上海正通鼎澤融資租賃有限公司)		The PRC 29 July 2014 Limited liability company	US$100,000,000	–	100%	Financial services
Shengze Jietong Supply Chain Co., Ltd. (聖澤捷通供應鏈有限公司)		The PRC 15 January 2016 Limited liability company	RMB200,000,000	–	100%	Provision of automobile related logistic services
Tianjin Chichang International Trading Co., Ltd. (天津馳暢國際貿易有限公司)		The PRC 11 June 2015 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Yunnan Chixing Automobile Sales Services Co., Ltd. (雲南馳星汽車銷售服務有限公司)		The PRC 25 May 2016 Limited liability company	RMB130,000,000	–	100%	Automobile dealership
Hubei Changze Automobile Sales Services Co., Ltd. (湖北長澤汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Beijing Zhengtong Tengxing Automobile Sales Services Co., Ltd. (北京正通騰星汽車銷售服務有限公司)		The PRC 12 December 2016 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Beijing Baoze Exhibition Co., Ltd. (北京寶澤會展有限公司)		The PRC 16 March 2016 Limited liability company	RMB10,000,000	–	100%	Consulting services
Suzhou Anzhixing Automobile Sales Services Co., Ltd. (宿州安之星汽車銷售服務有限公司)		The PRC 23 November 2016 Limited liability company	RMB20,000,000	–	100%	Automobile dealership

15 INTEREST IN SUBSIDIARIES (Continued)

Name of company	Note	Place and date of incorporation/ establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhoushi Hengyuehang Automobile Sales Services Co., Ltd. (廣州市恒悅行汽車銷售服務有限公司)		The PRC 21 June 2016 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Qingyuan Aoze Automobile Sales Services Co., Ltd. (清遠奧澤汽車銷售服務有限公司)		The PRC 10 August 2016 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Shenzhen Hengshuo Advisory Services Co., Ltd. (深圳恒爍諮詢服務有限公司)		The PRC 7 September 2016 Limited liability company	RMB1,000,000	–	100%	Consulting services
Foshan Tengxing Automobile Sales Services Co., Ltd. (佛山騰星汽車銷售服務有限公司)		The PRC 17 August 2016 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Shantou Hengshuo Services Co., Ltd. (汕頭市恒爍商務諮詢服務有限公司)		The PRC 7 September 2016 Limited liability company	RMB1,000,000	–	100%	Consulting services
Nanjing Qi'ao Automobile Sales Services Co., Ltd. (南京祺奧汽車銷售服務有限公司)		The PRC 3 May 2017 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Zhuhai Zhengtong Tengxing Automobile Sales Services Co., Ltd. (珠海正通騰星汽車銷售服務有限公司)		The PRC 6 March 2017 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Chongqing Qibao Automobile Sales Services Co., Ltd. (重慶祺寶汽車銷售服務有限公司)		The PRC 14 June 2016 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Wuhan Tengxing Automobile Sales Services Co., Ltd. (武漢騰星汽車銷售服務有限公司)		The PRC 1 August 2017 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Discontinued operations						
Shanghai Dongzheng Automobile Finance Co., Ltd. (上海東正汽車金融有限責任公司)	(v)	The PRC 11 March 2015 Limited liability company	RMB2,139,651,400	71.04%	–	Financial services

15 INTEREST IN SUBSIDIARIES (Continued)

Notes:

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

(ii) This entity is considered a subsidiary of the Group because the Group has rights to variable returns from its involvement with the entity and has the ability to affect those returns by virtue of an agreement signed with another equity shareholder which holds 50% interest in this entity, that results in the Group has the power to appoint the sole director of the entity.

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

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

(v) This entity is listed on Hong Kong Stock Exchange and is being classified as a discontinued operation as at 31 December 2020, details are set out in note 32.

The directors are of the view that the Group had no individually material non-controlling interest as at 31 December 2020.

16 INTEREST IN ASSOCIATES

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongfeng logistic (Wuhan) Co., Ltd	Incorporated	PRC	115,440,000	14.43%	–	14.43%	Logistic

Fengshen Logistics Co., Ltd ("**Guangzhou Fengshen**") is an unlisted corporate entity in which the Group had 50% ownership interest and had joint control and therefore classified as interest in a joint venture, which was equity-accounted for as at 31 December 2019.

On 16 January 2020, the Group entered into an agreement with Dongfeng Logistics (Wuhan) Co., Ltd. ("**Wuhan Dongfeng**") such that Wuhan Dongfeng would issue its shares to the Group in exchange for acquiring the 50% equity interest in Guangzhou Fengshen held by the Group. Upon the completion of such transaction and other acquisitions made by Wuhan Dongfeng, the Group holds 14.43% equity interest in Wuhan Dongfeng, which in turn holds 100% equity interest in Guangzhou Fengshen and another two entities. As a result of the above, the Group reclassified its interest in Wuhan Dongfeng as an associate from a joint venture, and recognized a gain on disposal of interest in a joint venture of RMB133,403,000 accordingly.

16 INTEREST IN ASSOCIATES (Continued)

Associate are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Wuhan Dongfeng, a material associate of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2020 RMB'000	2019 RMB'000
Gross amounts of Wuhan Dongfeng		
Current assets	3,360,338	—
Non-current assets	2,613,680	—
Current liabilities	(2,385,819)	—
Non-current liabilities	(116,619)	—
Equity	(3,471,580)	—
Revenue	(4,634,807)	—
Profit from continuing operations	(324,965)	—
Reconciled to the Group's interests in Wuhan Dongfeng		
Gross amounts of net assets of Wuhan Dongfeng	3,471,580	—
Group's effective interest	14.43%	—
Group's share of net assets of Wuhan Dongfeng	500,949	—
Carrying amount in Wuhan Dongfeng	500,949	—

Aggregate information of another associate that are not individually material:

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	15,938	15,466
Aggregate amounts of the Group's share of an associate		
Profit from continuing operations	2,951	4,534
Total comprehensive income	2,951	4,534
Total carrying amount interest in associates	516,887	15,466

17 INVENTORIES

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

	At 31 December 2020 RMB'000	2019 RMB'000
4S dealership business		
— Motor vehicles	**967,392**	2,679,440
— Automobile spare parts	**256,610**	384,533
— Others	**41,459**	39,894
	1,265,461	3,103,867
Comprehensive properties business		
— Properties under development for sale	**536,307**	379,231
	1,801,768	3,483,098

Inventories with carrying amount of RMB161,994,000 have been pledged as security for the bills payable (see note 26) as at 31 December 2020 (2019: RMB1,021,539,000).

Inventories with carrying amount of RMB775,833,000 have been pledged as security for loans and borrowings from banks and other financial institutions (see note 24) as at 31 December 2020 (2019: RMB1,297,260,000).

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

	Note	For the year ended 31 December 2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold		**16,894,387**	30,102,488
Write down of inventories		**101,190**	8,688
Reversal of write-down of inventories	(i)	**(664)**	(924)
Reversal of vendor rebates	(ii)	**4,318,050**	—
		21,312,963	30,110,252

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

17 INVENTORIES (Continued)

(b) (Continued)

(ii) Rebate receivables in prior years were accrued based the terms of the underlying vendor rebate policies and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria such as customer satisfactory results, store demonstration requirements, etc., as set out in the respective vendor rebate policies.

As disclosed in note 2, the operational disruption and the liquidity strain brought about by the COVID-19 outbreak during 2020 has led to significant deterioration in certain overriding and ongoing performance metrics, such as customer satisfaction ratings, under the various dealership agreements between the Group and automobile manufacturers. As such, many automobile manufacturers have alleged that the Group has damaged their brands and threatened to terminate the dealership agreements and claw back the Group's prior years' rebate entitlements. While the Group has since been taking improvement measures and has been in active negotiation with the automobile manufacturers and a number of dealerships rights have been gradually resumed, as at 31 December 2020 some major dealership agreements have been terminated or remained suspended. The Group has therefore reassessed the recoverability of the rebate receivable in light of the above development. Accordingly, a reversal of RMB4,318,050,000 has been made against rebate receivable during the year ended 31 December 2020. Such reversal covered stores whose dealership rights have been terminated or suspended, and also stores whose dealership rights have been resumed but there remained significant uncertainties around the recoverability of the rebate receivable owing to the prior allegation of the related automobile manufacturers.

18 TRADE AND BILLS RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**1,053,682**	1,434,828
Bills receivable	**655**	—
	1,054,337	1,434,828

All of the trade and bills receivables are expected to be recovered within one year. Details of the Group's credit policy are set out in note 33(a).

Trade and bills receivables with carrying amount of RMB17,073,000 are pledged against bank loans at 31 December 2020 (see note 24) (2019: RMB174,715,000).

18 TRADE AND BILLS RECEIVABLES (Continued)

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

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Within 3 months	**1,013,109**	1,402,439
More than 3 months but within 1 year	**21,962**	27,372
Over 1 year	**19,266**	5,017
	1,054,337	1,434,828

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		At 31 December	
	Note	**2020**	2019
		RMB'000	RMB'000
Prepayments		**763,067**	1,132,785
Deposits		**510,213**	518,961
Other receivables	(ii)	**3,100,586**	8,564,554
		4,373,866	10,216,300

(i) All of the prepayments, deposits and other receivables are expected to be recovered within one year.

(ii) As mentioned in note 17 (b) (ii), a reversal of RMB4,318,050,000 has been made against rebate receivable, which was included in other receivables, during the year ended 31 December 2020.

20 RECEIVABLES FROM FINANCIAL SERVICES

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Receivable from retail customers	—	4,096,702
Receivable from auto dealers	—	1,151,206
Less: Allowance for impairment losses	—	(109,008)
	—	5,138,900
Non-current		
Receivable from retail customers	—	3,707,354
Less: Allowance for impairment losses	—	(76,212)
	—	3,631,142
Net receivables from financial services	—	8,770,042

20 RECEIVABLES FROM FINANCIAL SERVICES (Continued)

Receivable from retail customers are expected to be recovered within one to five years. Receivable from auto dealers are expected to be recovered within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of receivables from financial services, based on the invoice date and net of allowance for impairment losses, is as follows:

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Within 3 months	**—**	1,782,058
More than 3 months but within 1 year	**—**	3,452,675
More than 1 year	**—**	3,535,309
	—	8,770,042

Details on the Group's credit policy are set out in note 33(a).

(b) Impairment of receivables from financial services

The movement in the allowance for impairment losses during the year, including both specific and collective loss components, is as follows:

	2020	2019
	RMB'000	RMB'000
Balance at 1 January	**—**	142,320
Impairment loss recognised	**—**	110,154
Uncollectible amounts written off	**—**	(71,750)
Recovery after write-off	**—**	4,496
Balance at 31 December	**—**	185,220

21 OTHER FINANCIAL ASSETS

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current		
Financial assets carried at FVPL	**250,000**	285,000
Non-Current		
Financial assets carried at FVPL	**35,000**	17,028
	285,000	302,028

Other financial assets mainly included investment in wealth management products purchased from Western Trust Co., Ltd.

22 PLEDGED BANK DEPOSITS AND BALANCES WITH CENTRAL BANK

		At 31 December	
Guarantee deposits in respect of:	Note	**2020** **RMB'000**	2019 RMB'000
Restricted guarantee deposits in respect of:			
Bank loans (note 24)	(i)	**448,014**	198,374
Bills payable (note 26)	(i)	**523,728**	791,305
Standby letter of credit	(ii)	**—**	400,000
Others		**17,969**	—
		989,711	1,389,679
Restricted balances with central bank:			
Deposit with central bank	(iii)	**—**	9,479
		989,711	1,399,158

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

(ii) The bank deposits pledged for the standby letter of credit will be released upon the maturity day of the standby letter of credit.

(iii) Deposits with central bank are statutory and surplus deposit reserves placed by Shanghai Dongzheng Automotive Finance Co., Ltd. with the People's Bank of China, which is reclassified to "Assets held for sale" as at 31 December 2020. The statutory deposit reserve ratio applicable is 6.0% (2019: 6.0%). The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December	
	2020 **RMB'000**	2019 RMB'000
Deposit with banks within 3 months of maturity	**163,415**	287,000
Cash at banks and on hand	**231,704**	1,210,400
Cash and cash equivalents in the consolidated statement of financial position	**395,119**	1,497,400
Cash and cash equivalents included in a disposal group classified as held-for-sale (note 32)	**95,421**	—
Cash and cash equivalents in the consolidated statement of cash flows	**490,540**	1,497,400

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

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

	Note	For the year ended 31 December 2020 RMB'000	2019 RMB'000
(Loss)/profit before taxation		**(10,362,948)**	1,163,064
— Continuing operations		**(10,395,426)**	788,013
— Discontinued operations	32	**32,478**	375,051
Adjustments for continuing and discontinued operations:			
— Depreciation of owned property, plant and equipment	5(c)	**375,062**	375,073
— Depreciation of right-of-use assets	5(c)	**407,189**	386,033
— Amortisation of intangible assets	5(c)	**189,433**	195,152
— Net gain on disposal of property, plant and equipment	4	**(34,909)**	(23,556)
— Finance costs	5(a)	**1,093,836**	1,076,260
— Share of profit of a joint venture and an associate		**(37,077)**	(61,753)
— Gain on disposal of interest in a joint venture	4	**(133,403)**	—
— Interest income from bank deposits	4	**(33,051)**	(45,593)
— Equity settled share-based transactions	29	**17,310**	—
— Impairment losses of receivables from financial services	5(c)	**309,266**	110,154
— Write down of inventories	17(b)	**100,526**	7,764
— Realised and unrealised net (gain)/loss on derivatives	4	**(1,216)**	18,850
— Foreign exchange (gain)/loss		**(368,611)**	96,102
— Impairment of goodwill	14	**1,241,322**	71,222
— Impairment of intangible asset	13	**1,021,422**	—
— Impairment of property, plant and equipment	11	**235,628**	—
— Listing expenses of a subsidiary	5(c)	**—**	9,207
Cash generated from operations		**(5,980,221)**	3,377,979
Changes in working capital, include reclassification to held for sale under discontinued operations:			
— Decrease in inventories		**1,805,594**	734,096
— Decrease/(increase) in trade and bills receivables		**380,491**	(363,319)
— Decrease/(increase) Increase in prepayments, deposits and other receivables		**5,861,990**	(389,752)
— Decrease in pledged bank deposits		**259,087**	676,639
— Decrease in trade and other payables		**(1,918,398)**	(405,700)
— Decrease/(increase) in receivables from financial services		**4,070,892**	(680,490)
— Decrease in loans and borrowings for financial services		**(3,959,361)**	(175,987)
Cash generated from operations		**520,074**	2,773,466
Income tax paid		**(173,844)**	(227,445)
Net cash generated from operating activities		**346,230**	2,546,021

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

(c) Reconciliation of liabilities arising from financing activities

	Bank loans and borrowings for non-financial services RMB'000 (note 24)	Bonds payable RMB'000 (note 27)	Interest payables RMB'000 (i)	Derivative financial instruments: Capped cross currency swap RMB'000 (note 31(e))	Lease liabilities RMB'000	Accrued listing expenses of a subsidiary RMB'000	Total RMB'000
At 31 December 2019, and at 1 January 2020	13,287,103	298,535	56,930	85,575	1,882,202	32,962	15,643,307
Changes from financing cash flows:							
Proceeds from loans and borrowings	15,429,185	1,266,070	–	–	–	–	16,695,255
Repayment of loans and borrowings	(16,857,976)	(89,169)	–	7,482	–	–	(16,939,663)
Capital element of finance lease rentals paid	–	–	–	–	(238,559)	–	(238,559)
Interest element of finance lease rentals paid	–	–	–	–	(104,548)	–	(104,548)
Interest paid	–	–	(1,074,758)	(71,293)	–	–	(1,146,051)
Proceeds of derivative financial instruments	–	–	–	–	–	–	–
Payments for listing expenses of a subsidiary	–	–	–	–	–	(5,185)	(5,185)
Total changes from financing cash flows	(1,428,791)	1,176,901	(1,074,758)	(63,811)	(343,107)	(5,185)	(1,738,751)
Exchange adjustments	(302,109)	(58,942)	–	(5,915)	–	(1,645)	(368,611)
Changes in fair value	–	–	–	16,534	–	–	16,534
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	105,450	–	105,450
Interest expenses (note 5(a))	–	611	966,458	–	104,548	–	1,071,617
Capitalised borrowing costs (note 5(a))	–	–	99,607	–	–	–	99,607
Listing expenses of a subsidiary	–	–	–	–	–	–	
Listing expenses of a subsidiary	–	–	–	–	–	–	–
Reclassification to liabilities held for sale under discontinued operations:	–	–	–	–	(23,372)	(26,132)	(49,504)
Total other changes	–	611	1,066,065	–	151,737	(26,132)	1,192,281
At 31 December 2020	11,556,203	1,417,105	48,237	32,383	1,690,832	0	14,744,760

(i) Interest payables is recorded in trade and other payables as disclosed in note 26.

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

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

	Bank loans and borrowings for non-financial services RMB'000 (note 24)	Bonds payable RMB'000 (note 27)	Obligations under finance leases RMB'000	Interest payables RMB'000 (i)	Derivative financial instruments: Capped cross currency swap RMB'000 (note 31(e))	Lease liabilities RMB'000 (Note)	Accrued listing expenses of a subsidiary RMB'000	Total RMB'000
At 31 December 2018	14,796,749	903,062	91,273	88,721	7,593	–	(669)	15,886,729
Impact on initial application of HKFRS 16	–	–	(91,273)	–	–	1,730,954	–	1,639,681
At 1 January 2019	14,796,749	903,062	–	88,721	7,593	1,730,954	(669)	17,526,410
Changes from financing cash flows:								
Proceeds from loans and borrowings	16,685,821	–	–	–	–	–	–	16,685,821
Repayment of loans and borrowings	(18,291,606)	(610,000)	–	–	–	–	–	(18,901,606)
Capital element of finance lease rentals paid	–	–	–	–	–	(481,218)	–	(481,218)
Interest element of finance lease rentals paid	–	–	–	–	–	(140,699)	–	(140,699)
Interest paid	–	–	–	(1,022,168)	–	–	–	(1,022,168)
Proceeds of derivative financial instruments	–	–	–	–	46,387	–	–	46,387
Payments for listing expenses of a subsidiary	–	–	–	–	–	–	(80,078)	(80,078)
Total changes from financing cash flows	(1,605,785)	(610,000)	–	(1,022,168)	46,387	(621,917)	(80,078)	(3,893,561)
Exchange adjustments	96,139	–	–	–	(37)	–	–	96,102
Changes in fair value	–	–	–	–	31,632	–	–	31,632
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	–	632,466	–	632,466
Interest expenses (note 5(a))	–	5,473	–	902,399	–	140,699	–	1,048,571
Capitalised borrowing costs (note 5(a))	–	–	–	87,978	–	–	–	87,978
Listing expenses of a subsidiary	–	–	–	–	–	–	113,709	113,709
Total other changes	–	5,473	–	990,377	–	773,165	113,709	1,882,724
At 31 December 2019	13,287,103	298,535	–	56,930	85,575	1,882,202	32,962	15,643,307

(d) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating cash flows	**91,362**	53,813
Within investing cash flows	**13,733**	334,776
Within financing cash flows	**343,107**	621,917
	448,202	1,010,506

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	**434,469**	675,730
Purchase of land use rights	**13,733**	334,776
	448,202	1,010,506

24 LOANS AND BORROWINGS

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

	Note	At 31 December 2020 RMB'000	2019 RMB'000
Current			
Loans and borrowings for financial services			
Unsecured bank loans	(i)	—	5,876,808
Secured borrowings from other financial institutions	(ii)	—	75,959
Secured long- term borrowings from other financial institutions within 1 year	(ii)	—	14,054
		—	5,966,821
Loans and borrowings for non-financial services			
Unsecured bank loans	(i)	**982,838**	2,545,427
Current portion of unsecured long-term bank loans	(i)	**2,603,060**	3,532,319
Unsecured short-term commercial paper	(iii)	**150,000**	150,000
Current portion of unsecured borrowings from other financial institutions		—	100,000
		3,735,898	6,327,746
Secured bank loans	(iv)	**1,987,343**	2,284,505
Current portion of secured long-term bank loans	(iv)	**234,437**	227,825
Secured borrowings from other financial institutions	(v)	**4,164,561**	2,221,088
		10,122,239	11,061,164
Sub-total		**10,122,239**	17,027,985

	Note	At 31 December 2020 RMB'000	2019 RMB'000
Non-current			
Loans and borrowings for financial services			
Secured borrowings from other financial institutions	(ii)	—	15,316
		—	15,316
Loans and borrowings for non-financial services			
Unsecured bank loans	(vi)	**1,041,574**	1,943,402
Secured bank loans	(vii)	**392,390**	282,537
		1,433,964	2,225,939
Sub-total		**1,433,964**	2,241,255
Total		**11,556,203**	19,269,240

(i) Current unsecured bank loans carried interest at annual rates ranging from 4.68% to 12.00% as at 31 December 2020 (2019: from 3.92% to 7.50%)

(ii) It represented the secured borrowings from other financial institutions embedded in sale-leaseback arrangement by the Group which bears interest at an effective rate from 7.40% to 7.70% per annum with quarterly instalment payments.

24 LOANS AND BORROWINGS (Continued)

(iii) The Group had issued one (2019: one) batch of one year short-term commercial papers in National Association of Financial Market Institutional Investors in 2020 with the amount of RMB150 million (2019: RMB150 million). This short-term commercial paper bears interest rate of 7.00% (2019: 6.5%) respectively.

(iv) Current secured bank loans carried interest at annual rates ranging from 4.35% to 10.50% as at 31 December 2020 (2019: from 3.06% to 8.40%).

(v) Secured borrowings from other financial institutions mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 5.96% to 9.80% as at 31 December 2020 (2019: from 5.96% to 8.80%).

(vi) The non-current unsecured bank loans bearing interest rate from 3.15% to 5.225% per annum as at 31 December 2020 (2019: 4.91% to 5.225%) will mature on 19 July 2022 and 15 January 2022 respectively.

(vii) The non-current secured loans bearing interest rate from 3.00% to 8.40% per annum as at 31 December 2020 (2019: 4.35% to 8.40%) will mature on 20 April 2023, 27 March 2023 and 26 June 2023 respectively.

(viii) As at 31 December 2020, the following assets of the Group had been pledged to secure for the Group's banking facilities totalling to RMB10,470,559,000 (2019: RMB10,233,798,000).

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Inventories	**775,833**	1,297,260
Pledged bank deposits	**448,014**	198,374
Property, plant and equipment	**717,241**	182,416
Right-of-use assets- land use rights	**582,677**	398,730
Trade and bills receivables	**17,073**	174,715
Equity of subsidiaries	**1,939,516**	117,234
Time deposit	**290,915**	363,221
Total	**4,771,269**	2,731,950

As of 31 December 2020, the above banking facilities were utilised to the extent of RMB2,686,247,000 (2019: RMB5,121,284,000).

Certain borrowings from other financial institutions were borrowed by pledge of equity in certain subsidiaries of the Group, with pledge value capped at the borrowing amount of approximately RMB1,939,516,000 as at 31 December 2020 (2019: RMB117,234,000).

Certain banking facilities of the Group's subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 31(b).

(ix) As of 31 December 2020, unsecured loans and borrowings amounting to RMB5,051,877,000 were guaranteed by the Company and its fellow subsidiaries (2019: RMB8,149,468,000).

As of 31 December 2020, secured loans and borrowings amounting to RMB2,527,911,000 were guaranteed by the Company and its fellow subsidiaries (2019: RMB5,121,284,000).

25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	At 31 December 2020		At 31 December 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	529,620	551,288	428,019	442,917
After 1 year but within 2 years	270,698	305,973	396,590	434,811
After 2 years but within 5 years	495,135	626,770	587,716	720,671
After 5 years	395,379	637,701	469,877	740,018
	1,161,212	1,570,444	1,454,183	1,895,500
	1,690,832	2,121,732	1,882,202	2,338,417
Less: total future interest expenses		(430,900)		(456,215)
Present value of lease liabilities		1,690,832		1,882,202

26 TRADE AND OTHER PAYABLES

		At 31 December	
	Note	2020 RMB'000	2019 RMB'000
Current			
Trade payables		1,029,801	1,133,626
Bills payable	(i)	699,320	2,447,408
		1,729,121	3,581,034
Contract liabilities	(ii)	916,287	915,334
Other payables and accruals		1,528,557	1,799,665
Payables due to related parties		23,343	—
		4,197,308	6,296,033
Non-Current			
Long-term payables		251,656	277,057
		4,448,964	6,573,090

(i) Bills payable of RMB523,728,000 as at 31 December 2020 (2019: RMB791,305,000) were secured by pledged bank deposits (see note 22).

Bills payable of RMB175,592,000 as at 31 December 2020 (2019: RMB1,656,103,000) were secured by inventories (see note 17).

26 TRADE AND OTHER PAYABLES (Continued)

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

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Within 3 months	**1,530,030**	3,322,566
Over 3 months but within 6 months	**190,570**	255,088
Over 6 months but within 12 months	**8,521**	3,380
	1,729,121	3,581,034

(ii) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB914,527,000 (2019: RMB569,331,000).

27 BONDS PAYABLE

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Bonds payable	**1,417,105**	298,535
Details of the bonds are as follows:		
Principal amount	**1,488,497**	300,000
Bonds issue costs	**(21,944)**	(3,000)
Proceeds received	**1,466,553**	297,000
Accumulated amortised amounts of discount on issue and issue costs	**9,494**	1,535
Exchange differences	**(58,942)**	—
As at 31 December	**1,417,105**	298,535

On 24 March 2017, the Group issued corporate bonds with an aggregate principal amount of RMB300 million (the "**PRC Bonds**"). The PRC bonds bear interest from 24 March 2017 (inclusive) at the rate of 6% per annum and were issued at their principal amount. Interest on the PRC Bonds is payable annually in arrears. The PRC bonds have been listed on Shenzhen Stock Exchange, and will be mature on 24 March 2022.

On 16 January 2020, the Group issued first batch of senior notes with an aggregate principal amount of USD160 million (the "**First Batch of USD Bonds**").The First batch of USD bonds bear interest from 16 January 2020 (inclusive) at the rate of 12.0% per annum and were issued at their principal amount. On 11 February 2020, the Group issued second batch of senior notes with an aggregate principal amount of USD13 million (the "**Second Batch of USD Bonds**", together with the First Batch of USD Bonds, the "**USD Bonds**"), consolidated and formed a single class with the First Batch of USD bonds. The Second Batch of USD bonds bear interest from 16 January 2020 (inclusive) at the rate of 12.0% per annum and were issued at 99.98% of their principal amount. Interest on the USD Bonds is payable semi-annually in arrears. The USD bonds have been listed on Hong Kong Stock Exchange, and will be mature on 16 January 2022.

28 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 benefit 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.

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(b) The number and weighted average exercise prices of Restricted Shares are as follows:

	2020 Weighted average exercise price	2020 Number of options '000
Outstanding at the beginning of the period	—	—
Exercised during the period	—	—
Granted during the period	**RMB0**	**47,100,000**
Forfeited during the period	**RMB0**	**(5,940,000)**
Outstanding at the end of the period	**RMB0**	**41,160,000**

Total expenses of RMB17,310,000 (2019: Nil) were recognised as personnel expenses during the year ended 31 December 2020 (see note 2(r)).

30 DEFERRED TAX ASSETS AND LIABILITIES

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

	Fair value adjustment arising from business combination RMB'000	Depreciation allowances in excess of depreciation charges RMB'000	Future benefits of tax losses RMB'000	Fair value change of derivative financial instruments RMB'000	Deferred revenue and rebate receivable RMB'000	Inventory provision and impairment of other receivables RMB'000	Credit Loss allowance RMB'000	Withholding taxes RMB'000	Capitalisation of interest RMB'000	Charge of right-of-use assets RMB'000	Total RMB'000
Deferred tax assets/ (liabilities) arising from:											
At 1 January 2019	(998,945)	(5,437)	188,144	1,824	12,291	–	13,888	–	(49,628)	–	(837,863)
Impact on initial application of HKFRS16	–	–	–	–	–	–	–	–	–	49,669	49,669
Credited/(charged) to profit or loss (note 6(a))	47,041	221	35,997	(1,824)	(2,758)	–	10,931	–	(20,988)	13,258	81,878
At 31 December 2019	(951,904)	(5,216)	224,141	–	9,533	–	24,819	–	(70,616)	62,927	(706,316)
Credited/(charged) to profit or loss (note 6(a))	271,561	1,764	790,316	–	(601,594)	27,490	3,855	(170,097)	(23,813)	(9,382)	290,100
Reclassification to assets held for sale (note 32)	–	–	–	–	(58,199)	–	(28,674)	–	–	(675)	(87,548)
At 31 December 2020	**(680,343)**	**(3,452)**	**1,014,457**	**–**	**(650,260)**	**27,490**	**–**	**(170,097)**	**(94,429)**	**52,870**	**(503,764)**

30 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	At 31 December 2020 RMB'000	2019 RMB'000
Representing:		
Net deferred tax assets	**442,782**	321,474
Net deferred tax liabilities	**(946,546)**	(1,027,790)
	(503,764)	(706,316)

Deferred tax liabilities not recognised:

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2020 in respect of undistributed earnings of RMB4,182,728,000(2019 RMB8,081,841,000) as the Company controls the dividend policy of the subsidiaries and it has determined that these profit will not be distributable in the foreseeable future.

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company				
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	209,320	6,120,051	70,346	(3,177,197)	3,222,520
Loss and total comprehensive income for the year	—	—	—	(405,900)	(405,900)
Dividends (note 31 (b))	—	—	—	(522,144)	(522,144)
Issue of ordinary shares by placement	—	—	—	—	—
Purchase and cancellation of own shares (note 31(c)(i))	(170)	(7,377)	7,547	—	—
Balance at 31 December 2019 and 1 January 2020	209,150	6,112,674	77,893	(4,105,241)	2,294,476
Loss and total comprehensive income for the year	—	—	—	(2,426,160)	(2,426,160)
Issue of ordinary shares by placement	22,115	214,735	—	—	236,850
Equity settled share-based transactions	—	—	17,310	—	17,310
Balance at 31 December 2020	**231,265**	**6,327,409**	**95,203**	**(6,531,401)**	**122,476**

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2020 RMB'000	2019 RMB'000
No interim dividend declared and paid (2019: HK$0.10 per ordinary share)	—	221,357
No final dividend proposed after the end of the reporting period (2019: Nil)	—	—
	—	221,357

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020 RMB'000	2019 RMB'000
No final dividend in respect of the previous financial year, approved and paid during the year (2019: HK$0.14 per ordinary share)	—	300,787

(iii) Other dividends

During the year of 2020, certain subsidiaries of the Group declared and paid dividends of RMB7,725,000 in cash to non-controlling shareholders (2019: RMB56,589,000).

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

Movements in the authorised share capital of the Company during the year are as follows:

	2020		2019	
	Number of shares (thousand)	**Amount HK$('000)**	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, authorised:				
Ordinary shares of HK$0.10 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,452,220**	**245,222**	2,454,142	245,414
Issue of ordinary shares by placement (i)	**245,222**	**24,522**	—	—
Purchase and cancellation of own shares	**—**	**—**	(1,922)	(192)
At 31 December	**2,697,442**	**269,744**	2,452,220	245,222
RMB equivalent ('000)		**231,265**		209,150

(i) Pursuant to a share placing agreement dated 15 July 2020, the Company completed a share placing by issuing 245,222,000 ordinary shares at a price of HK$1.09 per share on 20 July 2020. Consequently, HKD24,522,200 (equivalent to RMB22,115,000) and HKD238,105,000 (equivalent to 214,735,000) were recorded in share capital and share premium, respectively.

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) PRC statutory reserve

PRC Statutory reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserve were approved by the respective boards of directors' meetings.

For the entity concerned, statutory reserve can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(ii) Exchange reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(iii) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiary in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(e) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing loans and borrowings, obligations under finance leases, bills payable, bonds payable and unaccrued proposed dividends less cash and cash equivalents, time deposits and pledged bank deposits, and capital is defined as the total equity less unaccrued proposed dividends.

31 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital risk management (Continued)

The adjusted net debt-to-capital ratios at 31 December 2020 and 31 December 2019 were as follows:

	Note	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Loans and borrowings*	24	**11,556,203**	19,269,240
Bonds payable	27	**1,417,105**	298,535
Bills payable	26	**699,320**	2,447,408
Lease liabilities*	25	**1,690,832**	1,882,202
Total borrowings		**15,363,460**	23,897,385
Add: Proposed dividends	30(b)	**—**	—
Less: Pledged bank deposits	22	**(989,711)**	(1,399,158)
Time deposits		**(443,180)**	(680,929)
Cash and cash equivalents*	23	**(395,119)**	(1,497,400)
Adjusted net debt		**13,535,450**	20,319,898
Total equity		**5,312,900**	13,640,297
Less: Proposed dividends	30(b)	**—**	—
Adjusted total equity		**5,312,900**	13,640,297
Adjusted net debt-to-capital ratio		**2.55**	1.49

The Group is subject to capital requirements imposed by certain banks as disclosed in note 24(viii).

* Loans and borrowings exclude those balance associated with liabilities classified as held for sale under discontinued operations of RMB2,033,911,000 (2019: Nil).

Lease liabilities exclude those balance associated with liabilities classified as held for sale under discontinued operations of RMB23,372,000 (2019: Nil).

Cash and cash equivalents exclude those balance associated with assets classified as held for sale under discontinued operations of RMB95,421,000 (2019: Nil)

32 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

On 20 October 2020, the Company received from Shanghai Office of the China Banking and Insurance Regulatory Commission (the "**CBIRC**") an administrative decision against the Company (the "**CBIRC Decision**"), alleging that (i) the Company obtained administrative licenses and permits for the establishment of Shanghai Dongzheng Automotive Finance Co., Ltd* ("**Dongzheng**"), a subsidiary of the Company, by improper means and the Company and its related parties engaged in non-compliant related-party transactions with Dongzheng; and (ii) Dongzheng's dealer auto loan business was carried out in serious violation of the principle of prudent operation. CBIRC required that the Company shall withdraw the Company's interest in Dongzheng within 3 months from the date of the CBIRC decision.

In response to the CBIRC Decision, the Company had committed to sell its entire interests in Dongzheng which constituted the Group's financial services segment, had engaged a financial adviser to assist in the probable disposal of its interests in Dongzheng (the "**Potential Disposal**") and had been actively identifying potential purchasers with an objective of achieving a completed sale within 2021. Accordingly, the interests in Dongzheng have been presented as a disposal group held for sale as at 31 December 2020 and as discontinued operations for the year.

As at 31 December 2020, no binding sales and purchase agreements have been entered into by the Company with any potential purchasers and no valuation of Dongzheng has been performed in respect of the Potential Disposal, and the discussion and negotiation are still in progress.

32 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations following the accounting policies as set out in note 2(y).

(i) Analysis of profit for the year from Dongzheng

The results of the discontinued operations of Dongzheng for the year are as follows:

	Note	For the year ended 31 December 2020 RMB'000	 2019 RMB'000
Revenue		**808,709**	1,167,114
Elimination of inter-segment revenue		**(188,204)**	(287,552)
External revenue	3	**620,505**	879,562
Cost		**(630,414)**	(579,694)
Other revenue		**9,521**	90,270
Administrative expenses		**(111,946)**	(156,278)
Finance cost (note 5(a))		**(1,899)**	(1,633)
Elimination of expenses related to inter-segment revenue		**146,711**	142,824
Results from operating activities		**32,478**	375,051
Income tax	6(b)	**(8,613)**	(94,196)
Results from operating activities, net of tax		**23,865**	280,855

The profit from discontinued operation for the year attributable to the equity shareholders of the Company amounted to RMB16,954,000 (2019: RMB213,378,000).

Cash flows from discontinued operations are summarised as follows:

	For the years ended 31 December 2020 RMB'000	 2019 RMB'000
Cash flows used in operating activities	**(8,098)**	(1,831,435)
Cash flows used in investing activities	**(1,832)**	(6,312)
Cash flows (used in)/generated from financing activities	**(15,984)**	1,153,269
Net cash outflow	**(25,914)**	(684,478)

32 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

(Continued)

(i) Analysis of profit for the year from Dongzheng (Continued)

The major classes of assets and liabilities of Dongzheng as at 31 December 2020 are as follow:

	At 31 December 2020 RMB'000
Property, plant and equipment	7,598
Right-of-use assets	20,636
Intangible assets	11,337
Receivables from financial services	4,389,884
Deferred tax assets	87,548
Prepayments, deposits and other receivables	34,758
Cash and cash equivalents	95,421
Assets reclassified as held-for-sale as at 31 December 2020	4,647,182
Add: inter-segment receivables	1,621,580
Dongzheng reportable assets as at 31 December 2020	6,268,762
Loans and borrowings	(2,033,911)
Trade and other payables	(127,608)
Lease liabilities	(23,372)
Income tax payables	(18,379)
Liabilities reclassified as held-for-sale as at 31 December 2020	(2,203,270)
Add: inter-segment payables	(932)
Dongzheng reportable liabilities as at 31 December 2020	(2,204,202)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to receivables from financial services, cash and cash equivalents, pledged bank deposits and balances with central bank, time deposits, trade and bills receivables, deposits and long-term receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and balances with central bank and time deposits is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

Receivables from financial services

The counterparties are mainly a large group of individual customers who obtained financial services from the Group.

In order to minimise credit risk of receivables from financial services, the Group has tasked its risk management department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the risk management department uses other publicly available financial information and the Group's own trading records to rate its counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group's current credit risk grading framework in respect of financial assets comprises the following categories:

Category	Description	Basis of recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL for not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL for credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Receivables from financial services (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for receivables from financial services based on the provision matrix.

Discontinued operation — Receivables from financial services	At 31 December 2020		At 31 December 2019	
	Provision ratio (%)	RMB'000	Provision ratio (%)	RMB'000
Gross balance are assessed for 12-month ECL				
— Neither overdue nor credit-impaired		**3,553,170**		8,824,115
Allowances for impairment losses	**1.81%**	**(64,399)**	1.16%	(102,044)
Net balance		**3,488,771**		8,722,071
Gross balance are not credit-impaired and assessed for lifetime ECL				
— Overdue but not credit-impaired		**32,137**		81,179
— Neither overdue nor credit-impaired		**1,162,806**		237
Sub-total		**1,194,943**		81,416
Allowances for impairment losses	**24.66%**	**(294,617)**	48.21%	(39,254)
Net balance		**900,326**		42,162
Gross balance are credit-impaired and assessed for lifetime ECL				
— Overdue and credit-impaired		**27,035**		49,731
Allowances for impairment losses	**97.09%**	**(26,248)**	88.32%	(43,922)
Net balance		**787**		5,809
Book value		**4,389,884**		8,770,042

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Receivables from non-financial services

Trade and bills receivables

Credit risk in respect of trade and bills receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade and bills receivables balances mainly represent mortgage granted by major financial institutions to customers of the Group and warranty receivables from automobile manufacturers. The mortgage is normally settled within one month directly by major financial institutions. While for the receivables from automobile manufacturers, risk of default is considered low, as these are companies with good credit rating. Based on past experience, the Group was of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, 18% (2019: 18%) and 5% (2019: 6%) of the total trade and bills receivables were due from the Group's five largest debtors and the largest single debtor respectively.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade and bills receivables as at 31 December 2020.

Deposits and long-term receivables

Credit risk in respect of deposits and long-term receivables is limited since the counterparties are mainly certain landlords and their receivables are settled on a regular basis.

The Group measures loss allowances for deposits and long-term receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2020					At 31 December 2019				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	10,976,009	2,918,311	–	13,894,320	11,556,203	17,425,454	2,423,683	–	19,849,137	19,269,240
Lease liabilities (note 25)	551,288	932,743	637,701	2,121,732	1,690,832	442,917	1,155,482	740,018	2,338,417	1,882,202
Bonds payable	163,956	1,443,876	–	1,607,832	1,417,105	18,000	322,500	–	340,500	298,535
Trade and other payables	4,197,308	284,000	142,000	4,623,308	4,448,964	6,296,033	284,000	213,000	6,793,033	6,573,090
	15,888,561	5,578,930	779,701	22,247,192	19,113,104	24,182,404	4,185,665	953,018	29,321,087	28,023,067

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, time deposits, pledged bank deposits, interest-bearing borrowings and lease liabilities are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank are with floating or fixed interest rates ranging from 0.01% to 2.10% per annum as at 31 December 2020 (2019: 0.01% to 2.25%). Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 1.50% to 2.75% per annum as at 31 December 2020 (2019: 0.25% to 1.62%).

The Group's interest-bearing borrowings and interest rates as at 31 December 2020 are as follows:

		At 31 December	
	Interest Rate	**2020 RMB'000**	2019 RMB'000
Fixed rate			
— borrowings	3.00%~12.00%	**7,345,816**	10,724,438
— lease liabilities	5.23%~6.80%	**1,690,832**	1,882,202
Variable rate			
— borrowings	3.15%~9.80%	**5,627,492**	8,843,337
		14,664,140	21,449,977

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A general increase/decrease of 100 basis points in interest rates prevailing at 31 December 2020, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB38,439,929 (2019: RMB65,010,426).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2020.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk

The Group is exposed to currency risk primarily through borrowings and cash balances that are dominated in a foreign currency. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of reporting period.

	2020			2019		
	United Sates Dollars RMB'000	**Euro RMB'000**	**Hong Kong Dollars RMB'000**	United Sates Dollars RMB'000	Euro RMB'000	Hong Kong Dollars RMB'000
Prepayments, deposits and other receivables	**(73,412)**	**—**	**(518,161)**	—	—	—
Cash and cash equivalents	**39,981**	**87**	**10,617**	328,074	616	55,116
Loans and borrowings	**(3,934,685)**	**—**	**—**	(5,952,408)	—	(499,845)
Bonds	**(1,128,808)**	**—**	**—**	—	—	—
Net exposure	**(5,096,924)**	**87**	**(507,544)**	(5,624,334)	616	(444,729)

The Group has entered into certain cross-currency swap contracts to mitigate the effect of its foreign currency exposure arising from the loans and borrowings denominated in USD and HKD, in which the Group agrees to exchange, at specific intervals, USD and HKD principal and interest of the loans and borrowings into Renminbi.

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk (Continued)

(ii) Sensitivity analysis (Continued)

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
United States Dollars	5%	(252,519)	5%	(276,022)
	(5)%	252,519	(5)%	276,022
Euro	5%	4	5%	31
	(5)%	(4)	(5)%	(31)
Hong Kong Dollars	5%	(33,185)	5%	(22,256)
	(5)%	33,185	(5)%	22,256

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the profit after tax and retained profit of each entity of the Group measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2019.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The fair value of the Group's financial instruments are categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value measurement. The level, into which a fair value measurement is classified, is determined with the reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

- Level 2 valuations: Fair values measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data at not available.

- Level 3 valuations: Fair values measured using significant unobservable inputs.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The following table presents the Group's (liabilities)/assets that are measured at fair value.

		Fair value measurement as at 31 December 2020 categorised into				Fair value measurement as at 31 December 2019 categorised into		
	Fair value at 31 December RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
(Liabilities)/Assets:								
Derivative financial instruments:								
Capped cross currency swap (note (i))	(32,383)	–	(32,383)	–	(85,575)	–	(85,575)	–
Wealth management products (note (ii))	285,000	–	–	285,000	285,000	–	–	285,000

Notes:

(i) *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of the capped cross currency swap is determined by discounted-cash flow method and Black-Scholes model. The discount rate used is the rate of market yield for financial instruments with substantially identical contract terms and characteristics.

(ii) *Valuation techniques and inputs used in Level 3 fair value measurements*

The fair value of investment portfolio has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the investment portfolio. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of reporting period.

Below is a summary of significant unobservable inputs to the valuation of the investment portfolio together with a quantitative sensitivity analysis at the end of reporting period:

31 December 2020

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Wealth management products	Discounted cash flow method	Interest return rate	6.50% to 6.90%	0.50% increase/(decrease) in interest return rate would result in increase/(decrease) in fair value by RMB1,091,000

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Notes: (Continued)

(ii) Valuation techniques and inputs used in Level 3 fair value measurements (Continued)

During the year, there was no transfer between instruments in Level 1 and Level 2. The movements during the year in the balance of these Level 3 fair value measurements was as follows:

	2020 RMB'000	2019 RMB'000
Wealth management products:		
At 1 January	**285,000**	385,000
Payment for purchases	**—**	150,000
Redemption of investment	**—**	(250,000)
At 31 December	**285,000**	285,000
Total gains for the year included in profit or loss for assets held at the end of the year	**17,750**	12,782

Any gain or loss arising from the remeasurement of the wealth management products are presented in the "Other income" line item in the consolidated statement of profit or loss and other comprehensive income.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	At 31 December	
	2020 RMB'000	2019 RMB'000
Contracted for	**1,172,305**	860,885

35 CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

36 MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
Wang Muqing and Wang Muqing's family member 王木清及王木清家屬	Controlling Shareholder
Beijing Guangze Real Estate Development Co., Ltd. ("**Beijing Guangze**") 北京廣澤房地產開發有限公司	Controlled by Wang Muqing's family members
Hubei Xike Industry Co., Ltd. ("**Hubei Xike**") 湖北熙可實業有限公司	Controlled by Wang Muqing's family members
Beijing Baoze Automobile Technology Development Co., Ltd. ("**Beijing Development**") 北京寶澤汽車科技發展有限公司	Controlled by Beijing Guangze
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. ("**Inner Mongolia Dingjie Automobile Trading**") 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by Beijing Guangze
Changsha Shengze Ruibao Electronics Trading Co., Ltd. ("**Changsha Shengze**") 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by Beijing Guangze
Wuhan Shengze Jieyun Trading Co., Ltd. ("**Wuhan Shengze Jieyun**") 武漢聖澤捷運貿易有限公司	Controlled by Beijing Guangze
Wuhan Shengze Jiezhong Logistics Co., Ltd. ("**Wuhan Shengze Jiezhong**") 武漢聖澤捷眾物流有限公司	Controlled by Beijing Guangze
Wuhan Jiangrong Investment Co., Ltd. ("**Wuhan Investment**") 武漢江融投資有限公司	Controlled by Beijing Guangze

Note: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(a) Recurring transactions

	For the year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Property development related services:		
Receipt and payment on behalf of the Group:		
Beijing Guangze	**116,108**	233,775
Management services:		
Beijing Guangze	**5,805**	9,935
	121,913	243,710
Property management expense:		
Beijing Baoze Technology	**6,316**	6,316

36 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Rental services

The Group has initially applied HKFRS 16 as from 1 January 2019. Based on HKFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the arrangement in connection with its use of land use rights and buildings had resulted in recognition of a lease liability with the balance of RMB135,513,000 and a right-of-use asset with the balance of RMB114,163,000 as at 31 December 2020. In addition, the Group recorded depreciation of right-of-use asset of RMB114,163,000 and interest expense of RMB12,747,000 in its consolidated statement of profit or loss for the year ended 31 December 2020.

The total amounts of lease payments incurred by the Group under the lease arrangement with related parties for the year ended 31 December 2020 were RMB112,057,000 (for the year ended 31 December 2019: RMB112,057,000). The related payable to related parties as at 31 December 2020 amounted to RMB4,051,000 (31 December 2019: related payable balance of RMB8,045,000).

(c) Balances with related parties

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Due to related parties:		
Beijing Guangze	**23,343**	—
	23,343	—

(d) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 7 and note 8.

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expenses and property development related services above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the Reports of the directors.

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	At 31 December	
	2020	2019
Non-current assets		
Property, plant and equipment	**7,300**	6,913
Right-of-use asset	**7,343**	11,551
Interest in subsidiaries	**5,966,530**	8,706,318
Other financial assets	**—**	17,028
	5,981,173	8,741,810
Current assets		
Prepayments, deposits and other receivables	**38,477**	23,894
Cash and cash equivalents	**37,863**	394,460
	76,340	418,354
Current liabilities		
Loans and borrowings	**2,454,239**	4,013,235
Trade and other payables	**139,465**	111,150
Lease liabilities	**4,471**	4,471
Other financial liabilities	**—**	2,761
	2,598,175	4,131,617
Net current liabilities	**(2,521,835)**	(3,713,263)
Total assets less current liabilities	**3,459,338**	5,028,547
Non-current liabilities		
Loans and borrowings	**2,183,512**	2,627,121
Bonds payable	**1,117,958**	—
Lease liabilities	**3,009**	7,108
Other financial liabilities	**32,383**	99,842
	3,336,862	2,734,071
NET ASSETS	**122,476**	2,294,476
Equity		
Share capital	**231,265**	209,150
Reserves	**(108,789)**	2,085,326
TOTAL EQUITY	**122,476**	2,294,476

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Loss allowance for receivables from financial services

The Group recognises a loss allowance for receivables from financial services by assessing the ECLs (Note 33(a)).

(c) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(d) Provision for inventories

The Group reviews the carrying amounts of the inventories at the respective balance sheet dates to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

(e) Impairment of goodwill and intangible assets — car dealerships

The Group determines whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in Note 13 and 14.

(f) Accrual of vendor rebate

The Group manually calculates rebates and recognises them to the extent that the management estimates it is probable that the associated conditions will be met and the amount can be estimated reliably.

Specific factors management considered included the recent historical sales volume patterns, the rebate rates applied, overriding and ongoing performance metrics and any other available information concerning the credit worthiness of suppliers.

(g) Useful lives of intangible assets

The intangible assets are depreciated on a straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(h) Held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2. In addition, if the fair value less costs to sell of a disposal group is below its carrying amount, but the carrying amount of the non-current assets (other than those assets subject to the exceptions above) within the disposal group is insufficient to absorb the impairment loss, then the amount of impairment loss recognised is limited to the carrying amount of those non-current assets.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Disposal of shares by the controlling shareholder

As disclosed in note 2, on 19 October 2020, the controlling shareholder of the Company, i.e. Joy Capital and Mr. Wang Muqing entered into the SPA with Xindeco. Pursuant to the SPA, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase shares carrying 29.9% of the voting rights of the total issued shares of the Company at a consideration of HK$1,403,371,394. Upon completion of the Transaction, Xindeco shall become the single largest shareholder of the Company and will be able to provide financial support to the Group. The completion of the Transaction is subject to fulfillment or waiver of several conditions precedent set out in the SPA, including obtaining necessary authorizations, agreements or approvals from relevant regulators, etc.

As of the date of approval of these financial statements, the Transaction is still in process.

Potential disposal of a subsidiary

As disclosed in note 32, the Company had committed to sell its entire interests in Dongzheng which constituted the Group's financial services segment. The Company had been actively identifying potential purchasers and had engaged a financial adviser to assist in the Potential Disposal with an objective of achieving a completed sale within 2021.

As of the date of this report, no binding sales and purchase agreements have been entered into by the Company with any potential purchasers and no valuation of Dongzheng has been performed in respect of the Potential Disposal, and the discussion and negotiation are still in progress.

41 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at 31 December 2020 to be Joy Capital Holdings Limited, which was incorporated in the British Virgin Islands.

42 COMPARATIVE FIGURES

The presentation of certain comparative information in respect of the year ended 31 December 2019 has been restated to show the discontinued operations separately from continuing operations.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Muqing *(Chairman)*
Mr. Wang Kunpeng
(Chief Executive Officer and Vice Chairman)
Mr. Koh Tee Choong *(retired on 12 June 2020)*
Mr. Li Zhubo *(Chief Financial Officer)*
Mr. Wan To

Independent Non-executive Directors

Dr. Wong Tin Yau, Kelvin
Dr. Cao Tong
Ms. Wong Tan Tan

REGISTERED OFFICE

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

HEADQUARTERS

Baoze Plaza
No. 59 West Third-Ring South Road
Beijing, the PRC

PLACE OF BUSINESS IN HONG KONG

Unit 5905, 59/F
The Center
99 Queen's Road Central
Hong Kong

WEBSITE ADDRESS

www.zhengtongauto.com

COMPANY SECRETARY

Ms. Yeung Wing Yee

AUTHORIZED REPRESENTATIVES

Mr. Li Zhubo
Mr. Wan To

AUDIT COMMITTEE

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Dr. Cao Tong
Ms. Wong Tan Tan

NOMINATION COMMITTEE

Mr. Wang Muqing *(Chairman)*
Dr. Cao Tong
Ms. Wong Tan Tan

REMUNERATION COMMITTEE

Dr. Cao Tong *(Chairman)*
Mr. Wang Muqing
Dr. Wong Tin Yau, Kelvin

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

China Construction Bank Corporation, Hubei Branch
Industrial and Commercial Bank of China,
Wuhan Branch and Hubei Branch
Bank of China, Hubei Branch
Industrial Bank Co., Ltd., Wuhan Branch
China Merchants Bank, Wuhan Branch
China Minsheng Banking Corp., Ltd., Communications
Finance Business Department
China Guangfa Bank, Shanghai Branch
Shanghai Pudong Development Bank Co., Ltd.
DBS Bank (China) Limited
Standard Chartered Bank (China) Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia (China) Limited
Ping An Bank Company Limited Shanghai Branch
China Citic Bank Corporation Limited
Headquarter General Banking

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance

HONG KONG LEGAL COUNSEL

Chiu & Partners

正通

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

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