HARMONY AUTO
和諧汽車

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3836

ANNUAL REPORT 2021

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FENG Changge *(Chairman)*
Mr. FENG Shaolun *(Deputy Chairman)*
(appointed on December 7, 2021)
Mr. LIU Fenglei *(President)*
Ms. MA Lintao *(Vice-president)*
Mr. CHENG Junqiang *(Vice-president)*
(appointed on January 5, 2022)
Ms. FENG Guo *(Vice-president)*
(resigned on December 7, 2021)
Mr. HAN Yang *(Vice-president)*
(resigned on January 5, 2022)

Independent Non-executive Directors

Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. CHAN Ying Lung

AUDIT COMMITTEE

Mr. WANG Nengguang *(Chairman)*
Mr. LAU Kwok Fan
Mr. CHAN Ying Lung

REMUNERATION COMMITTEE

Mr. CHAN Ying Lung *(Chairman)*
Mr. LIU Fenglei
Mr. LAU Kwok Fan

NOMINATION COMMITTEE

Mr. FENG Changge *(Chairman)*
Mr. WANG Nengguang
Mr. CHAN Ying Lung

COMPANY SECRETARY

Ms. WONG Wai Yee, Ella

AUTHORIZED REPRESENTATIVES

Mr. LIU Fenglei
Ms. WONG Wai Yee, Ella

LEGAL ADVISER

Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

ZHONGHUI ANDA CPA Limited
23/F, Tower 2,
Enterprise Square Five,
Kowloon Bay, Hong Kong

PRINCIPAL BANKS

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

REGISTERED OFFICE

Second Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY-1103
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTER IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY-1103
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.hexieauto.com

STOCK CODE

3836

Chairman's Statement

Dear Shareholders:

I, on behalf of the board of directors of China Harmony Auto Holding Limited (the "**Company**" or "**We**", the "**Board**"), am pleased to present the 2021 annual report of the Company and its subsidiaries (the "**Group**").

Looking back over the past two years, with the lingering pandemic, the world, China and even various industries have been undergoing profound changes. In 2021, which was the first year of the post-pandemic era, China achieved a robust GDP growth of 8.1%, thanks to the Chinese government's prudent pandemic control policies and development measures.

As time advances, China's economy is embarking on a full-scale profound adjustment and will enter a three to five year fluctuation cycle. Although Black Swan or Gray Rhino events surface from time to time, China's consumption upgrade is gathering momentum and will flourish based on the Chinese government's fundamental development philosophy of "a new development pattern of the domestic circulation as the mainstay and the domestic and foreign circulation boosting each other". The increasing demand for car purchasing and replacement and the continuous pursuit of quality life assure us that the luxury car market will maintain a high growth rate in the coming five years.

SUMMARY OF THIS YEAR'S OPERATION

In 2021, the pandemic was still ravaging the country, and the scattered outbreaks became a part of our lives. Henan Province, as an important operating region of the Company, experienced heavy rainfall and flooding in many regions in the summer of 2021. Despite myriad headwinds, the Company's operating results for the year bucked the trend and hit a new high, posting a significant growth in all core operating indicators.

(1) In terms of scale, the sales of new vehicles scored 40,791 units in 2021, representing an 11.5% year-on-year increase, outnumbering the industry average, and the comprehensive revenue stood at RMB18.4 billion, up 22.0% year on year. Revenue from new vehicle sales was RMB15.6 billion, up 21.1% year on year, and revenue from after-sales business was RMB2.3 billion, up 27.9% year on year, with the growth rate being far above the industry average.

(2) In terms of profits: the net profit (excluding the non-recurring profit or loss items) amounted to RMB757 million in 2021, representing a 49.6% year-on-year increase, the highest ever.

(3) In terms of stability: the net cash from the operating activities was RMB776 million, maintaining a sound momentum.

(4) In terms of efficiency of operations management, the inventory turnover days reduced further to 25 days, a decrease of 7 days year on year, and finance costs were down nearly 2.4% year on year.

(5) In terms of network extension, we increased 5 new sites in 2021. Among them, there were 2 Ferrari stores, 2 Lexus stores and 1 Lamborghini store. Furthermore, we have obtained authorization for 4 new outlets, namely 2 Ferrari, 1 Bentley and 1 Lamborghini outlets. "Focusing on dominant brands" is our consistent development strategy. In 2021, we took the initiative to consolidate 4 stores with poor performance to optimize the overall profitability of the Group.

(6) In terms of operations management, in 2021, the Company consolidated its operational achievements in four major areas: attitude, methods, tools and personnel, and changed its thinking inertia from "I am asked to work" to "I want to work". The Company adopted a multi-pronged approach on digital construction, store benchmarking, and building a talent growth system. The Company deepened the reform of the compensation system, followed the concept of "valuing able people and eliminating mediocre people", introduced a cross-brand rotation mechanism for store general managers, to fully enhance the overall management efficiency of all brands.

DEVELOPMENT STRATEGY

A company needs to map out and follow a scientific development strategy and respond to changes flexibly, so that it can achieve long-term sustainable development and improvement.

In 2022, we will continue adhering to the development strategy of "focusing on core business, dominant brands, and efficiency and quality".

Focusing on core business: "One focus, Two branches, Mutual supplement", i.e. focusing on the operation of 4S stores of luxury and ultra-luxury brands, while continuing to support the new energy vehicle manufacturing and after-sales business in which financial investments have been made, with the three business segments being independent of one another while complementing one another.

Focus on dominant brands: The Group has devoted great energy to developing 4S stores of luxury and ultra-luxury brands. In 2022, we will continue consolidating our position as "an all-luxury and ultra-luxury automobile dealership group", focusing on the layout of dominant brands in dominant regions and expanding the development of potential regions.

Focusing on efficiency and quality:

(1) Rooted in business, we deeply interpret "how to do it"

- Following the trend: Set up a professional team and prioritize the development of new energy and used cars business; explore the new business model of electrification and digitalization

- Comprehensive planning: Focus on expanding business scale and improving customer experience

- Implementation: Improve management tools and strengthen talent development

(2) Full-scale digital management

- Digital analysis and operations of business processes to improve operational efficiency

- Deeply exploring digital marketing on the Internet to expand the influence of stores

(3) Continuously improving internal operation and management efficiency, and implement the following principles

- One standard: We are committed to performance as the only standard for measuring work

- Two first: competence first and performance first

- Three reforms,: horizontal organizational structure reform, budget target reform and performance and remuneration reform

- Four cultures: simplicity, efficiency, enjoying and all in

Upholding the concept of harmony, we implement the principles thoroughly and advance management profoundly.

Management refinement upgrade

Refined management is the core competitiveness of an enterprise, and is the moat that guards the development of the enterprise. The degree of refined management directly reflects the granularity of enterprise operation and management.

Following the implementation of refined management in October 2020 and the establishment of the refined management system with harmonious characteristics in 2021, the Group will continue making effort to refine the system, explore the 2.0 version of refined management, and promote refined management to a new level in 2022.

Reinforcing compliance operation

As the core element of sound corporate operation, compliance operation has always been what we insist on and rely on. In 2022, we will continue strengthening our internal audit and supervision mechanism, and strictly implement our "Ten Prohibitions" to ensure our sound operation and build a sound and sustainable business development model.

OUTLOOK

Here, I'd like to make three judgments based on data analysis and trend forecast of the industry.

First, the future trend will be the four transformations of automobiles, namely "electrification, intelligence, alliance and sharing".

Second, the new car-making force represented by Tesla will become the industry leader.

Third, after the industry reshuffle, traditional car companies will remain the mainstream player, particularly in the fields of luxury and ultra-luxury brands.

Driven by the dividends of the positive automobile consumption policy and continuous upgrading of consumer demand, we are confident that China's luxury and ultra-luxury automobile market will usher in new growth in 2022. The Group will intensify efforts in the luxury and ultra-luxury automobile market, optimize its brand structure, expand its distribution network and enhance its operational management capabilities, so as to offer quality travel services to more consumers while staying true to the original aspiration.

At the same time, the Group will, by steadfastly (1) focusing on dominant brands and dominant regions, (2) complete value chain and services, and (3) increasingly refined management, ensure overall sustainable business growth and bring substantial income to investors.

CONCLUSION

Focusing on certainty in uncertain times is the cornerstone of sustainable development of companies. In 2021, the Company achieved remarkable results amid multiple headwinds. In the year, we will put our utmost effort toward the prosperous development of our common business and team up to scale new heights!

I, on behalf of all the staff of the Group, would like to extend my most sincere gratitude to all shareholders and partners for your support.

Management Discussion and Analysis

INDUSTRY OVERVIEW

China passenger cars sales saw a roller-coaster year in 2021. According to sales data from the China Passenger Cars Association (**CPCA**), the entire retail market registered 20,145,868 units sold in 2021, increasing by 4.4% on a year-over-year basis. In the first half of the year, retail sales continued to thrive with 9,944,973 units sold or 29% year-over-year gain, while the momentum was losing steam in the second half, declining by 12% from the same period a year ago, largely due to the wait-and-see mood spreading among consumers under the expectation of rising sales price caused by the semiconductor shortage that had limited cars supply. Luxury-brand segment was, again, one of the bright spots in 2021 which showed a 4.9% sales gain from a year ago, outpacing the growth of the overall car sales in China. Of the luxury brands, BMW, with its highly competitive product matrix, remained the sales crown in domestic market for the second year, growing at 8.9% in 2021, which is in stark contrast to Benz and Audi that both saw a sales decline in China. Lexus, a very sought-after brand in China, posted a relatively disappointing sales number in 2021 with 1.1% sales growth, relative to 11% in 2020. The chip crunch — sweeping the global automotive supply chain last year — posed a seriously adverse impact on the production of Lexus which caused a repercussion on its supply to China market.

However, the limited supply due to the chip shortage created a better environment for dealership. China Automobile Dealers Association revealed that the overall inventory level of dealership remained at around 1.45 months throughout the whole year of 2021, which was significantly lower than the 3-year average level of 1.62 months from 2017–2019. This low level of dealers' inventory led to a better pricing dynamic in the market where discount to models was limited. Therefore, the lower discount dealers offered to customers, the higher new cars sales gross profit margin dealers can see. Undoubtedly, 2021 was a year where auto dealers of luxury brands saw the highest product margins never seen in the past five years.

A word — "divergence" could be used to describe the growth of 2021 between fuel-engine and electric cars. In contrast to the sale of inner-combustion-engine (**ICE**) passenger cars that shrunk by 4% in 2021, electric vehicles (**EV**) saw a stunning 2021 in China with a broad-based volume growth at 169% year over year, which was the primary driver to the entire automobile sales growth. Tier-one players, such as Nio, Xpeng and Lixiang, had reached the milestone of selling over 10k units per month for a few consecutive months since late third quarter. Tesla had turn Shanghai giga factory to be one of its key growth engines to the global sales, seeing a dramatic sales expansion in China led by Model 3 and Y in the first full-year sales of 2021. Thanks to the encouragement to the consumption of electric cars under the backdrop of reaching carbon peak and neutrality in the long run, EV penetration took off from merely 5% in 2019 to 17% by the end of 2021, which will continue to soar in the near future.

Industry Outlook

Envisioning the future of passenger cars sales in China, we believe that the growth will be able to continue moderately with one of the key drivers being lower passenger cars ownership in China compared with some developed markets. Luxury brands will keep delivering a solid momentum, which is a major beneficiary from the on-going consumption upgrade trend. EV will play an increasingly important role in boosting cars sales as the adoption of EV and infrastructure that facilitate EV consumption are building up. As such, auto dealers need to be bold in embracing the new dynamics and think of new business models when EV are taking more and more shares from traditional passenger cars. More specifically to the outlook of the industry in 2022, we believe challenges and opportunities will co-exist. Chip crunch is viewed as one of the biggest swinging factors that will cast uncertainty onto the whole industry.

BUSINESS OVERVIEW

The Company was delighted to present a strong operational and financial performance in 2021. Benefiting from the low-base effect in 2020 and competitive model line-ups of BMW — the primary driver to our sales volume, the Company delivered 40,791 units in 2021, a 11.5% growth from a year ago. Impacted by the chip shortage that took hold since late third quarter, our sales dropped by 16.5% year over year from 21,960 units in 2H2020 to 18,344 units in 2H2021, compared with the 53.6% year-over-year expansion in the first half.

Among brands the Company are selling, BMW (including Mini) saw a resilient volume expansion at 11.4% year over year given the severe disruption onto the cars supply brought by the semiconductor shortage. The burgeoning demand for super luxury brands in China has boosted the Company's sales performance of Ferrari, Rolls Royce, Bentley and Maserati, which underwent a 94.3%, 36.7%, 126.9% and 35.4% year-on-year volume increase in 2021 respectively. During the year, the Company added 5 new stores to our distribution network, of which 2 stores are Ferrari, 2 stores are Lexus and 1 store is Lamborghini. In a bid to optimize the existing sales network, the Company integrated 4 stores with low operation efficiency in this year to improve the sales efficiency and profitability.

When it comes to the inventory, the Company was benefiting from the continuously low stockpile due to the chip shortage that limited vehicle supply. Our inventory level was 25 days for the whole year, whereas the inventory days was 24 days in the first half, meaning that some restocking happened in the second half. Low stockpile, to some extents, is good for our cash management and the gross profit margin as the Company do not need to offer deep discount to clear backlogs which adversely hurt new cars sales margin.

The Company has begun bearing fruit in the areas of used cars and EV. The transaction volume of used cars taking place in our sales network enlarged to 7,388 units in 2021, improved by 28.9% when compared to 2020. This achievement was helped by our dedication to trade-in services — a strategy that we believe is economically and financially optimal under the cost-and-benefit trade-off. For the EV space, Dangdang New Energy, a strategic investment made by the Company in years ago, is a comprehensive EV service provider spanning EV sales and aftersales services. At present, Dangdang New Energy has gained authorization to offer sales and aftersales services for car owners of some major EV brands, such as Li Auto, Nio, Xpeng, and GAC Aion.

Business Outlook

Looking ahead, the Company will continue to dig out the potential of our principal business — the dealership of luxury and ultraluxury brands. We see that there is much headroom for the potential growth in this racing path as the automobile consumption in China has been remarkably reversing to Tier 2 and Tier 3 cities in the recent years, where the luxury brands will be highly sought-after due to stronger economic growth and greater disposal income of citizens over there. With the advantage that our brand portfolio has captured some fast-growing luxury and ultraluxury brands in China, such as BMW, Lexus, Volvo, Rolls Royce, and Bentley, we believe that we are capable to further drive the profitability by concentrating on the improvement of operating efficiency, i.e., cash flow and inventory management, and by carrying out M&A strategies in a due course to consolidate and expand our market presence.

Transition toward NEV has been put to the strategic height of the Company. We will continue to make efforts to explore the new business model for traditional dealership in the world of electrification. The Company will nurture the investment in Dangdang New Energy and seek to unlock its value in a due course.

FINANCIAL OVERVIEW

Revenue

Revenue of the Group was RMB17,981.1 million for 2021, represents an increase of 21.9% as compared with RMB14,746.9 million for 2020.

Revenue from sales of vehicles amounted to RMB15,609.7 million, which representing an increase of 21.1% from 2020. Revenue from after-sales and accessories business amounted to RMB2,326.3 million, accounting for 12.9% to the total revenue, and representing an increase of 27.9% as compared to the year ended 31 December 2020.

Cost of sales and services

Cost of sales and services of the Group for 2021 amounted to RMB16,229.8 million, which represents an increase of 20.7% from 2020. Among them, the cost of vehicles sales in 2021 was RMB14,945.4 million, representing an increase of 20.1% from RMB12,444.5 million recorded in the corresponding period in 2020. The cost of after-sales services in 2021 was RMB1,284.4 million, representing an increase of 28.0% from RMB1,003.6 million recorded in the corresponding period in 2020. The reason for the increase in costs this year is mainly due to the increase in business volume for both vehicles sales and aftersales service business.

Gross profit and gross profit margin

Gross profit of the Group was RMB1,751.3 million for 2021, representing an increase of 34.8% as compared with RMB1,298.8 million in 2020. Among them, due to the market recovery after COVID-19 impact in the first half of the year and the improvement of gross margin in the second half of year, the gross profit of car sales in 2021 was RMB664.3 million, representing an increase of 48.1% compared to 2020. The gross profit of after-sales service in 2021 was RMB1,041.9 million, representing an increase of 27.9% compared to 2020.

Gross profit margin of the Group in 2021 was 9.7%, representing an increase of 0.9 percentage point from 8.8% recorded in the corresponding period in 2020. Among them, the gross profit margin of the sales of vehicles in 2021 was 4.3%, representing an increase of 0.8 percentage point compared to 2020. The gross profit margin of after-sales service in 2021 was 44.8%, keeping the same with 2020.

Management Discussion and Analysis

Selling & Administrative expenses

In 2021, Selling and Administrative expenses of the Group amounted to RMB1,136.7 million, representing an increase of 28.0% from RMB888.3 million in 2020 which was mainly due to the growth of sales.

Other income and gains, net

Other income and gains, net of the Group amounted to RMB443.0 million in 2021. (2020: RMB339.5 million).

Other income and gains mainly comprises the commission income (from insurance agency and vehicle financing agency service), income from advertisement support from automobile manufacturers, interest income, government grants, rental income, impairment of non-financial assets as well as fair value gain on financial assets at fair value through profit or loss.

Finance costs

The Group's finance costs for 2021 was RMB130.9 million, representing a decrease of 2.4% from RMB134.1 million for 2020. The Group improved the management of working capital and the interest paid for car-related financial companies decreased due to accelerated inventory turnover in this year.

Profit for the year attributable to the owners of the parent

The Group's profit for the year attributable to owners of the parent for 2021 was RMB673.2 million. Among which, excluding the impact of non-recurring items, the adjusted profit for the year attributable to owners of the parent for 2021 amounted to RMB739.3 million, representing a growth of 49.4% as compared to the RMB494.9 million in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

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

As at December 31, 2021, cash and bank balances of the Group totaled RMB1,629.2 million. (2020: RMB1,714.3 million).

In 2021, our net cash generated from operating activities was RMB776.1 million, net cash used in investing activities was RMB589.3 million, and net cash used in financing activities was RMB271.9 million.

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

Net current assets

As at December 31, 2021, the Group had net current assets of RMB2,741.3 million increased by 40.2% as compared to RMB1,954.7 million as at December 31, 2020, which was mainly due to the reclassification of an other receivable from non-current to current in according with the contractual terms.

Capital expenditure

In 2021, the Group's capital expenditure was RMB522.7 million (2020: RMB404.6 million), which was primarily used for the expenditure and prepayment for purchase of items of property, plant and equipment in connection with the establishment of new outlets and renovation and improvement expenditures related to the upgrading of certain BMW 4S outlets to lead stores.

Inventories

The Group's inventories primarily consist of new passenger vehicles, spare parts and automobile accessories. Inventories increased by 3.3% from RMB1,093.6 million as at December 31, 2020 to RMB1,129.6 million as at December 31, 2021.

The Group's average inventory turnover days for 2021 were 25.0 days, which decreased by 7.0 days as compared to 2020. The drop of inventory turnover days was not only due to the rebound of domestic consumption after the epidemic and the support of policies, the 4S stores of the Group also continuously strengthened the management on their orders in relation to new passenger cars and after-service products, and the headquarters of the Group have put in place a real-time system for the inventories to provide early warning, supervise and manage the inventories and resources among distribution outlets were re-distributed and adjusted so as to maintain a rational level of the inventory.

Bank loans and other borrowings

As at December 31, 2021, the Group had bank loans and other borrowings in the aggregate amount of RMB2,630.0 million, representing a year-on-year increase of 1.0% as compared to RMB2,604.4 million as at December 31, 2020.

	December 31, 2021 *RMB'000*	December 31, 2020 *RMB'000*
Bank loans repayable		
Within one year	**1,622,591**	1,826,745
Other borrowings repayable:		
Within one year	**1,007,387**	777,665
	2,629,978	2,604,410

As at December 31, 2021, the gearing ratio of the Group, calculated by total liabilities divided by total assets, was 39.3%, representing a slight increase of 0.4 percentage point as compared with that of December 31, 2020.

As at December 31, 2021, certain of the Group's bank loans and other borrowings were secured by mortgages or pledges over the Company's assets. The Company's assets, subject to these mortgages or pledges as at December 31, 2021, mainly consisted of (i) inventories in the amount of RMB403.0 million; (ii) property, plant and equipment in the amount of RMB14.4 million, and (iii) land use rights in the amount of RMB4.8 million. In addition, certain of the Group's bank loans and other borrowings were mainly guaranteed by the certain Directors of the Company or legal representative of certain subsidiaries of the Company or the Group's subsidiaries as at December 31, 2021.

Contingent liabilities

As at December 31, 2021, the Group did not have any material contingent liabilities or guarantees.

Interest rate risk and foreign exchange risk

The Group is exposed to interest rate risk resulting from fluctuations in interest rate on our debt. Increases in interest rate could result in an increase in the Group's cost of borrowing. If this occurs, it could adversely affect the Group's finance costs, profit and the Group's financial condition. The interest rates on bank loans and overdrafts in China depend on the benchmark lending rates published by the People's Bank of China. The Group does not currently use any derivative instruments to manage its interest rate risk.

All of the Group's revenue, cost of revenue and expenses are denominated in Renminbi. The Group also use Renminbi as its reporting currency. The Group is of the view that its operations are currently not subject to any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge its exposure to risks. The Group will continue to pay attention to the risk exposure of foreign currency borrowings due to currency exchange rates, and may use derivative instruments for management in the future.

Employees and remuneration policies

As at December 31, 2021, the Group had a total of 4,551 employees (2020: 4,206). The increase in the number of employees is mainly due to the expansion of the company's business.

Relevant staff cost for 2021 was approximately RMB464.1 million (including employee share incentive of RMB1.3 million), while the staff cost was approximately RMB352.8 million for 2020 (including employee share incentive of RMB26.2 million). The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to success of the Group's operations. Eligible participants of the share option scheme include employees of the Company and its subsidiaries. The share option scheme became effective on June 26, 2015, and unless otherwise cancelled or amended, will remain in force for ten years from that date. As at December 31, 2021, the Company had 43,516,000 share options outstanding under the share option scheme, which represented approximately 2.8% of the Company's share in issue as at that date.

The Group will regularly review its compensation policies and employee benefits with reference to market practices and individual performance.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards.

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

For the year ended December 31, 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**Hong Kong Stock Exchange**").

The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the year ended December 31, 2021.

Corporate Governance Report

BOARD OF DIRECTORS

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

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

Independent Non-executive Directors:
Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. CHAN Ying Lung

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

Chairman and President

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

Independent Non-executive Directors

During the year ended December 31, 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Directors' Appointment and Re-election

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

In accordance with the Articles of Association, at every annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, all Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years and any Director appointed to fill a casual vacancy shall hold office until the first general meeting and any Director appointed as an addition to the Board shall hold office only until the next annual general meeting and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

In addition, all the Directors of the Company had participated in various trainings and/or read materials of relevant topics, including:

– Corporate strategic management/Corporate operational management

– Financial strategic management

– Investment strategies

– Research on audit development strategies

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

BOARD COMMITTEES

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

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

Audit Committee

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

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

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

The Audit Committee held 4 meetings to review interim and annual financial results and reports during the year ended December 31, 2021 and significant issues on changes related to the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the internal audit function, scope of work and engagement of external auditors.

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

Remuneration Committee

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

The Remuneration Committee consists of three members, namely Mr. Chan Ying Lung (chairman) and Mr. Lau Kwok Fan, both being independent non-executive Directors; and Mr. Liu Fenglei, an executive Director.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; assessing performance of executive directors and approving the terms of executive directors' service contracts; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held 2 meetings during the year ended December 31, 2021. During the meetings, the Remuneration Committee reviewed and advised on the remuneration packages of the executive Directors and senior management and proposed new executive directors and made recommendations to the Board.

Nomination Committee

The Company established the Nomination Committee on May 20, 2013 with written terms of reference in compliance with the CG Code.

The Nomination Committee consists of three members, namely Mr. Feng Changge (chairman), an executive Director, and Mr. Wang Nengguang and Mr. Chan Ying Lung, both being independent non-executive Directors.

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

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

Various factors in relation to diversity of the members of the Board, including but not limited to: gender, age, culture and education background, professional experience, skills, knowledge and industry and region experience and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate. The Board is currently composed of 7 male and 1 female directors. After the review and assessment, the Nomination Committee will make recommendation to the Board. The Nomination Committee also discusses and makes decision (if required) to attain the measurable targets of diversity of the members of the Board, and propose relevant recommendations to the Board.

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

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

(a) Appointment of new directors

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

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

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

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

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

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

(b) Re-election of director at general meeting

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

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

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

The Nomination Committee held 3 meetings during the year ended December 31, 2021 to review the structure, size and composition of the Board, the independence of the independent non-executive Directors, to consider the qualification of the retiring Directors standing for re-election at the Annual General Meeting, and recommended the retiring Directors and the appointment of a new director to the Board .

Corporate Governance Functions

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

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Board Committee Members

The attendance record of each Director at the Board meetings and Board committee meetings of the Company held during the year ended December 31, 2021, is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. FENG Changge	5/6	—	—	3/3	1/1
Mr. LIU Fenglei	6/6	—	2/2	—	1/1
Ms. MA Lintao	6/6	—	—	—	1/1
Ms. FENG Guo (resigned on December 7, 2021)	6/6	—	—	—	1/1
Mr. HAN Yang (resigned on January 5, 2022)	6/6	—	—	—	1/1
Mr. WANG Nengguang	6/6	4/4	—	3/3	1/1
Mr. LAU Kwok Fan	5/6	4/4	2/2	—	1/1
Mr. CHAN Ying Lung	5/6	3/4	2/2	3/3	0/1
Mr. FENG Shaolun (appointed on December 7, 2021)	—	—	—	—	—

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of executive Directors during the year ended December 31, 2021.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended December 31, 2021.

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

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

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

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2021 is set out below:

Service Category	Fees Paid/ Payable *RMB'000*
ZHONGHUI ANDA CPA Limited	
Audit Services	
— Current year	4,050
Non-audit Services	1,110
Total	5,160

RISK MANAGEMENT AND INTERNAL CONTROL

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. In response to the advice from the legal counsel of the Independent Board Committee, the Company has hired an independent Internal Control Consultant to review the Company's internal control process. The Directors consider that the Group's existing risk management and internal control systems are overall effective and adequate, and they also accepted the improvement suggestions put forward by the Internal Control Consultant.

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

The Company has established a risk management process, pursuant to which each operating department is required to identify any significant risks associated with their work and corporate strategies of the Company. Based on the assessment of the identified risks in terms of their likelihood and potential impact, the Company prioritizes and pairs each risk with a mitigation plan. Furthermore, any emergencies are required to be reported, evaluated and managed in time to mitigate the impact.

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

The Board is responsible for the management of inside information. Without the approval of the Board, the Company prohibits any inside information from being disclosed to the public.

COMPANY SECRETARY

Ms. WONG Wai Yee, Ella of Tricor Services Limited, an external service provider, was engaged by the Company as its company secretary on January 24, 2018. She has taken no less than 15 hours of relevant professional training during the year ended December 31, 2021 in compliance with the relevant requirements on training of Rule 3.29 of the Listing Rules.

The primary contact person of the Company is Mr. CHEN Bin, the Board Secretary of the Company.

SHAREHOLDERS' RIGHTS

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

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The notice of AGM will be despatched to shareholders at least 21 clear days and 20 clear business days before the AGM in accordance with the Articles of Association of the Company and the CG Code.

To promote effective communication, the Company maintains a website at www.hexieauto.com where up-to-date information and updates on the Company's financial information, corporate governance and other information are posted.

During the year ended December 31, 2021, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

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

Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

FENG Changge ("Mr. FENG"), aged 51, is an executive Director, the Chairman of the Board, the Chairman of the Nomination Committee, and a director of Eagle Seeker Company Limited, a substantial shareholder of the Company. Mr. FENG was appointed as an executive Director of the Company on September 24, 2012 and is responsible for the overall strategic and business direction of the Group. He is the founder of the Group, and has been in the automobile industry since 2005 when he founded Henan Zhongdebao Automobile Sales & Services Co., Ltd ("**Zhongdebao**"). Zhongdebao is a wholly-owned subsidiary of the Company and the first BMW dealership outlet in Henan Province. Mr. FENG graduated with a bachelor's degree in economic law from Central South Institute of Law (中南政法學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in 1992 and received a master's degree in law from the same institution in 2001. After graduation in 1992, Mr. FENG entered the judiciary in Henan Province, serving as assistant judge and judge of the Higher People's Court of Henan Province (河南省高級人民法院). In 2002, Mr. FENG left the judicial system and established a law firm, while at the same time starting various business enterprises. He became involved in real estate investment through his vehicle, Yuanda Investment, and was also involved in the auction and valuation businesses. He is also the controlling shareholder of Hexie Industrial Group, a privately owned group headquartered in Zhengzhou Henan Province, China, with business interests focusing on branded and luxury lifestyle goods and services, including property development, golf courses and automobile sales. Over the past three years, Mr. FENG has not been a director of any other listed companies. Mr. FENG is the husband of Ms. MA Lintao and father of Mr. FENG Shaolun.

FENG Shaolun, aged 26, was appointed as an executive Director and Deputy Chairman of the Board on December 7, 2021. He graduated from the University of California, Irvine, majoring in Aerospace Engineering. He has won five championships of the National Junior Aerospace Model and the titles of national firstclass athlete and national sportsman. During his studies overseas, he established what is now California's largest Chinese integrated car repair center and racing club, and set up the Harmony Racing Team ("**Harmony Racing**") in China in 2021. Harmony Racing brought home double championships in the 68th Macau Grand Prix in November 2021. Since his joining the Company, Mr. Feng Shaolun has been committed to the expansion and management of all brands of the Company, including but not limited to BMW, Lexus, Ferrari, Bentley, Rolls-Royce, Maserati, Land Rover, Lincoln, etc. Later, he joined Zhengzhou Zhongdebao Automobile Sales & Service Co., Ltd and engaged in the overall management, serving successively as salesman, sales deputy manager, deputy manager of after-sales service, deputy general manager of the store. Mr. Feng Shaolun is also the chairman of Henan Harmony Real Estate Group and chairman of Henan Jinsha Lake International Golf Club Co.,Ltd.. Except for the Company, he has not served as a director of any other company listed on any securities market in Hong Kong or overseas for the past three years. He is the son of Mr. Feng Changge, chairman of the Company and Ms. Ma Lintao, executive director of the Company.

Directors and Senior Management

LIU Fenglei ("Mr. LIU"), aged 46, was appointed as an executive Director and chief executive officer of the Company on October 19, 2015. He is currently a member of the Remuneration Committee of the Company. Mr. LIU is one of the founders of the Group. He has approximately 17 years' experience in China's automobile industry. He obtained a Bachelor degree of commercial English from Zhengzhou University (鄭州大學) in 1998. He joined the Group in February 2003 and worked at Henan Zhongdebao Automobile Sales & Service Co., Ltd. (河南中德寶汽車銷售服務有限公司) as the assistant to the chairman of the board of directors. From August 2006 to April 2013, he was the general manager of Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd. (鄭州遠達雷克薩斯汽車銷售服務有限公司). From April 2013 to October 2015, he was the senior vice president of the Company in charge of the Group's network development and luxury passenger vehicles' business. Over the past three years, Mr. LIU has not been a director of any other listed companies.

MA Lintao ("Ms. MA"), aged 54, was appointed as an executive Director on January 31, 2013 and is currently a vice-president of the Company. She is responsible for the Group's overall administrative matters and public relationships. Ms. MA graduated from Henan Institute of Finance and Economics (河南財經學院) (now known as Henan University of Economics and Law (河南財經政法大學) with a bachelor's degree in national economic planning and statistics in June 1992. From July 1992 to December 2003, Ms. MA worked in China Construction Bank Henan branch (中國建設銀行河南分行) in various positions such as director of the credit approval committee of the Zhengzhou branch office and vice-president of the Zhengzhou futures branch office, where she was responsible for matters such as credit assessment and approval and public and retail sales. Ms. MA joined our Group in September 2006 as the chairlady of Yuanda Lexus, our wholly-owned subsidiary. Over the past three years, Ms. MA has not been a director of any other listed companies. Ms. MA is the wife of Mr. FENG Changge and the mother of Mr. FENG Shaolun.

CHENG Junqiang ("Mr. CHENG"), aged 42, was appointed as an executive Director on January 5, 2022 and is currently the chief operating officer of the Company. He majored in automotive application engineering, has nearly 20 years of experience in the automotive industry since graduation. Mr. CHENG joined the Company in 2007 and served as the general manager of Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd. (鄭州遠達雷克薩斯汽車銷售服務有限公司) and the brand director of Lexus under Harmony Auto. Prior to his appointment as an executive director, Mr. CHENG served as the chief operating officer of the Company and managed all 4S stores of luxury and ultra-luxury brands under Harmony Auto. Mr. CHENG is responsible for the overall operation of the brand. He adheres to the concept of refined management, devotes himself to improving the execution capability and detailed operation level of the stores he managed, continues to deepen the development of automobile industry, and creates a 4S store operation system with the "harmony" characteristic.

Independent Non-executive Directors

WANG Nengguang ("Mr. WANG"), aged 63, was appointed as an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee of the Company on February 4, 2019. Mr. WANG graduated from Party School of the Central Committee of C.P.C. (中共中央黨校) with a master's degree in economic management in July 2001. He is qualified as a senior accountant and a certified public accountant. From August 1991 to July 1992, he served as financial manager of China Record (Shenzhen) Co., Ltd. of Ministry of Broadcasting and Television (廣電部中唱深圳公司). From April 1994 to March 2001, he served as general manager of the financial department of Lenovo Group Limited (聯想集團), a company listed on the Stock Exchange (stock code: 992). From April 2001 to December 2003, he served as managing director and chief financial officer of Legend Capital Limited (聯想投資有限公司). From January 2004 to February 2012, he served as managing director and chief financial officer of Beijing Legend Investment Advisor Co., Ltd. (北京聯想投資顧問有限公司). From September 2012 to November 2015, he served as a non-executive Director of the Company. From April 2001 to March 2018, he served as managing director and chief financial officer of Beijing Legend Capital Management Co., Ltd. (北京君聯資本管理有限公司). From April 2018, he served as a director of Beijing Legend Capital Management Co., Ltd. (北京君聯資本管理有限公司). From May 2014 to May 2020, he served as an independent director of Digital China Information Service Company Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000555.SZ). Since September 2021, he served as an independent director of Guangdong Guanhao High-Tech Co., Ltd. (listed on the Shanghai Stock Exchange (stock code: 600433)). Since February 2022, he served as an independent director of Digital China Group Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000034)).

LAU Kwok Fan ("Mr. LAU"), aged 40, was appointed as an independent non-executive Director on June 14, 2019 and is currently a member of the Audit Committee and Remuneration Committee of the Company. Mr. LAU was awarded a Bachelor of Arts degree in Public Administration and Management from De Montfort University in June 2006 and a Master of Arts degree in Sociology from the Chinese University of Hong Kong in December 2010. Mr. LAU is currently a member of the Legislative Council of Hong Kong. In February 2018 he was appointed by the Chief Executive of Hong Kong as a member of the Betting and Lotteries Commission. From 2008 to 2019, he was an elected member of North District Council and from November 2016, he was elected by the members of the Legislative Council to serve as a member of the university council of the Chinese University of Hong Kong. He was appointed as a member of the Commission On Youth of the Hong Kong government for the three terms commencing on 1 April 2010, 1 April 2013 and 1 April 2015, respectively, and was appointed as a member of the Council for Sustainable Development of the Hong Kong government for the two years' term commencing on 1 March 2015. Mr. LAU is also a member of the Beijing Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and a member of the Jiangmen Committee of the CPPCC. Mr. LAU is also an independent non-executive director of KNT Holdings Limited (stock code: 1025.HK), a company listed on the Stock Exchange of Hong Kong Limited since 31 January 2019.

Directors and Senior Management

CHAN Ying Lung ("Mr. CHAN"), aged 42, was appointed as an independent non-executive Director on March 27, 2020, who currently is the Chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. CHAN has over 16 years of professional experience in research and investments. He has been with Henderson (China) Investment Company Limited as Investment Director/General Manager since November 2014. He is primarily responsible for reporting to Group Chairman and all (non-property) business strategy and development. He previously worked as an investment team head in private equity at CMS Capital (HK) Company Limited from November 2010 to November 2014. From August 2006 to October 2010, he was the vice president at CCB International Asset Management. Prior to that, he worked as a research analyst and responsible for mid-small capital research at China Everbright Research Limited.

Senior Management

ZHANG Lei ("Mr. ZHANG"), aged 42, graduated from Henan University of Finance and Economics majoring in financial accounting in June 2000, obtained a bachelor's degree in management from Zhongnan University of Economics and Law in December 2009, and obtained an executive master's degree in business administration from Zhengzhou University in July 2017. Mr. ZHANG has 18 years of experience in financial affairs in the automobile industry, and has been engaging in financial related works in the Company for 15 years. Mr. ZHANG served for Henan Zhongdebao Automobile Sales & Services Co., Ltd. from March 2005 to May 2011 as the head of accounting affairs and financial manager and the chief accountant of the Group since May 2011 and was appointed as the Chief Financial Officer of the Company since August 31, 2017. Mr. ZHANG is a qualified senior accountant.

Company Secretary

WONG Wai Yee Ella ("Ms. WONG"), aged 46, is a Director of Corporate Services of Tricor Services Limited ("**Tricor**"). Ms. WONG has over 20 years of experience in the corporate secretarial and compliance services field. Her practice focuses on business development and professional corporate services for multinational, private, listed and offshore companies. Ms. WONG is currently the company secretary/joint company secretary for a number of listed companies on Hong Kong Stock Exchange.

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

Directors' Report

The Directors are pleased to present this report together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries of the Company are set out in note 46 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 8 to 16 of this annual report. In addition, discussions on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis, Corporate Governance Report and Environment, Social and Governance Report of this annual report. The review forms part of this directors' report.

RESULTS AND DIVIDEND

The results of the Group for the year ended December 31, 2021 are set out in the consolidated financial statements.

The Board recommended the payment of a final dividend of HK21 cents per ordinary share for the year ended December 31, 2021, subject to the approval of such final dividend by the shareholders at the forthcoming AGM and if approved, the final dividend shall be paid on or before August 16, 2022 to the shareholders of the Company.

USE OF PROCEEDS FROM THE ALLOTMENT OF NEW SHARES

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Detail of the movement in the share capital of the Company during the year are set out in note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution, subject to the Cayman Companies Law and the Articles of Association of the Company, amounted to RMB2,936.5 million (2020: RMB3,056.4 million).

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR RISKS AND UNCERTAINTIES

(1) Macro policies

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

(2) Industry policies

The Group must comply with policies and regulations promulgated by the PRC government in its business operation. The alterations in the finance system of China, for instance, the introduction of new tax and increase in tax rate, may affect the profit of the Group. The acceleration in promotion and application of new energy automobiles by the Chinese government may also exert impact on the automobile industry. On the other hand, the limits or other measures imposed by local governments may have an influence on the sales of passenger vehicle, which in turn controls the number of the passenger vehicles in the cities where the network of the Group are located. As a result, the Group will monitor closely any developments in government policies on our industry, while enhancing our service standards on an ongoing basis to address any risks arising from changes in industry policies.

(3) Automobile manufacturers' policies

As an automobile dealership group, the Group maintains sound cooperation with branded automobile manufacturers. The Group generates the majority of the revenue from operation of dealership outlets, which relies on the authorization from manufacturers on operating our existing dealership outlets and establishing new outlets. Changes in the policies of such manufacturers might result in changes in the sales strategies for their brands, sales incentives and business policy support for us, and such changes might lead to a decrease in products sales and revenue. Hence, the Group will actively enhance communication with the manufacturers and continue to adopt a development strategy that covers a diverse range of brands.

(4) Market competition

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

(5) Market risks

The Group exposes to various types of market risks, including credit risks, liquidity risks, interest rate risks and exchange risks, the details of which are set out in Note 5 to the consolidated 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, appropriate application of hedge instruments and other methods.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2021, the aggregate purchases from our top five suppliers and our largest supplier accounted for approximately 88.1% and 50.3% of our total purchases, respectively.

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year ended December 31, 2021, no major customer information is presented in accordance with HKFRS 8 "Operating Segments".

As far as the Directors are aware, neither the Directors, their close associates, nor shareholders who own more than 5% of the Company's number of issued shares as at December 31, 2021 had any interest in any of the five largest suppliers and customers disclosed above.

RELATIONSHIP WITH CUSTOMERS

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

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

RELATIONSHIP WITH SUPPLIERS

The Group maintains long-term and stable cooperation with major automobile suppliers, being luxury and ultra-luxury brands such as BMW, Maserati, Lexus, Land Rover, Ferrari, etc., ensuring the sound development of the sales business of vehicles. In addition, the Group also maintains long-term and stable relationships with 31 suppliers for not originally manufactured vehicle equipment and accessories in the PRC. The Group also provides tendering opportunities for various kinds of projects on an open, fair, transparent and fair basis in order to select the most excellence. Furthermore, the Group conducts regular assessment and rating on the performance of existing suppliers to realize the performance of suppliers, promote their improvement of the supply level, while continuously cooperating with outstanding suppliers and terminating partnered suppliers with unsatisfactory performance. The Group attaches great emphasis on maintaining the relationship with suppliers and establishes long-term cooperation based on the concept of "equality and mutual benefit".

RELATIONSHIP WITH EMPLOYEES

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

DETAILED INFORMATION ON MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors:

Mr. FENG Changge *(Chairman)*
Mr. FENG Shaolun *(Deputy Chairman)* (appointed on December 7, 2021)
Mr. LIU Fenglei *(President)*
Ms. MA Lintao *(Vice-president)*
Mr. CHENG Junqiang *(Vice-president)* (appointed on January 5, 2022)
Ms. FENG Guo *(Vice-president)* (resigned on December 7, 2021)
Mr. HAN Yang *(Vice-president)* (resigned on January 5, 2022)

Independent Non-executive Directors:

Mr. WANG Nengguang
Mr. LAU Kwok Fan
Mr. CHAN Ying Lung

In accordance with Article 83(3) of the Company's Articles of Association, Mr. FENG Shaolun, being an executive Director who was appointed by the Board on December 7, 2021, and Mr. CHENG Junqiang, being an executive Director who was appointed on January 5, 2022 shall hold office until the next Annual General Meeting. Pursuant to Article 84 of the Company's Articles of Association, Mr. LIU Fenglei and Ms. MA Lintao, being executive Directors, will retire by rotation at the Annual General Meeting. Biographical details of the directors of the Company and the senior management of the Group are set out in the "Directors and Senior Management" of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

None of the Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

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

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

DIRECTORS' COMPETING INTERESTS

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

MANAGEMENT CONTRACT

No contracts concerning the management and distribution of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme of the Company as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2021.

SHARE OPTION SCHEME

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

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

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

The Company also offered to grant share options to certain grantees under the Share Option Scheme on June 29, 2015, July 2, 2015 and December 15, 2017, and there were no outstanding share options from these grants for the year ended December 31, 2021. For details, please refer to the Company's announcements dated June 29, 2015, July 2, 2015, May 9, 2017 and December 15, 2017.

Summary of the Share Option Scheme has been set out in note 42 to the consolidated financial statements.

Details of the share options granted to Directors of the Company to subscribe for ordinary shares of the Company and its movement for the year ended December 31, 2021 are as follows:

			Number of Share Options			
Name of Grantees	**Date granted**	**Exercise price per Share**	**Outstanding as at January 1, 2021**	**Exercised during the year**	**Cancelled during the year**	**Outstanding as at December 31, 2021**
Directors						
Mr. FENG Changge — Executive Director and Chairman of the Board	May 9, 2017	HK$3.00	2,500,000	—	—	2,500,000[1]
Mr. LIU Fenglei — Executive Director and President	May 9, 2017	HK$3.00	2,500,000	—	—	2,500,000[1]
Mr. HAN Yang — Executive Director and Vice President	May 9, 2017	HK$3.00	800,000	—	—	800,000[1]
Former Directors						
Ms. FENG Guo — Former Executive Director and Vice President	May 9, 2017	HK$3.00	400,000	—	—	400,000[1]
Mr. YANG Lei — Former Executive Director, Chief Operating Officer and Vice President	May 9, 2017	HK$3.00	1,125,000	—	—	1,125,000[1]
Other eligible employees	May 9, 2017	HK$3.00	17,366,000	575,000[4]	600,000[3]	16,191,000[1]
	December 17, 2019	HK$4.00	20,000,000	—	—	20,000,000[2]
Total			44,691,000	575,000	600,000	43,516,000

Notes:

(1) The validity period of the 70,000,000 share options is from May 9, 2017 (i.e. date of grant) till the earlier of (i) the day on which the relevant Grantee ceases to be an employee or a director of the Company and its subsidiaries on one or more of the grounds of termination of employment, appointment or directorship specified in paragraph 8(vi) of the Share Option Scheme, and (ii) June 28, 2025. All share options granted on May 9, 2017 vested and became fully exercisable on July 1, 2017. The cessation of directorship of the former Director Mr. YANG Lei did not involve the grounds of termination as specified in the above (i), and his share options remained valid as at December 31, 2021.

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

(3) A total of 300,000 and 300,000 share options at the exercise price of HK$3.00 were cancelled on February 25, 2021 and September 1, 2021, respectively.

(4) A total of 575,000 share options at the exercise price of HK$3.00 were exercised during the year ended December 31, 2021. The weighted average closing price of the Shares of the Company immediately before the dates on which the share options were exercised was HK$3.61.

Details of the options exercised and cancelled are set out above. No options were granted or lapsed.

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

As at December 31, 2021, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

		Ordinary Shares			Underlying Shares under Share Options		
		Capacity/Nature of Interest					
Name	**Position**	**Personal Interests**[6]	**Family Interests**[7]	**Other interests**	**Personal Interests**	**Total Interests**	**Approximate % of Shareholding Interest**
Mr. FENG Changge	Director	—	—	707,331,660 (L)[1]	2,500,000[4][5]	709,831,660 (L)	45.22%
Mr. FENG Shaolun	Director	—	—	707,331,660 (L)[3]	—	707,331,660 (L)	45.06%
Ms. MA Lintao	Director	—	709,831,660 (L)[2]	—	—	709,831,660 (L)	45.22%
Mr. LIU Fenglei	Director	778,587 (L)	—	—	2,500,000[4][5]	3,278,587 (L)	0.21%
Mr. HAN Yang	Director	295,000 (L)	—	—	800,000[4][5]	1,095,000 (L)	0.07%
Mr. WANG Nengguang	Director	40,000(L)	—	—	—	40,000 (L)	0.00%

Notes:

(1) These 707,331,660 shares in the Company are held by Eagle Seeker Company Limited ("**Eagle Seeker**"). Mr. FENG Changge is deemed to be interested in the said 707,331,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Changge is the founder of the trust.

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

(3) These 707,331,660 shares in the Company are held by Eagle Seeker. Mr. FENG Shaolun is deemed to be interested in the said 707,331,660 shares by virtue of Eagle Seeker being held indirectly by Cititrust Private Trust (Cayman) Limited through Eagle Pioneer Company Limited, whereas Mr. Feng Shaolun is one of the beneficiaries.

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

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

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

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

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

Save as disclosed above, as at December 31, 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE AWARD PLAN

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

As at December 31, 2021, the trustee appointed by the Company for the purpose of the Share Award Plan has purchased a total of 59,987,500 Shares according to the Share Award Plan. 30,000,000 Shares has been granted under the Share Award Plan.

During the year ended December 31, 2021, none of Shares has been granted under the Share Award Plan.

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

As at December 31, 2021, the following persons (other than the Directors and Chief executive of the Company) had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as follows:

Name	Capacity/Nature of Interest	Number of Shares Directly or Indirectly Held[(4)]	Approximate % of Shareholding Interest
Eagle Seeker	Beneficial owner	707,331,660 (L)	45.06%
Eagle Pioneer Company Limited[(1)]	Interest of controlled corporation	707,331,660 (L)	45.06%
Cititrust Private Trust (Cayman) Limited[(2)]	Trustee	707,331,660 (L)	45.06%
Foxconn (Far East) Limited[(3)]	Beneficial owner	128,734,000 (L)	8.20%
Hon Hai Precision Industry Co. Ltd[(3)]	Interest of controlled corporation	128,734,000 (L)	8.20%

Notes:

(1) Eagle Seeker is wholly owned by Eagle Pioneer Company Limited. Accordingly, Eagle Pioneer Company Limited is deemed to have interest in the 707,331,660 Shares held by Eagle Seeker.

(2) Eagle Pioneer Company Limited is wholly owned by Cititrust Private Trust (Cayman) Limited. Accordingly, Cititrust Private Trust (Cayman) Limited is deemed to have interest in the 707,331,660 Shares held by Eagle Seeker (the controlling shareholder of the Company), indirectly via Eagle Pioneer Company Limited. Mr. Feng Changge, Executive Director and Chairman of the Company, is the founder of the trust of Cititrust Private Trust (Cayman) Limited.

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

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

Save as disclosed above, as at December 31, 2021, no persons (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

Mr. Wang Nengguang served as an independent director of Guangdong Guanhao High-Tech Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600433) since September 2021. Since February 2022, he also served as an independent director of Digital China Group Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000034).

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Options Scheme and the Share Award Plan, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, debentures of, the Company or any other body corporate.

NON-COMPETITION UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. FENG Changge and Eagle Seeker Limited, in respect of their compliance with the terms of the non-competition undertaking as described in the prospectus of the Company dated May 31, 2013 and that they have not engaged, nor interested, in any business which directly or indirectly, competes or may compete with the business of the Group during the year 2021.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at December 31, 2021 are set out in note 33 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 of the Company to the Board, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board. The remuneration of the Directors and chief executive are set out in note 13 to the consolidated financial statements. Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended December 31, 2021 is set out below:

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

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the related party transactions entered into by the Group during the year are disclosed in note 45 to the consolidated financial statements. The related party transactions disclosed in note 45 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules and the Group has complied with the requirements in Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

For the year ended December 31, 2021, the Company has complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended December 31, 2021.

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.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2021, the Company repurchased a total of 14,029,000 of ordinary shares of HK$0.01 each on the Stock Exchange for a total consideration of approximately HK$50,502,403.70 (excluding transaction cost). The 7,241,000 repurchased shares were subsequently cancelled on August 11, 2021. Details of the shares repurchased during the reporting period are set out as follows:

Month of repurchase	**Number of shares**	**Repurchase price per share**		**Aggregate consideration (HK$) (excluding transaction cost)**
		Highest *(HK$)*	**Lowest** *(HK$)*	
June 2021	6,287,000	3.40	3.24	20,930,625.10
July 2021	954,000	3.43	3.30	3,260,701.60
November 2021	6,480,000	4.19	3.70	25,027,548.60
December 2021	308,000	4.20	4.14	1,283,528.40
Total	14,029,000			50,502,403.70

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would benefit shareholders as a whole by enhancing the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended December 31, 2021.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Company has repurchased 9,485,500 shares. Save as disclosed, there was no significant event that would have any material impact on the Group.

PRE-EMPTIVE RIGHTS

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

DONATIONS

Donations made by the Group during the year ended December 31, 2021 amounted to RMB1,107,000 (2020: RMB122,850).

AUDITOR

Ernst & Young resigned as the auditor of the Company on January 7, 2020 and ZHONGHUI ANDA CPA Limited ("**ZHONGHUI**") was appointed by the board of directors of the Company on January 23, 2020 to fill up the casual vacancy so arising. ZHONGHUI resigned as the auditor of the Company with effect from July 13, 2020, and Deloitte Touche Tohmatsu was appointed as the auditor of the Company with effect from July 17, 2020 to fill the casual vacancy following the resignation of ZHONGHUI. Deloitte Touche Tohmatsu resigned as the auditor of the Company on January 8, 2021 and ZHONGHUI was appointed as the auditor of the Company on January 9, 2021 to fill up the casual vacancy so arising. Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements for the year ended December 31, 2021 have been audited by ZHONGHUI, who shall retire at the forthcoming annual general meeting of the Company and, being eligible to offer themselves for re-appointment. A resolution for the re-appointment of ZHONGHUI as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board
CHINA HARMONY AUTO HOLDING LIMITED

FENG Changge
Chairman and Executive Director

March 21, 2022

Environmental, Social and Governance Report

I. REPORTING STANDARD, PERIOD AND SCOPE

The environmental, social and governance report (the "**ESG report**") is prepared by China Harmony Auto Holding Limited (the "**Company**") and its subsidiaries (collectively the "**Group**", "**Harmony Auto**" or "**We**") in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**"), as set out in Appendix 27 to the Listing Rules, with an aim to inform stakeholders of the Group's environmental, social and governance ("**ESG**") policies, initiatives and performance beyond its financial results.

This report describes the Group's ESG management policies and strategies for the period from January 1, 2021 to December 31, 2021 (the "**Reporting Period**"). Our ESG data collection system is still in the development stage. The data collection is subject to different restrains in different project sites. Nevertheless, we have made our best effort to collect relevant ESG data in order to disclose more accurate information and continuously improve the comprehensiveness and integrity of our ESG data collection system. The scope of this ESG report covers the Group's headquarters and its major outlets. The total number of outlets as of December 31, 2021 is 76, of which 74 (2020: 72) are included in the ESG report.

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

Materiality	The Company's ESG management approach is designed around areas of focus that are considered to have significant impact on the Company. These areas of focus are described in the "Stakeholders and Materiality Assessment" section in the ESG Report.
Quantitative	Where applicable, disclosures are presented in a measurable format, and disclosures of key performance are accompanied by an explanation of the method of calculation and the source of the conversion factors used.
Consistency	The same ESG reporting framework is used to count and calculate key performance for annual ESG reporting to enable meaningful comparisons.

II. COMPANY BACKGROUND

Harmony Auto is a leading automotive services group in China, representing 14 luxury and ultra-luxury brands in 40 cities across the country. It serves 9 luxury brands such as BMW, MINI, Audi, Volvo, Land Rover, Lexus, Jaguar, Lincoln, Alfa Romeo and 5 super luxury brands such as Rolls-Royce, Bentley, Ferrari, Maserati and Lamborghini.

The Group will continue to focus on the development of the main business, actively improve the operating efficiency of stores, strengthen the assessment indicators and management model of stores, and build excellent operating stores for major brands. We use the scientific inventory management system to achieve reasonable allocation and optimization of resources.

In 2021, we will continue to explore the luxury and ultra-luxury automobile market, focus on dominant brands, increase self-built and merger and acquisition efforts, improve customer retention and satisfaction, and improve the Group's operating efficiency and quality. We will focus on providing efficient, convenient and harmonious high-quality driving experience and services for customers.

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

During the Reporting Period, our distribution branches have successively won a number of industry awards, including the 31st in the 2021 Top 100 China Automobile Dealership Group list, the "Most Valuable Automobile Company" and the "Most Socially Responsible Listed Company" of the 6th Golden Hong Kong Stock Awards, as well as the "Best IR Team" of the 3rd the Best Listed Company of Greater China, which fully demonstrates that the industry and investors have recognized the Company's comprehensive strength in business growth, industry ranking, corporate governance and business model, as well as its future development potential.

III. OUR COMMITMENT AND APPROACH TO THE ENVIRONMENT, SOCIETY AND GOVERNANCE

We are aware of the importance of effective ESG initiatives at the operation level. The direction of the ESG work of Harmony Auto is supervised by the Group's Board of Directors (the "**Board**") to ensure that the ESG strategy reflects the Group's core values. Therefore, we have established an ESG Governance Committee and an ESG Working Group to assist the Board in managing ESG issues. Under the top-down leadership of the Board, we assess and identify risks and opportunities related to ESG matters, formulate ESG policies, strategies, prioritize and manage important ESG-related issues, deploy resources and approve ESG work results to ensure that the relevant risk management and internal control systems are properly and effectively operated, and reflect the core values of the Company. It can increase not only the awareness of ESG of our employees and enable them to be participants of sustainable development, but also ensure that the scope of our ESG framework effectively and comprehensively covers key parts of our business. In this way, while we are committed to providing high-quality service to our customers, we can also ensure the sustainable development of the Group.

The Company's regulatory structure and functions for ESG matters are set out as follows:

Regulating function	Regulating contents
The Board	• Overall responsibility for assessing the key ESG risks faced by the Group (key ESG issues in relation to the Group, such as supplier management, understanding the sustainability needs of society, etc.). • Overall responsibility for assessing and determining the nature and extent of risks, including ESG risks, that the Group is willing to accept in achieving its strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. • Approval and confirmation of ESG-related strategies and major ESG issues.
ESG Governance Committee	• Develop and review ESG-related strategies and management approaches. • Regulate ESG issues and related risks. • Communicate regularly with other committees to ensure that the relevant committees are updated on ESG issues affecting the Company. • Coordinate the implementation of ESG-related efforts. • Regularly approve and review objectives and key initiatives.

Regulating function	Regulating contents
ESG Working Group	• Develop and implement ESG-related policies and procedures. • Monitor and track progress against established goals and initiatives. • Provide feedback to ESG Governance Committee.

IV. STAKEHOLDERS AND MATERIALITY ASSESSMENT

Stakeholders

Harmony Auto strives to adopt the opinions of stakeholders (including shareholders, customers, employees, suppliers, regulators and the public) and protect their rights and interests through constructive communication, so as to determine the long-term development direction of the Company and maintain a close relationship with the stakeholders. During the Reporting Period, the major stakeholders of Harmony Auto included the shareholders and investors, employees, consumers, suppliers, governmental and regulatory authorities, media and communities, etc. Major issues and measures of concern are shown in the following table:

Stakeholders	Major concern	Communication channel	Measures of the Company
Shareholder/investor	Operation strategies Sustainable and steady investment return Timely information disclosure Good corporate image Compliant business operation	General Meeting Information disclosure of Listed company Roadshow/teleconference/meeting Media communication mechanism Telephone/email inquiries Investor visits Information disclosure on website	To issue notice and proposals of annual general meeting as required To disclose the Company information in time To release public announcements and issue regular reports as required To provide smooth communication channel

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

Materiality Assessment

After the communication with stakeholders during the Reporting Period, the Company collected many potential topics related to ESG. We categorized these issues in various areas according to the HKEX ESG guidelines. For potential topics, we designed a questionnaire to collect information in order of importance, and according to the results of the questionnaire, to further sought more internal and external information from staff and external consultants on these topics, estimated the impact of these ESG issues on the Company and assessed their importance. After careful analysis by the Board and the management, we obtained the following materiality results.

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

Based on these results, the Group will constantly improve its ESG performance and continue to receive public views, in order to meet its stakeholders' expectations and address the risks to the Company. The ESG work details and key performance indicators that are considered relevant and significant to the operation of Harmony Auto will be presented under four subject areas: Our Environment, Our Employees, Our Business and Our Community.

V. OUR ENVIRONMENT

The Company is China's leading luxury and ultra-luxury automobile dealer group, with distribution outlets established in more than 40 cities nationwide. Over the years, the Company has been committed to becoming the largest and most prominent automobile dealer in China. The Company pays close attention to and strictly abides by the requirements contained in the environmental laws and regulations of China, including but not limited to the Environmental Protection Law of the People's Republic of China, the Environmental Protection Tax Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution.

Our key performance indicators in emissions, waste management and energy and resource utilization for the year will be presented in the following paragraphs.

Aspect A1: Emissions

The Company's main business is the operation of outlet stores, and the vehicles in the stores are the largest source of air emissions, but we are still not an enterprise that has adverse effects on the environment.

Air and greenhouse gas emissions

Air emissions for 2021 and 2020 are as follows:

(In Kg)		**2021**		2020	
Type of air emission	**Emission source**	**Emission amount**	**Density(Note1)**	Emission amount	Density(Note1)
Nitrogen oxides (NO_x)	• Cars	**3,860.28**	**0.85**	3,000.51	0.71
Sulfur oxides (SO_x)	• Cars	**6.65**	**<0.01**	6.05	<0.01
Particulate matter (PM)	• Cars	**332.38**	**0.07**	285.78	0.07

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

Greenhouse gas emissions for 2021 and 2020 are as follows:

(In tons of CO2e)(Note 1)		2021		2020	
Greenhouse gas emission scope	**Emission source**	**Emission amount**	**Density(Note 2)**	Emission amount	Density(Note 2)
Scope 1 Direct emission	• Consumption of lead free gasoline and diesel of cars • Refrigerant	**1,605.08**	**0.35**	1,569.24	0.37
Scope 2 Indirect emission	• Electricity consumption	**20,123.49**	**4.42**	17,994.39	4.28
Total		**21,728.57**		19,563.63	

Note 1: Carbon dioxide equivalent (ton) is a measure based on the greenhouse effect of each ton of carbon dioxide, which is used to measure and compare the greenhouse effect of carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O) and other greenhouse gases.

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

During the Reporting Period, the air emissions of the Group were mainly generated from the use of vehicles in our sales activities, where the engine of a vehicle burns gasoline when it is idling and driving and when it is moving. The emissions included nitrogen oxides, sulfur oxides and particulate matter. Air emissions for the year increased slightly than the previous year due to a slight rebound in the sales and after-sales operations compared with the initial stage of the impact of the COVID-19.

The Group's direct emission of greenhouse gases (scope 1) during the Reporting Period was approximately 1,605 tons (2020: 1,569 tons), increasing 2.3% compared with last year, mainly generated from the lead free gasoline and diesel consumption of vehicles, as well as the refrigerants for air-conditioning and refrigeration equipment. The indirect emissions of greenhouse gases (scope 2) this year were generated mainly from electricity at dealer outlets used daily. The indirect emissions of greenhouse gases (scope 2) this year increased while the dense increased slightly than the previous year due to a slight rebound in the sales and after-sales operations compared with the initial stage of the impact of COVID-19. The Group continued to implement several office measures to save energy and reduce consumption, including strengthening the power saving, improving the daily management of all electrical equipment, and turn off power upon the completion of operations, so as to reduce the overall power consumption.

The stores operated by the Group were not only designed to give full consideration to lighting, energy saving and other factors, but also adopted environmentally friendly materials and technologies to reduce the energy consumption of the buildings. For example, the exterior walls of buildings were coated with thermal insulation, efficient and energy-saving LED lighting facilities were installed and replaced, and solar heaters and other renewable energy equipment were installed and used. Furthermore, the Group established a strict energy management system where the administrative department carried out the monitoring of the energy consumption data management system for each store every month in order to be aware of any excessive energy consumption or abnormal conditions in a timely manner, and established effective countermeasures and punishment system.

Waste

In the course of conducting after-sales and vehicle repair services, the stores of the Group generated various hazardous wastes, such as used mineral oil, used lead batteries, used oil drum and used auto parts. In order to prevent these wastes from harming the environment, the Group has established a waste management system to standardize the process of hazardous and non-hazardous waste management. As for hazardous waste, the Group prohibit any stores from dumping hazardous waste. The Group strictly abides by national and regional standards and strictly classifies hazardous waste according to their characteristics, packages and transports hazardous waste in special buckets and bags. Specialised personnel are responsible for the storage and disposal of hazardous waste, and third-party professional agencies are employed regularly for recycling.

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

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

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

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

The amount of different types of hazardous waste generated by the Group in 2021 is as follows:

(In tons) **Hazardous waste types**	**2021** **Amount**	 **Density(Note 1)**
Used mineral oil(Note 2)	**2,591.22**	**0.57**
Used lead batteries	**16.30**	**<0.01**
Others(Note 3)	**1,211.09**	**0.27**

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

Note 2: Used mineral oil includes used oil.

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

The work activities in daily operations will also produce non-hazardous wastes such as food packaging, beverage cans and bottles, waste paper products and office stationery. In accordance with the waste management system and the relevant regulations on the management of domestic waste in the cities where our stores are located, the Group cleans up the recyclable non-hazardous waste products and then places them at designated locations for waste separation and disposal in order to achieve waste reduction and resource recovery and reuse. The amount of different types of non-hazardous waste generated by the Group in 2021 is as follows:

(In tons) **Non-hazardous waste types**	**2021** **Amount**	 **Density(Note 1)**
Waste cartons/packaging boxes and paper products	**125.51**	**0.03**
Domestic waste	**592.03**	**0.14**

Note 1: Density is calculated by using the total waste generation volume divided the number of employees at the end of the year.

We have been implementing waste reduction programs, such as encouraging employees to bring their own utensils to reduce the amount of disposable waste produced, and strictly requiring all departments to recycle as much paper as possible to reduce paper wastage in order to reduce the generation of non-hazardous waste.

There were no significant cases of non-compliance with environmental laws and regulations for the Group during the Reporting Period (2020: nil).

Aspect A2: Use of energy and resources

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

Energy

Energy consumption for 2021 and 2020 are as follows:

		2021		2020	
Type of energy	**Unit**	**Consumption**	**Density**(Note 1)	Consumption	Density(Note 1)
Electricity	MWh	**23,482.58**	**5.16**	20,046.69	4.77
Gasoline(Note 2)	Liter	**417,760.70**	**91.80**	422,195.00	100.38
Diesel(Note 2)	Liter	**31,429.60**	**6.91**	11,551.37	2.75

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

Note 2: Classified as direct non-renewable fuel.

Note 3: Total direct non-renewable fuel consumption is approximately 4,385.07 MWh, with a density of approximately 0.96 MWh.

Note 4: The conversion to MWh is based on the Energy Statistics Manual published by the International Energy Agency.

Electricity is the main energy consumption of the Group. The increase was mainly due to the increase in the number of dealer outlets during the year. In addition, the impact from the early stage of the epidemic has gradually recovered.

Consumption of gasoline and diesel has fluctuated in an inversely-proportional manner, mainly due to the directions of sales of one type against another.

To further reduce the adverse impact of the business on the environment, the Group has formulated policy, including vehicle management regulations and air conditioning regulations, to regulate the use behavior of staff, in order to achieve the reasonable use of energy and resources and reduce waste.

Water resources

The Group's business does not have a significant demand for water resources and therefore no problems have been identified in sourcing suitable water supplies. The water consumption of our stores is mainly for daily use and comes mainly from the municipal tap water network. Domestic waste water is discharged into municipal drainage pipes and treated by municipal waste water treatment plants, and no direct discharge to water and land will be made. Water consumption for 2021 and 2020 are as follows:

(In tons)	**2021**	2020
Total water consumption	**215,098.68**	191,634.18
Density(Note 1)	**47.26**	45.56

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

The water consumption in 2021 has increased slightly compared with the previous year, but the density only has a small increase, which was similar to electricity consumption in difference and reason. The Group encouraged employees to save water and reduce unnecessary consumption. The Group has implemented a number of water-saving measures, such as installing water conservation devices, water recycling, advocating water conservation at water faucets and implementing inspection to conduct daily water and electricity meter reading, and carrying out analysis and treatment on any abnormality.

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

Aspect A3: Environment and Natural Resources

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

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

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

2. The Group's stores use vehicles that meet the national emission standards, and must strictly implement annual inspections. Only after the exhaust gas is qualified, the vehicles are allowed to be used on the road to control vehicle exhaust emissions;

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

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

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

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

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

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

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

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

Future Goals

In response to the national goal of carbon peaking by 2030 and carbon neutrality by 2060, all employees of the Company have always pursued the concept of energy conservation and environmental protection to operate business. We hope to follow the national goals, and will also pay close attention to the introduction of policies and the development of the industry, and continue to implement the above-mentioned carbon reduction and environmental protection measures. After consideration by the Board, the Company will take 2021 as the base year, and target the air emissions, energy efficiency, waste generation and the dense of water efficiency emissions in the next three years to be the same as the base year.

Aspect A4: Climate Change

Climate change is a current global challenge that affects everyone's life. In 2015, almost all countries adopted a landmark international agreement, the Paris Agreement, agreeing to drastically reduce global greenhouse gas emissions with a view to limiting global warming to 1.5°C this century. This agreement underscores the urgency of climate-related situations.

The Company understands the impact of climate change-related matters (e.g.: water, wind, fire) on our business operations. According to the proposed framework of the working team on climate change-related financial disclosures, climate risks are divided into transitional risks (the adaptation challenges that Company may face in terms of policies, laws, technologies and markets) and physical risks (the impact that extreme weather events may have on the Company). After analysis, the Company identified the transitional risks it faced, including the introduction of policies related to energy conservation and emission reduction, stricter reporting obligation and compliance requirements of emission load; physical risks include extreme winds, rainstorms, fires, interruption of power supply and employees safety to and from work, the unsafe environment caused by sudden accidents existing potential work-related injury risks, etc.

After analysis, the Company understands that the physical risks of climate change, such as extreme weather and heavy rain, which have a particularly serious impact on us because the Company's business mainly depends on the operation of stores, such as affecting employees safety to and from work and the operation of stores. In response to these crises, the Company has adopted policies to arrange for employees to be on duty safely, and the vehicles of our stores are also placed in a safe indoor environment, and regular inspections are carried out to reduce the impact of acute extreme weather events on the Company.

VI. OUR EMPLOYEES

Aspect B1: Employment

The Group believes that employees are an important strategic asset for its sustainable development. During the Reporting Period, the Group strictly complied with the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, the Civil Code of the People's Republic of China and other relevant laws and regulations, effectively protected the legitimate rights and interests of employees, continuously improved the benefits of employees and enhanced their sense of belonging.

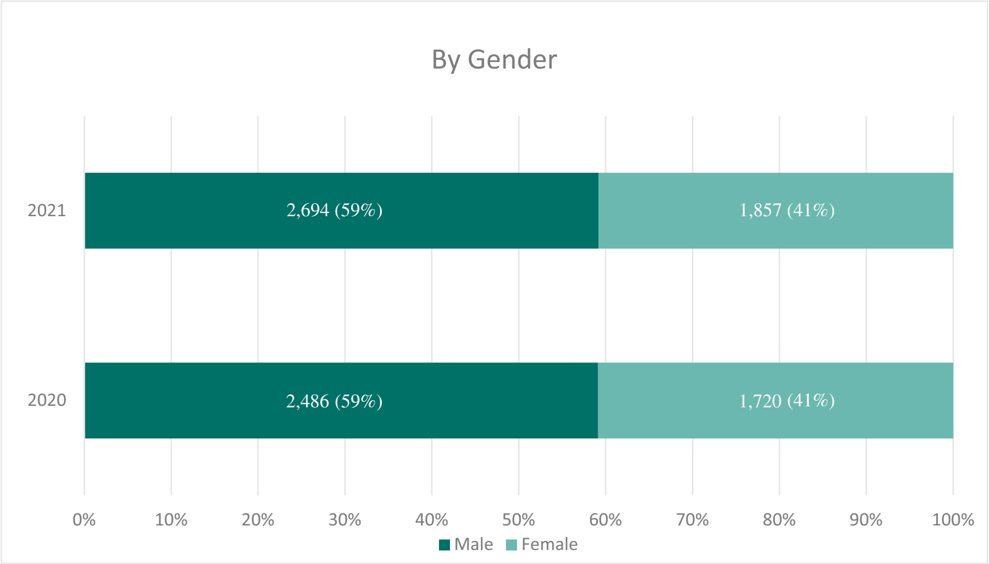
The Group has developed related human resources policies in accordance with legal requirements and its own operations circumstances to ensure that employees enjoy their due employment rights. We have developed and clearly communicated to all staff our policies on remuneration, dismissal, recruitment and promotion, working hours and leave applications, equal opportunities and other employee benefits to ensure that the protection of employees' rights and interests can be effectively implemented. Employees of different races, origins, regions and genders shall enjoy equal opportunities for employment, salary adjustment, promotion, training and education. The Group highly respects and safeguards these rights and does not tolerate any discrimination in its operations.

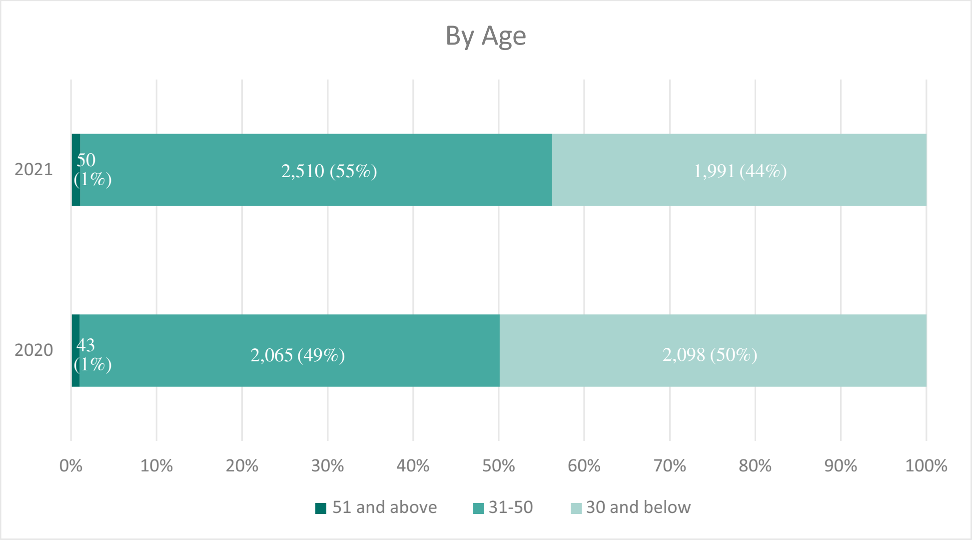
In addition to protecting employees' legal employment rights and benefits, subject to prevailing business conditions the Group also continuously optimizes its employees' benefits. For example, for employees who do not meet the conditions for purchasing social insurance, the Group will purchase commercial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

Our labor

As of December 31, 2021, the Group had 4,551 employees (2020: 4,206), including 4,541 employees in Mainland China and 10 in Hong Kong. Since those who join the automobile after-sales and maintenance service industry has been mostly male, the proportion of male employees in the Group remains relatively high. The ratio of male to female in 2021 was 1.45 to 1, the same as the situation in 2020.

The gender and age composition of employees are shown in the following graphs:





The Group provides competitive remuneration and benefits and fair remuneration structure for employees, adjusts salaries in accordance with the actual situation in each year, and improves the compensation management system and comprehensive performance appraisal mechanism to reduce employee turnover. There were no significant case of non-compliance concerning labor practices in the Group during the Reporting Period (2020: nil).

Employee turnover

The Company has established relevant human resources policies to regulate employees' resignation, dismissal or retirement and protect the legal rights and interests of employees. As of December 31, 2021, the Company had 2,074 (2020: 1,657) employees leaving the Company, all of whom were full-time employees in the PRC, with an overall turnover rate (Note 1) of 47% (2020: 43%). The number and rate (Note 2) of employee turnover classified by gender and age are as follows:

	2021	2020
The number and rate of employee turnover by gender		
Male	**1,273 (49%)**	1,050 (45%)
Female	**801 (45%)**	607 (39%)
The number and rate of employee turnover by age		
30 and below	**1,183 (58%)**	1,000 (48%)
31–50	**873 (38%)**	643 (36%)
50 above	**18 (39%)**	14 (33%)

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

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

Aspect B2: Health and safety

The Group attaches great importance to the protection of employees' rights and interests, the security of the working environment and the health and safety of the employees. We are determined to provide employees with a comfortable and safe working environment, maintain and improve the welfare of the staff, and ensure that the Group is in line with the professional and workplace safety related laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on Mediation and Arbitration of Labor Disputes and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases.

Some specific daily measures related to workplace safety are as follows:

1. The Group attaches great importance to the occupational health of employees. We have provided an efficient and suitable working environment for employees, and cooperated with publicly listed professional medical health examination company to provide regular health examination for employees every year; for employees in positions that may suffer from occupational diseases, occupational disease medical examinations are conducted at the time of entry, every year of employment and before leaving;

2. The Group attaches great importance to the office fire safety. We have included the fire safety education and training in the annual fire protection work plan, provided funds for the fire safety education and training, and organized various forms of fire safety advocacy and education;

3. Designated personnel are assigned to conduct daily fire prevention inspection to ensure that the evacuation passageways and safety exits are unblocked, and the fire control facilities for evacuation, such as fire doors, evacuation signs and fire accident lighting, are unimpaired and usable. Once any fire control facilities are found to be damaged or lost, they are repaired and replaced in time;

4. We expect the visits from local environmental protection authority and the occupational disease management center to have annual inspection and sample test, as well as receiving the annual fire training organised by the local fire department and the exercise organized by the property management company;

5. We provide protective tools and clothing for employees;

6. To avoid the occurrence of major safety accidents, the Group has formulated the Management System for the Avoidance of Major Accidents (the "**Management System**"), with an aim to strengthen the management of major potential accidents and prevent the occurrence of major accidents. The manager of the administration department and the general manager of the subsidiary companies are responsible for strengthening the management, monitoring and control of the potential major issues in the region under their jurisdiction, get a grip of where they are and how they change dynamically, establish and improve the emergency rescue plan of emergency rescue organizations, strictly implement the safety operation procedures and safety management rules and regulations, and earnestly fulfill the safety responsibilities to prevent the potential danger; and

7. The Management System requires the subsidiary companies to conduct a risk analysis and evaluation of major accident hazards once a year, and make quantitative or qualitative analysis and evaluation according to their hazard characteristics, the possibility of accidents and their severity and consequences, and submit the evaluation report to the Group's administration department. Moreover, the subsidiary company where the major accident hazards is located must formulate an accident emergency rescue plan, equip the necessary emergency equipment and tools, and conduct at least one emergency rescue drill each year to test the effectiveness and timeliness of the emergency response, and make timely modifications and additions according to the effect of the drill.

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

It is our important duty to protect our employees from the invasion of the COVID-19 while remain productive by pushing forward actively and steadily. During the Reporting Period, our stores formulated emergency plans to prevent and control the epidemic, effectively protecting the lives and health of our employees and maintaining the smooth operation of our business. A series of measures are as follows:

1. We established an epidemic prevention and control working group with the chief of the Group as the commander-in-chief, under which five executive teams were set up, assigning each of them with specific epidemic prevention tasks such as the provision of epidemic prevention supplies, personnel movement management and office environment; we also identified the persons in charge of epidemic prevention in each department of the Company;

2. Epidemic prevention supplies such as epidemic prevention masks, temperature measuring guns, disinfectants, disposable gloves, and disinfection spraying equipment were purchased and are managed and used by dedicated personnel;

3. Conducting and recording temperature tests on employees twice a day;

4. Ventilation of office premises by opening windows for half an hour every two hours every day;

5. Staff dining distance of one meter or more to avoid face-to-face interaction;

6. All employees are required to wear masks during work, and it is strictly forbidden to remove the masks without permission; and

7. Communicate online or by phone where possible to reduce the number of outward trips.

During the Reporting Period, the total lost days due to work injury of the Group was 141 (2020: 99) days, the average lost days per capita due to work injury (calculated based on the total number of employees as at December 31, 2021) was 0.03 (2020: 0.02) day, there were no incident of work-related fatalities in the past 3 years including the Reporting Period, and the Company did not have any material non-compliance incident relating to laws and regulations on health and safety.

Aspect B3: Development and training

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

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

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

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

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

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

➢ **Anti-money laundering and anti-corruption training:** This year, anti-corruption training was organized for management and employees with the training hours up to 50 hours.

During the Reporting Period, the number of trained employees (Note 1) accounted for 56% (2020: 67%) of the total number of employees, a total of approximately 49,343 (2020: 62,514) training hours were completed, and the average training hours per employee (Note 2) was 11.27 (2020: 16.04) hours. Compared with 2020, due to the regular impact of the epidemic this year, the Group actively responded to the national call to minimize the gathering of people, resulting in a decrease in the average training time per employee.

Details of the training are shown in the chart below:

	2021			
	Number of employees trained	**Percentage of trained employees(Note 3)**	**Total hours of training (hours)**	**Average training hours per employee (hours)(Note 4)**
By gender				
— Male	**1,627**	**67%**	**37,039**	**14.30**
— Female	**814**	**33%**	**12,304**	**6.88**
By type of employees				
— Management	**103**	**4%**	**1,830**	**20.00**
— Middle-level employees	**295**	**12%**	**6,744**	**16.80**
— Junior employees	**2,043**	**84%**	**40,769**	**10.49**

	2020			
	Number of employees trained	Percentage of trained employees(Note 3)	Total hours of training (hours)	Average training hours per employee (hours)(Note 4)
By gender				
— Male	1,738	67%	41,124	17.49
— Female	870	33%	21,390	13.83
By type of employees				
— Management	52	2%	2,312	35.30
— Middle-level employees	285	11%	7,589	22.65
— Junior employees	2,271	87%	52,613	15.05

Note 1: This percentage is calculated by dividing the total number of employees participated in training by the average number of employees at beginning and the end of the year.

Note 2: This average training hours is calculated by dividing the total training hours by the average number of employees at beginning and the end of the year.

Note 3: This percentage is calculated by dividing the number of employees participated in training in that category by the total number of employees who participated in the training.

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

Aspect B4: Labor Standards

The Group strictly complies with the Labor Law of the People's Republic of China, the Provisions on the Prohibition of the Use of Child Labor, the Provisions on the Special Protection of Juvenile Workers, the Civil Code of the People's Republic of China and other legal requirements in China, and firmly resists and opposes forced labor and child labor. The full-time employees recruited by the Group and in service are above 18 years old, and the interns and apprentices are above 16 years old. When signing the labor contract, we will strictly check the identity documents, including checking of his or her age, so as to prevent child labor. In the recruitment notice, during interview phase and when signing the labor contract, we clearly inform the job seekers of the nature of the relevant work, time, content and other terms, in strict accordance with the provisions of the labor law and labor contract law. Hence, all labor contracts were signed and all the labor works were performed by the employees voluntarily which rule out any forced labor. In the event of forced labor and child labor, the Company will handle the situation in accordance with the law and will hold those responsible for violations accountable and provide rewards and punishments in accordance with the Company's system. In spite of this, since the Group focuses on taking preventive measures at the source and hence is confident that those illegal practices mentioned above will not occur in the future.

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

During the Reporting Period, the Group was not aware of any incidents of child labor or forced labor in any form (2020: nil).

VII. OUR BUSINESS

Aspect B5: Supply chain management

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

The Group maintains a long-term and stable partnership with major automotive suppliers such as BMW, Maserati, Lexus, Land Rover, Ferrari and other luxury and ultra-luxury brands to ensure the steady development of automotive sales business. In addition, the Group keeps long-term and stable cooperative relationship with 31 suppliers of replacement automotive equipment and accessories in China. During the Reporting Period, the distribution of major automotive equipment and accessories suppliers by region was as follows: 230 in Mainland China and 8 overseas.

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

Aspect B6: Product responsibility

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

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

The Group has established a comprehensive automobile recall service system. We will actively communicate and negotiate with customers regarding the automobile quality problems, recall vehicles in strict accordance with recall message of the manufacturers so as to minimize the potential safety threats caused by product quality to the owners. For the recalled vehicles, the stores under the Group will carry out the recall plan according to the "Recall Contingency Plan" to ensure the completion of the after-sales recall indicators of the automobile manufacturers, increase the contribution of warranty to the after-sales output value, and smooth the recall process. During the Reporting Period, our stores strictly carried out recall work, and there was no safety and health incidents and complaints related to the recall work. In response to complaints, the Group has established the Regulations on Customer Complaint Resolution Management to learn about specific problems in the service based on customer feedback, and implement improvements and preventions to increase customer satisfaction and maintain continuous improvement in service quality. The Regulations stipulates that the customer service department shall first classify the complaints according to the category of incidents and take records, and then the professional and technical staff or customer managers shall provide systematic solutions to meet the needs of customers and protect the interest of consumers as much as possible. The customer manager shall pay a return visit to the customer who complained within three days, communicate with the customers by telephone, solicit opinions and understand their satisfaction degree, and ensure continuous improvement of service quality.

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

Aspect B7: Anti-corruption

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

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

VIII. OUR COMMUNITY

Aspect B8: Community investment

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

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

1. In March 2021, Guangzhou Guangdebao donated RMB20,000 to the "Charity Association of Haizhu District" to help needy students in the district. On May 2021, Guangzhou Guangdebao donated RMB60,000 to the "Haizhu District Helping Rural Revitalization Charity Association".

2. In July 2021, the Group headquarters donated a total of RMB1 million to the "China Education Development Foundation" for the education fund in the district.

3. In September 2021, Nanyang Wandebao Branch donated RMB2,000 to the Henan Province Courageous Foundation.

4. In September 2021, Jiaozuo Yuanda Branch organized a charity fundraising event and finally raised RMB5,000.

5. In December 2021, Guangzhou Guangdebao donated RMB20,000 to the disabled and the elderly in Huazhou Street, Haizhu District, to purchase auxiliary supplies.

Independent Auditor's Report

中汇
ZHONGHUI

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

OPINION

We have audited the consolidated financial statements of China Harmony Auto Holding Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 82 to 185, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2021, 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Estimation of rebates

Refer to note 29 to the consolidated financial statements

The Group recognises volume-related vendor rebates on an accrual basis based on the terms of the supplier contracts. As at 31 December 2021, the rebate receivables recognised in the consolidated statement of financial position amounted to approximately RMB1,066,326,000. The balance of rebate receivables was significant and the process of estimating the accrual was complex.

Our audit procedures included, among others:

— Checking the rebate policies adopted against the terms of the relevant supplier contracts;

— Checking the calculation of the rebate receivables based on the rebate policies; and

— Checking subsequent cash collections of rebate receivables.

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

Investments at fair value through profit or loss

Refer to note 24 to the consolidated financial statements

The Group measured its non-current unlisted equity investment at fair value with the changes in fair value recognised in the consolidated profit or loss. This fair value measurement is significant to our audit because the balance of non-current unlisted equity investment of RMB1,217,011,000 as at 31 December 2021 and the fair value loss of RMB56,066,000 for the year then ended are material to the consolidated financial statements. In addition, the Group's fair value measurement of the non-current unlisted equity investment involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the competence, independence and integrity of the external valuer engaged by client;

— Obtaining the external valuation report and communicating with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

— Checking key assumptions and input data in the valuation model to supporting evidence;

— Checking arithmetical accuracy of the valuation model;

— Comparing the fair value with recent and past capital contributions from other investors with reference to the Group's announcements;

— Involving our external valuation expert to assist in the review of the valuation methodology, key assumptions and input data; and

— Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's fair value measurement of the non-current unlisted equity investment is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Wan Ho Yuen
Audit Engagement Director
Practising Certificate Number P04309
Hong Kong, 21 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
REVENUE	8	**17,981,051**	14,746,923
Cost of sales and services		**(16,229,787)**	(13,448,106)
GROSS PROFIT		**1,751,264**	1,298,817
Other income and gains, net	9	**442,989**	339,523
Selling and distribution expenses		**(886,613)**	(689,611)
Administrative expenses		**(250,071)**	(198,706)
PROFIT FROM OPERATIONS		**1,057,569**	750,023
Finance costs	10	**(130,853)**	(134,050)
Share of profits of joint ventures		**3**	2,150
Share of losses of associates		**246**	(817)
PROFIT BEFORE TAX		**926,965**	617,306
Income tax expense	11	**(235,694)**	(195,162)
PROFIT FOR THE YEAR	12	**691,271**	422,144
Other comprehensive loss after tax:			
Items that will not be reclassified to profit or loss:			
Fair value changes of an equity investment at fair value through other comprehensive income		**(23,196)**	(86,537)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(30,122)**	(18,530)
Other comprehensive loss for the year, net of tax		**(53,318)**	(105,067)
Total comprehensive income for the year		**637,953**	317,077

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Profit for the year attributable to:			
Owners of the Company		**673,155**	410,701
Non-controlling interests		**18,116**	11,443
		691,271	422,144
Total comprehensive income for the year attributable to:			
Owners of the Company		**619,837**	305,634
Non-controlling interests		**18,116**	11,443
		637,953	317,077
Earnings per share attributable to owners of the Company	15		
Basic *(RMB)*		**0.44**	0.27
Diluted *(RMB)*		**0.44**	0.27

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**3,054,559**	2,914,140
Right-of-use assets	17	**823,118**	730,628
Intangible assets	18	**149,665**	137,581
Goodwill	19	**141,791**	141,791
Prepayments and other assets	20	**421,189**	776,818
Finance lease receivables	21	**246,026**	221,501
Investments in joint ventures	22	**7,773**	7,770
Investments in associates	23	**6,774**	6,527
Investments at fair value through profit or loss	24	**1,217,011**	1,273,077
Equity investment at fair value through other comprehensive income	25	**8,604**	31,800
Deferred tax assets	26	**75,514**	63,406
Total non-current assets		**6,152,024**	6,305,039
CURRENT ASSETS			
Finance lease receivables	21	**232,465**	156,796
Inventories	27	**1,129,635**	1,093,579
Trade receivables	28	**148,149**	155,364
Prepayments, other receivables and other assets	29	**3,760,416**	2,736,182
Investments at fair value through profit or loss	24	**81,504**	84,201
Pledged and restricted bank deposits	30	**87,752**	84,869
Cash in transit	31	**27,454**	22,031
Cash and bank balances	32	**1,629,199**	1,714,316
Total current assets		**7,096,574**	6,047,338
CURRENT LIABILITIES			
Bank loans and other borrowings	33	**2,629,978**	2,604,410
Trade and bills payables	34	**217,265**	264,444
Other payables and accruals	35	**1,175,087**	855,063
Lease liabilities	36	**109,357**	83,874
Income tax payable		**223,632**	284,888
Total current liabilities		**4,355,319**	4,092,679
NET CURRENT ASSETS		**2,741,255**	1,954,659

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,893,279**	8,259,698
NON-CURRENT LIABILITIES			
Lease liabilities	36	**792,058**	654,957
Deferred tax liabilities	26	**58,659**	57,254
Total non-current liabilities		**850,717**	712,211
NET ASSETS		**8,042,562**	7,547,487
EQUITY			
Equity attributable to owners of the Company			
Share capital	38	**12,480**	12,536
Reserves		**7,954,900**	7,475,504
		7,967,380	7,488,040
Non-controlling interests		**75,182**	59,447
TOTAL EQUITY		**8,042,562**	7,547,487

Approved by the Board of Directors on 21 March 2021:

Liu Fenglei
Director

Feng Shaolun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the parent												
	Share capital *RMB'000*	Shares held under share award plan *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Merger reserve *RMB'000*	Fair value change reserve *RMB'000*	Share option reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2020	12,519	(85,962)	3,153,040	1,635	271,382	371,200	9,292	75,840	107,293	3,354,084	7,270,323	53,176	7,323,499
Profit for the year	–	–	–	–	–	–	–	–	–	410,701	410,701	11,443	422,144
Other comprehensive income for the year													
Fair value changes of an equity investment at fair value through other comprehensive income	–	–	–	–	–	–	(86,537)	–	–	–	(86,537)	–	(86,537)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	(18,530)	–	(18,530)	–	(18,530)
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	(86,537)	–	(18,530)	410,701	305,634	11,443	317,077
Shares repurchased and cancelled *(Note 38(a))*	(25)	–	(9,280)	–	–	–	–	–	–	–	(9,305)	–	(9,305)
Shares repurchased *(Note 41)*	–	(15,649)	–	–	–	–	–	–	–	–	(15,649)	–	(15,649)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	1,672	1,672	(5,172)	(3,500)
Final 2019 dividend declared	–	–	(103,978)	–	–	–	–	–	–	–	(103,978)	–	(103,978)
Exercise of share options (Note 38(b))	42	–	16,583	–	–	–	–	(3,447)	–	–	13,178	–	13,178
Equity-settled-share option arrangement	–	–	–	–	–	–	–	26,165	–	–	26,165	–	26,165
Transfer from retained profits	–	–	–	–	25,678	–	–	–	–	(25,678)	–	–	–
At 31 December 2020	12,536	(101,611)	3,056,365	1,635	297,060	371,200	(77,245)	98,558	88,763	3,740,779	7,488,040	59,447	7,547,487

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the parent												
	Share capital *RMB'000*	Shares held under share award plan *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Merger reserve *RMB'000*	Fair value change reserve *RMB'000*	Share option reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021	**12,536**	**(101,611)**	**3,056,365**	**1,635**	**297,060**	**371,200**	**(77,245)**	**98,558**	**88,763**	**3,740,779**	**7,488,040**	**59,447**	**7,547,487**
Profit for the year	–	–	–	–	–	–	–	–	–	673,155	673,155	18,116	691,271
Other comprehensive income for the year													
Fair value changes of an equity investment at fair value through other comprehensive income	–	–	–	–	–	–	(23,196)	–	–	–	(23,196)	–	(23,196)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	–	(30,122)	–	(30,122)	–	(30,122)
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	(23,196)	–	(30,122)	673,155	619,837	18,116	637,953
Shares repurchased and cancelled *(Note 38(a))*	(61)	–	(20,083)	–	–	–	–	–	–	–	(20,144)	–	(20,144)
Shares repurchased *(Note 41)*	–	(21,632)	–	–	–	–	–	–	–	–	(21,632)	–	(21,632)
Final 2020 dividend declared	–	–	(101,506)	–	–	–	–	–	–	–	(101,506)	–	(101,506)
2020 Dividend declared to NCI	–	–	–	–	–	–	–	–	–	–	–	(2,381)	(2,381)
Exercise of share options *(Note 38(b))*	5	–	1,765	–	–	–	–	(334)	–	–	1,436	–	1,436
Equity-settled-share option arrangement	–	–	–	–	–	–	–	1,349	–	–	1,349	–	1,349
Transfer from retained profits	–	–	–	–	6,845	–	–	–	–	(6,845)	–	–	–
At 31 December 2021	**12,480**	**(123,243)**	**2,936,541**	**1,635**	**303,905**	**371,200**	**(100,441)**	**99,573**	**58,641**	**4,407,089**	**7,967,380**	**75,182**	**8,042,562**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
Cash flows from operating activities		
Profit before tax	**926,965**	617,306
Adjustments for:		
Finance costs	**130,853**	134,050
Share of result of joint ventures and associates	**(250)**	(1,333)
Interest income	**(66,345)**	(65,783)
Depreciation charge of property, plant and equipment	**193,928**	183,083
Depreciation charge of right-of-use assets	**102,501**	85,967
Amortisation of intangible assets	**5,818**	5,442
Loss on disposals of property, plant and equipment	**18,335**	10,782
Impairment on property, plant and equipment	**39,679**	—
Fair value change on investments at fair value through profit or loss	**58,763**	120,498
Equity-settled share option arrangement	**1,349**	26,165
Loss on early termination of lease	**29,876**	—
Impairment on intangible assets	**1,245**	—
Operating cash flows before working capital changes	**1,442,717**	1,116,177
Change in pledged and restricted bank deposits	**(2,883)**	(16,490)
Change in cash in transit	**(5,423)**	21,738
Change in trade receivables	**7,215**	(20,286)
Change in prepayment, other receivables and other assets	**12,484**	(313,609)
Change in prepayment to supplier	**(476,275)**	(138,292)
Change in inventories	**(36,056)**	169,803
Change in finance lease receivables	**(100,194)**	(155,412)
Change in trade and bills payables	**(47,179)**	140,267
Change in other payables and accruals	**338,131**	174,376
Cash generated from operations	**1,132,537**	978,272
Income taxes paid	**(307,653)**	(143,029)
Lease interests paid	**(48,785)**	(35,721)
Net cash generated from operating activities	**776,099**	799,522

	2021 RMB'000	2020 RMB'000
Cash flows from investing activities		
Interest received	**47,278**	65,783
Purchases of property, plant and equipment	**(738,369)**	(191,895)
Proceeds from disposal of property, plant and equipment	**142,391**	142,214
Repayment from a related party	**1,624**	839
Purchase of intangible assets	**(19,212)**	(2,423)
Loan repayment from a third party	**7,000**	260,000
Advance and loan made to third parties	**—**	(315,000)
Increase in time deposits	**(30,000)**	(10,000)
Acquisition of subsidiaries	**—**	(179,825)
Net cash used in investing activities	**(589,288)**	(230,307)
Cash flows from financing activities		
Proceeds from exercise of share options	**1,436**	13,178
Repurchase of shares	**(41,776)**	(24,954)
Bank loans and other borrowings raised	**14,298,210**	11,782,562
Repayment of bank loans and other borrowings	**(14,272,642)**	(11,671,851)
Acquisition of non-controlling interests	**—**	(3,500)
Dividends paid	**(101,506)**	(103,978)
Dividends paid to a non-controlling shareholder	**(2,381)**	—
Repayment of lease liabilities	**(62,283)**	(57,354)
Interest paid	**(90,996)**	(142,597)
Net cash used in from financing activities	**(271,938)**	(208,494)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Net (decrease)/increase in cash and cash equivalents	**(85,127)**	360,721
Effect of foreign exchange rate changes, net	**(29,990)**	(18,468)
Cash and cash equivalents at 1 January	**1,274,316**	932,063
Cash and cash equivalents at 31 December	**1,159,199**	1,274,316
Analysis of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,159,199**	1,274,316
Non-pledged time deposits with original maturity of more than three months when acquired	**470,000**	440,000
Cash and bank balances as stated in the consolidated statement of financial position	**1,629,199**	1,714,316

1. GENERAL INFORMATION

China Harmony Auto Holding Limited (the "**Company**") was incorporated on 24 September 2012 as an exempted company in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 June 2013 (the "**Listing**").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the sale of automobiles and provision of after-sales services in Mainland China.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRSs**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss and equity investments at fair value through other comprehensive income, which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in profit or loss as a gain on bargain purchase which is attributed to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (Continued)

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of "impairment of assets" as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units ("**CGU**") that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates (Continued)

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangements (Continued)

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

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

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

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives and residual values are as follows:

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

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Category	Annual rate
Land use rights	2.5% — 50%
Land and buildings	2% — 50%

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

Intangible assets (other than goodwill and club membership)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Club membership

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

Inventories

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

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Financial assets of the Group are classified under the following categories:

— Financial assets at amortised cost;

— Equity investments at fair value through other comprehensive income; and

— Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade, loans and other receivables) are classified under this category if they satisfy both of the following conditions:

— the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

(iii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and finance lease receivables. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables and finance lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and finance lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance;

— the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

(a) Dividend income is recognised when the shareholders' rights to receive payment are established.

(b) Bank interest income is recognised using the effective interest method.

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

(d) Rental income is recognised on a time proportion basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

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

Share-based payments

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in consolidated statement of profit or loss to date in the absence of the grant is recognised immediately in consolidated statement of profit or loss.

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated statement of profit or loss, except when it relates to items recognised in consolidated statement of other comprehensive income or directly in equity, in which case the deferred tax is also recognised in consolidated statement of other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets, except goodwill, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of 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.

If the recoverable amount of an asset or cash-generating unit ("**CGU**") is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

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

Contract liabilities

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

Vendor rebates

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Estimated rebate receivables

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

(b) Fair value of an unlisted equity investment

The Group appointed an independent professional valuer to assess the fair values of an unlisted equity investment. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(c) Impairment of non-financial assets (other than goodwill)

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

4. KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(d) Property, plant and equipment and depreciation

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

(e) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(f) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately RMB141,791,000 (2020: RMB141,791,000) that no impairment loss was recognised during 2021 and 2020.

(g) Impairment of trade and other receivables

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

4. KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(h) Net realisable value of inventories

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

(i) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets was approximately RMB75,514,000 (2020: RMB63,406,000) as at 31 December 2021. The amount of unrecognised tax losses at 31 December 2021 was approximately RMB123,554,000 (2020: RMB161,491,000). Further details are contained in note 26 to the consolidated financial statements.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for certain bank balances denominated in United States dollar ("**US$**") and Hong Kong dollars ("**HK$**") as disclosed in note 32 to the consolidated financial statements.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China who had US$ and HK$ as their functional currencies, and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had no significant foreign currency risk.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following information is used:

— internal credit rating;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

— actual or expected significant changes in the operating results of the borrower;

— significant increases in credit risk on other financial instruments of the same borrower; and

— significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these non-trade receivables are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

At 31 December 2021

	Less than 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000
Bank loans and other borrowings	**2,823,434**	**–**	**–**	**–**
Trade and bills payables	**217,265**	**–**	**–**	**–**
Other payables	**485,929**	**–**	**–**	**–**
	3,526,628	**–**	**–**	**–**

At 31 December 2020

	Less than 1 year RMB'000	Between 1 to 2 years RMB'000	Between 2 to 5 years RMB'000	Over 5 years RMB'000
Bank loans and other borrowings	2,797,866	—	—	—
Trade and bills payables	264,444	—	—	—
Other payables	309,149	—	—	—
	3,371,459	—	—	—

(d) Interest rate risk

The Group's bank deposits, bank loans and other borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to the risk of interest rate fluctuation is very limited, as the Group does not have a floating interest rate of bank loans and other borrowings.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments at 31 December

	2021	2020
	RMB'000	*RMB'000*
Financial assets		
Investments at fair value through profit or loss		
Mandatorily measured	**1,298,515**	1,357,278
Equity investment at fair value through other comprehensive income	**8,604**	31,800
Financial assets at amortised cost		
— Prepayments and other assets	**110,000**	660,000
— Finance lease receivables	**478,491**	378,297
— Trade receivables	**148,149**	155,364
— Financial assets included in prepayments, other receivables and other assets	**2,356,731**	1,793,620
— Pledged and restricted bank deposits	**87,752**	84,869
— Cash in transit	**27,454**	22,031
— Cash and bank balances	**1,629,199**	1,714,316
	4,837,776	4,808,497
Financial liabilities		
Financial liabilities at amortised cost		
— Bank loans and other borrowings	**2,629,978**	2,604,410
— Trade and bills payables	**217,265**	264,444
— Financial liabilities included in other payables and accruals	**485,929**	309,149
	3,333,172	3,178,003

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, less cash and bank balances and structured deposits. The gearing ratios as at the end of the reporting periods were as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Bank loans and other borrowings	**2,629,978**	2,604,410
Trade and bills payables	**217,265**	264,444
Other payables and accruals	**1,175,087**	855,063
Less: Cash in transit	**(27,454)**	(22,031)
Less: Cash and bank balances	**(1,629,199)**	(1,714,316)
Net debt	**2,365,677**	1,987,570
Equity attributable to owners of the parent	**7,967,380**	7,488,040
Gearing ratio	**29.7%**	26.5%

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 31 December 2021:

Description	Fair value measurements using: Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Recurring fair value measurements:				
Equity investment at fair value through other comprehensive income				
Unlisted equity investment	**–**	**–**	**8,604**	**8,604**
Investments at fair value through profit or loss				
Unlisted equity investment	**–**	**–**	**1,217,011**	**1,217,011**
Unlisted private fund in the PRC	**–**	**81,504**	**–**	**81,504**
Total recurring fair value measurements	**–**	**81,504**	**1,225,615**	**1,307,119**

Disclosures of level in fair value hierarchy at 31 December 2020:

Description	Fair value measurements using: Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Recurring fair value measurements:				
Equity investment at fair value through other comprehensive income				
Unlisted equity investment	—	—	31,800	31,800
Investments at fair value through profit or loss				
Unlisted equity investment	—	—	1,273,077	1,273,077
Unlisted private fund in the PRC	—	84,201	—	84,201
Total recurring fair value measurements	—	84,201	1,304,877	1,389,078

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3:

Description	**Equity investments at fair value through other comprehensive income** ***RMB'000***	**Investments at fair value through profit or loss equity investments** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2021	**31,800**	**1,273,077**	**1,304,877**
Addition	**—**	**—**	**—**
Total gains or losses recognised in			
profit or loss*	**—**	**(56,066)**	**(56,066)**
in other comprehensive income	**(23,196)**	**—**	**(23,196)**
At 31 December 2021	**8,604**	**1,217,011**	**1,225,615**
* Include gains or losses for assets held at end of reporting period	**—**	**(56,066)**	**(56,066)**

Description	Equity investments at fair value through other comprehensive income *RMB'000*	Investments at fair value through profit or loss equity investments *RMB'000*	Total *RMB'000*
At 1 January 2020	118,337	1,389,589	1,507,926
Addition	—	—	—
Total gains or losses recognised			
in profit or loss*	—	(116,512)	(116,512)
in other comprehensive income	(86,537)	—	(86,537)
At 31 December 2020	31,800	1,273,077	1,304,877
* Include gains or losses for assets held at end of reporting period	—	(116,512)	(116,512)

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of reporting period:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 2 fair value measurements

Description	**Valuation technique**	**Key input**	**Fair value 2021** ***RMB'000***
Unlisted private fund in the PRC	Market approach	Market price of private fund	**81,504**

Description	Valuation technique	Key input	Fair value 2020 *RMB'000*
Unlisted private fund in the PRC	Market approach	Market price of private fund	84,201

6. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of reporting period: (Continued)

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2021** *RMB'000*
Private equity investments classified as investments at fair value through profit or loss	Back-solve Method	Probability of IPO	6.32%	Increase	**1,217,011**
		Probability of liquidation	93.68%	Decrease	
		Discount for lack of marketability	47.8%	Decrease	
Equity investment at fair value through other comprehensive income	Market approach	Discount for lack of marketability	15.8%	Decrease	**8,604**

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2020 *RMB'000*
Private equity investments classified as investments at fair value through profit or loss	Market approach	Discount for lack of marketability	30%	Decrease	1,273,077
Equity investment at fair value through other comprehensive income	Market approach	Discount for lack of marketability	15.8%	Decrease	31,800

7. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale of automobiles and provision of after-sales services. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

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

Information about geographical area

Since all of the Group's revenue was generated from the sale of automobiles and provision of after-sales services in Mainland China and over 90% of the Group's identifiable non-current assets and liabilities were located in Mainland China, no geographical segment information is presented.

Information about major customers

Since no sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customer information is presented.

8. REVENUE

	2021 ***RMB'000***	2020 *RMB'000*
Revenue from contracts with customers		
— Revenue from the sale of automobiles and others	**15,609,705**	12,893,047
— Provision of after-sales services	**2,326,282**	1,818,155
Revenue from other sources		
— Finance leasing services	**45,064**	35,721
	17,981,051	14,746,923

8. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers:

	2021 **RMB'000**	2020 RMB'000
Type of goods or services		
Sale of automobiles and others	**15,609,705**	12,893,047
Provision of after-sales services	**2,326,282**	1,818,155
Total revenue from contracts with customers	**17,935,987**	14,711,202

	2021 **RMB'000**	2020 RMB'000
Timing of revenue recognition		
Goods received by the customer at a point in time	**15,609,705**	12,893,047
Services rendered at a point in time	**2,326,282**	1,818,155
Total revenue from contracts with customers	**17,935,987**	14,711,202

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021 **RMB'000**	2020 RMB'000
Sale of automobiles and others	**421,385**	314,331
Provision of after-sales services	**65,480**	46,983
	486,865	361,314

8. REVENUE (CONTINUED)

Performance obligations

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

Sale of automobiles and others

The performance obligation is satisfied upon receipt of goods by the customer and payment in advance is normally required.

Provision of after-sales services

The performance obligation is satisfied upon the services are rendered and the payment is generally settled when the services are rendered.

9. OTHER INCOME AND GAINS, NET

	2021 *RMB'000*	2020 *RMB'000*
Commission income	**420,628**	342,261
Interest income from loans to equity investment at fair value through other comprehensive income	**30,094**	27,631
Advertisement support received from motor vehicle manufacturers	**30,342**	29,117
Interest income from loans and advances to third parties	**18,459**	18,305
Bank interest income	**14,472**	15,817
Government grants (note)	**7,383**	5,915
Interest income from an investment at fair value through profit or loss	**3,320**	4,030
Rental income	**14,790**	13,689
Fair value change on investments at fair value through profit or loss	**(58,763)**	(120,498)
Impairment on intangible assets	**(1,245)**	—
Impairment on property, plant and equipment	**(39,679)**	—
Others	**3,188**	3,256
	442,989	339,523

Note:

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

10. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**90,996**	106,876
Leases interests	**48,785**	35,721
	139,781	142,597
Less: Interest capitalised	**(8,928)**	(8,547)
	130,853	134,050

11. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current Mainland China corporate income tax		
Provision for the year	**246,397**	206,238
Deferred tax *(note 26)*	**(10,703)**	(11,076)
	235,694	195,162

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

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

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 8.25% for the first HK$2,000,000 of the estimated assessable profits and 16.5% of the remaining estimated assessable profits arising in Hong Kong for the year ended 31 December 2021 and 2020. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2021 as the Group did not generate any assessment profit arising in Hong Kong during the year (2020: Nil).

11. INCOME TAX EXPENSE (CONTINUED)

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate for Mainland China subsidiaries is 25% (2020: 25%).

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

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

	2021 *RMB'000*	2020 *RMB'000*
Profit before tax	**926,965**	617,306
Tax at the weighted average tax rate	**192,479**	154,326
Profits attributable to joint ventures and associates	**(62)**	(333)
Income not subject to tax	**(16,135)**	(11,854)
Tax effect of non-deductible expenses	**37,813**	34,925
Tax losses and temporary difference not recognised	**22,270**	18,438
Tax losses utilised from previous periods	**(671)**	(340)
Total income tax expenses	**235,694**	195,162

12. PROFIT FOR THE YEAR

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

	2021 **RMB'000**	2020 RMB'000
Amortisation of intangible assets	**5,818**	5,442
Auditor's remuneration		
Audit services		
— Current year	**4,050**	5,300
— Under-provision in prior year	**—**	650
Non-audit services	**1,110**	560
Bank charges	**3,026**	2,758
Cost of sales and services:		
Cost of sales of automobiles *(note a)*	**14,945,370**	12,444,500
Cost of aftersales services *(note b)*	**1,284,417**	1,003,606
	16,229,787	13,448,106
Depreciation charge of property, plant and equipment *(note 16)*	**193,928**	183,083
Depreciation charge of right of use assets *(note 17)*	**102,501**	85,967
Fair value change on investments at fair value through profit or loss	**58,763**	120,498
Foreign exchange differences, net	**(189)**	(383)
Loss on disposals of property, plant and equipment	**18,335**	10,782
Staff costs including directors' emoluments		
— Wages and salaries	**386,797**	283,109
— Equity-settled share-based payments	**1,349**	26,165
— Other welfare	**75,915**	43,493
	464,061	352,767

Note:

(a) For the year ended 31 December 2021, no impairment provision was made for inventories (2020: Nil).

(b) The employee benefit expenses of RMB120,497,000 (2020: RMB80,161,000) were included in the cost of after-sales services.

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments of each director were as follows:

	2021				
	Fees	Salaries allowance and other benefits	Equity-settled share option expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Feng Changge	–	2,357	–	–	2,357
Mr. Feng Shaolun *(note d)*	–	118	–	84	202
Ms. Ma Lintao	–	1,972	–	31	2,003
Mr. Liu Fenglei	–	750	–	48	798
Mr. Han Yang	–	600	–	90	690
Ms. Fengguo *(note e)*	–	733	–	88	821
	–	6,530	–	341	6,871
Independent non-executive directors					
Mr. Chan Ying Lung *(note c)*	244	–	–	–	244
Mr. LAU Kwok Fan	244	–	–	–	244
Mr. WANG Nengguang	244	–	–	–	244
	732	–	–	–	732
	732	6,530	–	341	7,603

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

			2020		
	Fees	Salaries allowance and other benefits	Equity–settled share option expense	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director and chief executive:					
Mr. Liu Fenglei	—	700	170	43	913
Executive directors					
Mr. Feng Changge	—	2,261	170	—	2,431
Ms. Ma Lintao	—	1,815	—	43	1,858
Ms. Fengguo	—	688	27	64	779
Mr. Han Yang	—	560	54	80	694
	—	5,324	251	187	5,762
Independent non-executive directors					
Mr. Chan Ying Lung *(note c)*	191	—	—	—	191
Mr. LAU Kwok Fan	251	—	—	—	251
Mr. WANG Nengguang	251	—	—	—	251
Mr. Liu Zhangmin *(note a)*	63	—	—	—	63
Mr. Xue Guoping *(note b)*	63	—	—	—	63
	819	—	—	—	819
	819	6,024	421	230	7,494

(a) Mr. Liu Zhangmin resigned as the non-executive director of the Company with effect from 27 March 2020.

(b) Mr. Xue Guoping resigned as the non-executive director of the Company with effect from 27 March 2020.

(c) Mr. Chan Ying Lung was appointed as non-executive director of the Company with effect from 27 March 2020.

(d) Mr. Feng Shaolun was appointed as the executive director of the Company with effect from 7 December 2021.

(e) Ms. Fengguo resigned as the executive director of the Company with effect from 7 December 2021.

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the years ended 31 December 2021 and 2020.

The five highest paid individuals in the Group during the year included five (2020: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining nil (2020: three) individuals for the year ended 31 December 2021 are set out below:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and other benefits	**–**	413
Equity-settled share options expense	**–**	18,762
Pension scheme contributions	**–**	62
	–	19,237

The emoluments fell within the following band:

	Number of individuals	
	2021	2020
HK$1,000,001 to HK$1,500,000	**–**	1
HK$10,000,001 to HK$10,500,000	**–**	2

In 2019, share options were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 42 to the consolidated financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the year ended 31 December 2021 and 2020 is included in the above non-director's and non-chief executive's remuneration disclosures.

14. DIVIDENDS

	2021 **RMB'000**	2020 RMB'000
Proposed final — HKD0.21 (2020: HK7.9 cents) per ordinary share	**268,226**	105,309

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The calculation of the proposed final dividend for the year ended 31 December 2021 is based on the proposed final dividend per ordinary share and the total number of ordinary shares as at the date of approval of these consolidated financial statements.

15. EARNINGS PER SHARE

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

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to the owners of the company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award scheme and share option scheme outstanding at the end of the reporting period.

15. EARNINGS PER SHARE (CONTINUED)

The calculations of the basic and diluted earnings per share are based on:

	2021 **_RMB'000_**	2020 *RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company used in the basic earnings per share calculation	**673,155**	410,701
Number of shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,535,245,440**	1,536,876,241
Effect of dilution		
weighted average number of ordinary shares:		
— Share options	**5,500,327**	6,621,766
	1,540,745,767	1,543,498,007

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2020	1,767,982	673,569	168,395	149,709	341,936	288,966	3,390,557
Additions	99,005	15,166	61,970	55,155	118,946	165,409	515,651
Acquisition of subsidiaries (note 43(b),(c) and (d))	17,969	8,456	17,050	—	23	—	43,498
Transfers	196,694	3,244	1,922	1,844	648	(204,352)	—
Disposals	(9,766)	(4,387)	(7,313)	(13,868)	(167,309)	—	(202,643)
At 31 December 2020 and 1 January 2021	**2,071,884**	**696,048**	**242,024**	**192,840**	**294,244**	**250,023**	**3,747,063**
Additions	**121,397**	**12,715**	**18,087**	**27,325**	**215,679**	**139,616**	**534,819**
Transfers	**136,650**	**–**	**616**	**10,159**	**2,918**	**(150,343)**	**–**
Disposals	**(37,882)**	**–**	**(7,686)**	**(17,159)**	**(160,576)**	**–**	**(223,303)**
Impairment	**(57,111)**	**–**	**–**	**–**	**–**	**–**	**(57,111)**
Exchange realignment	**–**	**–**	**–**	**(33)**	**(57)**	**–**	**(90)**
At 31 December 2021	**2,234,938**	**708,763**	**253,041**	**213,132**	**352,208**	**239,296**	**4,001,378**
Accumulated depreciation and impairment							
At 1 January 2020	271,412	144,486	83,550	97,980	72,059	30,000	699,487
Charge for the year	76,698	33,454	18,643	31,292	22,996	—	183,083
Disposals	(215)	(50)	(2,042)	(12,185)	(35,155)	—	(49,647)
At 31 December 2020 and 1 January 2021	**347,895**	**177,890**	**100,151**	**117,087**	**59,900**	**30,000**	**832,923**
Charge for the year	**80,014**	**23,947**	**14,949**	**43,868**	**31,150**	**–**	**193,928**
Disposals	**(15,950)**	**–**	**(5,182)**	**(10,807)**	**(30,638)**	**–**	**(62,577)**
Impairment	**(17,432)**	**–**	**–**	**–**	**–**	**–**	**(17,432)**
Exchange realignment	**–**	**–**	**–**	**(14)**	**(9)**	**–**	**(23)**
At 31 December 2021	**394,527**	**201,837**	**109,918**	**150,134**	**60,403**	**30,000**	**946,819**
Carrying amount							
At 31 December 2021	**1,840,411**	**506,926**	**143,123**	**62,998**	**291,805**	**209,296**	**3,054,559**
At 31 December 2020	1,723,989	518,158	141,873	75,753	234,344	220,023	2,914,140

At 31 December 2021, certain of the Group's buildings with an aggregate net book value of approximately RMB14,355,000 (2020: RMB11,133,000) were pledged as security for the Group's bank and other borrowings (note 33).

The Group has yet to obtain property ownership certificates for certain buildings with an aggregate net book value of RMB1,705,940,000 (2020: RMB1,478,512,000) as at 31 December 2021. The directors are of the opinion that the Group is in the process to obtain the relevant certificates and does not expect any legal obstacles.

17. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 **RMB'000**	2020 RMB'000
At 31 December:		
Right-of-use assets		
Land use rights	**180,102**	186,033
Land and buildings	**643,016**	544,595
	823,118	730,628
Lease commitments of short-term leases	**740**	570
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
Less than 1 year	**154,788**	116,077
Between 1 and 2 years	**137,505**	113,387
Between 2 and 5 years	**290,364**	271,334
Over 5 years	**679,769**	496,108
	1,262,426	996,906
Depreciation charge of right-of-use assets		
Land use rights	**16,423**	15,182
Land and buildings	**86,078**	70,785
	102,501	85,967
Lease interests	**48,785**	35,721
Expenses related to short-term leases	**10,361**	4,881
Income from subleasing right-of-use assets	**1,660**	11,307
Total cash outflow for leases	**121,429**	97,956
Additions to right-of-use assets	**224,867**	291,489

17. RIGHT-OF-USE ASSETS (CONTINUED)

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

The Group's land use rights of approximately RMB4,751,000 (2020: RMB5,116,000) were pledged as security for the Group's bank loans and other borrowings as at 31 December 2021.

18. INTANGIBLE ASSETS

	Club membership *RMB'000*	Dealership agreements *RMB'000*	Customer relationships *RMB'000*	Software *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost						
At 1 January 2020	—	90,500	8,500	15,775	500	115,275
Additions	—	—	—	2,423	—	2,423
Acquisition of subsidiaries *(Note 43(b), (c) and (d))*	—	33,361	8,723	—	—	42,084
Exchange realignment	—	—	—	(100)	—	(100)
At 31 December 2020	**–**	**123,861**	**17,223**	**18,098**	**500**	**159,682**
Additions	**12,270**	**–**	**–**	**6,689**	**253**	**19,212**
Impairment	**(1,245)**	**–**	**–**	**–**	**–**	**(1,245)**
Exchange realignment	**(22)**	**–**	**–**	**(67)**	**–**	**(89)**
At 31 December 2021	**11,003**	**123,861**	**17,223**	**24,720**	**753**	**177,560**
Amortisation						
At 1 January 2020	—	5,980	1,462	8,960	295	16,697
Charge for the year	—	3,235	772	1,385	50	5,442
Exchange realignment	—	—	—	(38)	—	(38)
At 31 December 2020	**–**	**9,215**	**2,234**	**10,307**	**345**	**22,101**
Charge for the year	**–**	**3,235**	**821**	**1,749**	**13**	**5,818**
Exchange realignment	**–**	**–**	**–**	**(24)**	**–**	**(24)**
At 31 December 2021	**–**	**12,450**	**3,055**	**12,032**	**358**	**27,895**
Carrying amount						
At 31 December 2021	**11,003**	**111,411**	**14,168**	**12,688**	**395**	**149,665**
At 31 December 2020	—	114,646	14,989	7,791	155	137,581

19. GOODWILL

	RMB'000
Cost	
At 1 January 2020	**57,911**
Arising on acquisition of subsidiaries *(Note 43(b),(c) and (d))*	**83,880**
At 31 December 2020 and 31 December 2021	**141,791**
Carrying amount	
At 31 December 2021	**141,791**
At 31 December 2020	141,791

Impairment testing of goodwill

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next ten years with the residual period using the growth rate of 3% (2020: 3%). The rate used to discount the forecast cash flows is 14% (2020: 14%).

20. PREPAYMENTS AND OTHER ASSETS

	2021 **RMB'000**	2020 RMB'000
Prepayments for purchase of items of property, plant and equipment	**311,189**	116,818
Loan to Independent Aftersales Company *(note b)*	**110,000**	390,000
Loan to a third party *(note a)*	**–**	270,000
	421,189	776,818

Note:

(a) The loan granted to a third party with an amount of RMB260,000,000 as of 31 December 2018 is guaranteed by a third party and the loan bears a fixed interest rate of 9.5% per annum with a maturity period of two years. As at 15 September 2020, the principal was fully settled with interest.

At 17 September 2020, a loan granted to the abovementioned third party with an amount RMB270,000,000 is unsecured and bears interest in accordance with the benchmark loan interest rate stipulated by the People's Bank of China for the corresponding period and has a fixed repayment term of two years. The loan will be matured in 2022.

(b) As of 31 December 2021, the loan granted to 河南和諧汽車維修服務有限公司 (Henan Hexie Automobile Aftersales Services Co., Ltd. (the "**Independent Aftersales Company**") with an amount of RMB110,000,000 (2020: RMB390,000,000) is unsecured and bears interest in accordance with the benchmark loan interest rate stipulated by the People's Bank of China for the corresponding period and has a fixed repayment term of two (2020: five) years. The loan will be matured in 2023.

21. FINANCE LEASE RECEIVABLES

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

At 31 December 2021, the future minimum lease receivables under finance lease and their present value were as follows:

	Lease payments		Present value of lease payments	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Less than 1 year	**263,614**	198,017	**232,465**	156,796
Between 1 and 2 years	**199,457**	132,775	**169,717**	111,451
Between 2 and 3 years	**82,521**	115,143	**67,461**	110,050
Between 4 and 5 years	**11,981**	—	**8,848**	—
	557,573	445,935		
Less: Unearned finance income	**(79,082)**	(67,638)		
Present value of lease payments	**478,491**	378,297	**478,491**	378,297
Less: Amount within 12 months (shown under current assets)			**(232,465)**	(156,796)
Amount receivable after 12 months			**246,026**	221,501

Disclosures of finance lease-related items:

Year ended 31 December:

	2021	2020
	RMB'000	*RMB'000*
Selling profit for finance leases	**59,627**	35,721
Significant changes in net investment in the leases		
— Increase due to new leases	**399,949**	277,087
— Decrease due to repayments	**299,755**	121,675

22. INVESTMENTS IN JOINT VENTURES

	2021	2020
	RMB'000	*RMB'000*
Unlisted investments in the PRC:		
Share of net assets	**7,773**	7,770

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

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

(a) Particulars of the joint ventures are as follows:

Name	Place of establishment/ registration	Paid-in/ issued capital	Percentage of Ownership interest/ Voting power/ Profit sharing	Principal activities
Futeng Corporate Management Company	Zhengzhou, the PRC	RMB 20,000,000	40.0%	Technological development and sale of electric vehicles; corporate management consulting
Henan Harmony Futeng LP	Zhengzhou, the PRC	RMB 302,500,000	39.2%	Technological development and sale of electric vehicles; corporate management consulting

The above investments are indirectly held by the Company.

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

22. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	2021 RMB'000	2020 RMB'000
Unrecognised share of losses of a joint venture	**447**	—
Accumulated unrecognised share of losses of a joint venture	**40,945**	40,498

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

	2021 RMB'000	2020 RMB'000
At 31 December:		
Carrying amounts of interests	**7,773**	7,770
Year ended 31 December:		
Gain from continuing operations	**3**	2,150
Total comprehensive gain	**3**	2,150

23. INVESTMENTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Unlisted investments in the PRC:		
Share of net assets	**6,774**	6,527

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

23. INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Particulars of the associates are as follows:

Name	Place of establishment/ registration	Paid-in/ issued capital	Percentage of Ownership interest/ Voting power/ Profit sharing	Principal activities
Yongda Hexie	Zhengzhou, the PRC	RMB 20,000,000	30%	Sale and service of motor vehicles
Aiche Company	Shangyu, the PRC	RMB 456,500,000	33.7%	Technological development and sale of electric vehicles

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

	2021 **RMB'000**	2020 RMB'000
Unrecognised share of losses of an associate	**–**	75
Accumulated unrecognised share of losses of an associate	**55,902**	55,902

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

	2021 **RMB'000**	2020 RMB'000
At 31 December:		
Carrying amounts of interests	**6,774**	6,527
Year ended 31 December:		
Gain/(loss) from continuing operations	**247**	(817)
Total comprehensive income/(loss)	**247**	(817)

24. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Non-current		
— Unlisted equity investment, at fair value *(note a)*	**1,217,011**	1,273,077
Current		
— Unlisted private fund in the PRC *(note b)*	**81,504**	84,201

Notes:

(a) The above unlisted equity investment as at 31 December 2021 and 2020 was investments in Future Mobility Corporation Limited Cayman ("**FMC**") and was mandatorily classified as investments at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

(b) The above unlisted private fund at 31 December 2021 and 2020 was a fund managed by a private fund manager registered and approved by the Asset Management Association of China. It was mandatorily classified as investments at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

25. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	RMB'000	*RMB'000*
Equity securities, at fair value		
Unlisted equity securities — Independent Aftersales Company	**8,604**	31,800
Analysed as:		
Non-current assets	**8,604**	31,800

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

26. DEFERRED TAX

Deferred tax assets

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

	Losses available for offsetting against future taxable profits	Accruals	Deferred rental expenses	Accelerated tax deprecation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	8,480	11,830	14,882	26,052	61,244
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	(3,975)	(2,912)	(2,351)	11,400	2,162
At 31 December 2020	**4,505**	**8,918**	**12,531**	**37,452**	**63,406**
Deferred tax credited to the consolidated statement of profit or loss during the year	**3,774**	**816**	**1,029**	**6,489**	**12,108**
At 31 December 2021	**8,279**	**9,734**	**13,560**	**43,941**	**75,514**

26. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

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

	Fair value adjustments arising from acquisition of a subsidiary *RMB'000*	Capitalised interest expense *RMB'000*	Total *RMB'000*
At 1 January 2020	23,514	32,133	55,647
Acquisition of subsidiaries *(note 43(b),(c) and (d))*	10,521	—	10,521
Deferred tax credited to the consolidated statement of profit or loss during the year	(1,180)	(7,734)	(8,914)
At 31 December 2020	**32,855**	**24,399**	**57,254**
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	**(1,204)**	**2,609**	**1,405**
At 31 December 2021	**31,651**	**27,008**	**58,659**

At the end of the reporting period the Group has unused tax losses arising in Mainland China of RMB156,670,000 (2020: RMB179,510,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB33,116,000 (2020: RMB18,019,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB123,554,000 (2020: RMB161,491,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB123,554,000 (2020: RMB161,491,000) that will expire in 5 years.

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

26. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (Continued)

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

27. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Automobiles	**948,003**	925,916
Spare parts and accessories	**181,632**	167,663
	1,129,635	1,093,579

At 31 December 2021, certain of the Group's inventories with an aggregate carrying amount of approximately RMB402,973,000 (2020: RMB430,970,000) were pledged as security for the Group's bank loans and other borrowings (note 33).

At 31 December 2021, certain of the Group's inventories with an aggregate carrying amount of approximately RMB90,695,000 (2020: RMB90,522,000) were pledged as security for the Group's bills payable (note 34).

28. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**148,149**	155,364

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

28. TRADE RECEIVABLES (CONTINUED)

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within 3 months	**128,297**	138,749
3 months to within 1 year	**19,852**	16,615
	148,149	155,364

(b) Impairment of trade receivables

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

	Current *RMB'000*	**Less than 3 months past due** *RMB'000*	**Total** *RMB'000*
At 31 December 2021			
Trade receivables			
Weighted average expected loss rate	0%	0%	
Receivable amount	128,297	19,852	148,149
Loss allowance	—	—	—
At 31 December 2020			
Trade receivables			
Weighted average expected loss rate	0%	0%	
Receivable amount	138,749	16,615	155,364
Loss allowance	—	—	—

29. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 *RMB'000*	2020 *RMB'000*
Prepayments to suppliers	**1,292,959**	816,684
Rebate receivables	**1,066,326**	1,133,464
Loan to third parties	**318,738**	55,000
Insurance commission receivable	**55,364**	46,019
Due from an associate *(note a)*	**–**	1,624
Advances to and interest receivable from Independent Aftersales Company *(note b)*	**625,474**	375,759
VAT recoverable	**110,726**	125,878
Others	**290,829**	181,754
	3,760,416	2,736,182

Note:

(a) As of 31 December 2021, the Group had a balance with its associate, Yongda Hexie with an amount of approximately RMB Nil (2020: RMB1,624,000). The balance is unsecured, non-interest bearing and has no fixed repayment terms.

(b) As of 31 December 2021, the Group had a current portion of advances balance due from Independent Aftersales Company, with an amount of RMB625,474,000 (2020:RMB375,759,000), of which RMB595,380,000 (2020:RMB209,331,000) is unsecured, interest-bearing of 4.35% to 4.75%, and has no fixed repayment terms and RMB30,094,000 (2020: RMB166,428,000) is unsecured, non-interest bearing and has no fixed repayment terms.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The information about the credit risk exposure on the Group's prepayments, other receivables and other assets using a provision matrix was disclosed in note 5 to the consolidated financial statements.

30. PLEDGED AND RESTRICTED BANK DEPOSITS

	2021 *RMB'000*	2020 *RMB'000*
Deposits pledged	**63,469**	79,764
Restricted bank deposits	**24,283**	5,105
	87,752	84,869

The deposits pledged and restricted bank were denominated in RMB.

31. CASH IN TRANSIT

	2021 RMB'000	2020 RMB'000
Cash in transit	**27,454**	22,031

Cash in transit is the sales proceeds settled by credit cards, which has yet to be credited to the Group by the banks.

32. CASH AND BANK BALANCES

	2021 RMB'000	2020 RMB'000
Cash at banks and on hand	**1,159,199**	1,274,316
Time deposits	**470,000**	440,000
	1,629,199	1,714,316

The Group's cash and cash equivalents at each reporting date are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	**1,535,255**	1,614,989
US$	**44,713**	50,990
HK$	**49,231**	48,337
	1,629,199	1,714,316

As at 31 December 2021, bank and cash balances of approximately RMB1,535,255,000 (2020: RMB1,614,989,000) are denominated in RMB. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for the period of one year, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

33. BANK LOANS AND OTHER BORROWINGS

	2021 **RMB'000**	2020 RMB'000
Current		
— Bank loans	**1,622,591**	1,826,745
— Other borrowings	**1,007,387**	777,665
	2,629,978	2,604,410

	2021 **RMB'000**	2020 RMB'000
Bank loans and other borrowings representing:		
Secured *(note a)*	**84,755**	83,832
Guaranteed *(note b)*	**776,913**	765,399
Secured and guaranteed *(note a and b)*	**1,106,231**	1,097,457
Unsecured	**662,079**	657,722
	2,629,978	2,604,410

All the bank loans and other borrowings are repayable on demand or within one year.

The effective interest rates per annum at 31 December were ranging as follows:

	2021	2020
Bank loans	**4.3% — 5.6%**	4.3% — 5.7%
Other borrowings	**3.5% — 8.5%**	3.6% — 8.5%

33. BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) Certain of the Group's bank loans and other borrowings are secured by:

(i) mortgages over the Group's land use rights situated in Mainland China, which had an aggregate carrying value of approximately RMB4,751,000 as at 31 December 2021 (2020: RMB5,116,000);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB14,355,000 as at 31 December 2021 (2020: RMB11,133,000);

(iii) mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB402,973,000 as at 31 December 2021 (2020: RMB430,970,000); and

(b) Certain of the Group's bank loans and other borrowings are guaranteed by:

(i) certain of the Group's bank loans and other borrowings amounting to RMB600,000,000 (2020: RMB600,000,000) were guaranteed by the Group's subsidiaries as at 31 December 2021;

(ii) certain of the bank loans amounting to RMB482,250,000 (2020: RMB442,661,000) were guaranteed by the certain directors of the Company as at 31 December 2021; and

(iii) in addition to the mortgages mentioned above, certain of the Group's bank loans amounting to RMB1,328,260,000 (2020: RMB1,240,930,000) were guaranteed by the legal representative of certain subsidiaries of the Company and his spouse as at 31 December 2021.

(c) Except for the unsecured bank loan which is denominated in the US$, all borrowings are in RMB.

34. TRADE AND BILLS PAYABLES

	2021 ***RMB'000***	2020 *RMB'000*
Trade payables	**121,125**	127,194
Bills payable	**96,140**	137,250
	217,265	264,444

34. TRADE AND BILLS PAYABLES (CONTINUED)

An aging analysis of the trade and bills payables as at each reporting date, based on the invoice date, is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within 3 months	**212,083**	250,058
3 to 6 months	**2,762**	7,879
6 to 12 months	**636**	1,284
Over 12 months	**1,784**	5,223
	217,265	264,444

The trade and bills payables are non-interest-bearing.

Certain of the Group's bills payable are secured by mortgages over the Group's inventories, which had an aggregate carrying value of approximately RMB90,695,000 (2020: RMB90,522,000) as at 31 December 2021.

35. OTHER PAYABLES AND ACCRUALS

	2021 ***RMB'000***	2020 *RMB'000*
Payables for purchase of items of property, plant and equipment	**73,703**	91,810
Contract liabilities *(note a)*	**689,158**	486,865
Staff payroll and welfare payables	**37,955**	97,176
Other payables	**374,271**	179,212
	1,175,087	855,063

35. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Notes:

(a) Details of contract liabilities as at 31 December 2021 and 2020 are as follows:

	2021	2020
	RMB'000	*RMB'000*
Short-term advances received from customers		
— Sales of automobiles and others	**649,293**	421,385
— Provision of after-sales services	**39,865**	65,480
	689,158	486,865

Contract liabilities include short-term advances received to sale of automobiles and provision of after-sales services. The increase in contract liabilities in 2021 was mainly due to the increase in short-term advances received from customers in relation to sale of automobiles and provision of after-sales services at the end of the year.

36. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**154,788**	116,077	**109,357**	83,874
In the second to fifth years, inclusive	**427,869**	384,721	**285,452**	269,391
After five years	**679,769**	496,108	**506,606**	385,566
	1,262,426	996,906		
Less: Future finance charges	**(361,011)**	(258,075)		
Present value of lease liabilities	**901,415**	738,831	**901,415**	738,831
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(109,357)**	(83,874)
Amount due for settlement after 12 months			**792,058**	654,957

At 31 December 2021, the average effective borrowing rate was 6% (2020:6%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

37. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the PRC state regulations, the subsidiaries in Mainland China participate in a defined contribution retirement scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The Mainland China subsidiaries are required to make contributions to the local social security bureau at 14% to 20% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the Mainland China subsidiaries.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

According to the relevant rules and regulations of the PRC, the Mainland China subsidiaries and their employees are each required to make contributions to an accommodation fund at 5% to 12% of the salaries and wages of the employees which is administered by the Public Accumulation Funds Administration Centre. There is no further obligation on the part of the Group except for these contributions to the accommodation fund.

During the year of 2021, no forfeited contributions made by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions may be used by the Group, as the employer, to reduce existing level of contributions. As at 31 December 2021, the Group had no significant obligation apart from the contributions as stated above.

38. SHARE CAPITAL

	2021		2020	
	Number of shares at HK$0.01 each	**Equivalent to *RMB'000***	Number of shares at HK$0.01 each	Equivalent to *RMB'000*
Ordinary shares	**1,569,758,677**	**12,480**	1,576,424,677	12,536

	Number of issued and fully paid shares	**Nominal value of shares** *HK$'000*	**Share premium** *HK$'000*	**Equivalent nominal value of shares** *RMB'000*	**Equivalent share premium** *RMB'000*
At 1 January 2020	1,574,663,177	15,746	3,984,603	12,519	3,153,040
Final 2019 dividend declared	—	—	116,914	—	(103,978)
Shares repurchased and cancelled *(note a)*	(3,178,500)	(32)	(10,889)	(25)	(9,280)
Exercise of share options *(note b)*	4,940,000	49	18,794	42	16,583
At 31 December 2020 and 1 January 2021	**1,576,424,677**	**15,763**	**4,109,422**	**12,536**	**3,056,365**
Final 2020 dividend declared	**–**	**–**	**122,208**	**–**	**(101,506)**
Shares repurchased and cancelled *(note a)*	**(7,241,000)**	**(72)**	**(24,180)**	**(61)**	**(20,083)**
Exercise of share options *(note b)*	**575,000**	**6**	**1,719**	**5**	**1,765**
At 31 December 2021	**1,569,758,677**	**15,697**	**4,209,169**	**12,480**	**2,936,541**

38. SHARE CAPITAL (CONTINUED)

Notes:

(a) During 2020, the Company repurchased 3,178,500 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK$10,892,000 before expenses. The repurchased shares were cancelled during the year. The nominal value of the cancelled shares of the HK$32,000 (RMB25,000) was reduced from share capital and the premium on repurchased and the related costs incurred for share repurchase of HK$10,889,000 (RMB9,280,000) in total, were debited to the share premium account of the Company.

During 2021, the Company repurchased 7,241,000 of its ordinary shares on the Hong Kong Stock Exchange at a total consideration of HK$24,877,000 before expenses. The repurchased shares were cancelled during the year. The nominal value of the cancelled shares of the HK$72,000 (RMB62,000) was reduced from share capital and the premium on repurchased and the related costs incurred for share repurchase of HK$24,180,000 (RMB20,083,000) in total, were debited to the share premium account of the Company.

(b) During 2020, 4,940,000 share options under the Company's share option scheme were exercised. Accordingly, 4,940,000 ordinary shares of HK$0.01 each were issued as a result of the exercise of share options.

During 2021, 575,000 share options under the Company's share option scheme were exercised. Accordingly, 575,000 ordinary shares of HK$0.01 each were issued as a result of the exercise of share options.

Details of the Company's share option scheme are included in note 42 to the consolidated financial statements.

39. RESERVES

(a) Group

The amounts of the Group's share premium and reserves and movements therein are presented in the consolidated statement of profit or loss, and other comprehensive income and consolidated statement of changes in equity.

(b) Company

Details of movements in the Company's reserves are as follows:

	Shares held under share award plan *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	(85,962)	3,153,040	75,840	303,526	(238,191)	3,208,253
Final 2019 dividend declared	—	(103,978)	—	—	—	(103,978)
Total comprehensive loss for the year	—	—	—	(137,410)	(2,856)	(140,266)
Shares repurchased and cancelled	—	(9,280)	—	—	—	(9,280)
Shares repurchased	(15,649)	—	—	—	—	(15,649)
Exercise of share options	—	16,583	(3,447)	—	—	13,136
Equity-settled share option arrangement	—	—	26,165	—	—	26,165
At 31 December 2020 and 1 January 2021	**(101,611)**	**3,056,365**	**98,558**	**166,116**	**(241,047)**	**2,978,381**
Final 2020 dividend declared	**–**	**(101,506)**	**–**	**–**	**–**	**(101,506)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(142,465)**	**(20,985)**	**(163,450)**
Shares repurchased and cancelled	**–**	**(20,083)**	**–**	**–**	**–**	**(20,083)**
Shares repurchased	**(21,632)**	**–**	**–**	**–**	**–**	**(21,632)**
Exercise of share options	**–**	**1,765**	**(334)**	**–**	**–**	**1,431**
Equity-settled share option arrangement	**–**	**–**	**1,349**	**–**	**–**	**1,349**
At 31 December 2021	**(123,243)**	**2,936,541**	**99,573**	**23,651**	**(262,032)**	**2,674,490**

39. RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share option reserve

The share option payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

(iii) Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note 1 to the financial statements are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(iv) Merger reserve

The merger reserve of the Group represents the capital contributions from the equity holders of the Company.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

40. RSU SCHEME

The Company's RSU Scheme was approved and adopted by the then shareholder on 20 May 2013 for the primary purpose of attracting skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company. The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new shares.

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. A participant in the RSU Scheme (the "**RSU Participant**") does not have any contingent interest in any shares underlying an RSU award unless and until such shares are actually transferred to the RSU Participant. Further, an RSU Participant may not exercise voting rights in respect of the shares underlying their RSU awards and, unless otherwise specified by the board of directors of the Company in its entire discretion in the RSU grant letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying an RSU award.

On 28 May 2013, RSU awards in respect of an aggregate of 19,110,898 shares, representing approximately 1.75% of the total shares issued on the date of the listing of the Company's shares, had been granted, at nil consideration, to 18 RSU Participants pursuant to the RSU Scheme, of which five of the RSU Participants are directors. All RSU awards granted pursuant to the RSU Scheme to the RSU Participants have a vesting period of four years as follows: 10% on 2 January 2014, 30% on 2 January 2015, 30% on 2 January 2016 and 30% on 2 January 2017. Each RSU award granted pursuant to the RSU Scheme has the same terms and conditions. The grant and vesting of the RSU awards granted pursuant to the RSU Scheme are in compliance with Rule 10.08 of the Listing Rules.

On 27 August 2013, each of the five directors of the RSU Participants agreed to, and as confirmed and approved by the board of directors, reduce the RSU awards granted to them by 62,000 units each. The aggregate amount of the RSU awards so reduced (i.e. 310,000 RSU awards) were granted to an employee of the Company. As a result of the foregoing, the total number of RSU awards granted under the RSU Scheme remained unchanged.

40. RSU SCHEME (CONTINUED)

Pursuant to a resolution passed by the board of directors on 27 August 2013 and as confirmed by each of the RSU Participants, the vesting period in respect of the RSU awards granted is extended from four years to five years as follows: 10% on 2 January 2014, 10% on 30 June 2014, 20% on 2 January 2015, 20% on 2 January 2016, 20% on 2 January 2017 and 20% on 2 January 2018. Other than the adjustments in the number of shares underlying the RSU awards granted to certain RSU Participants as described in the previous paragraph and the duration of the vesting period, the terms of the RSU Scheme remained unchanged.

The fair value of the RSU awards granted as at the grant date was RMB82,554,000 (RMB4.32 each), of which the Group did not recognise RSU award expense during the year ended 31 December 2018 and no share award reserve was transferred to share premium account upon the conversion into ordinary shares during the year ended 31 December 2018.

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period.

For the year ended 31 December 2018, a total of 4,755,215 RSU awards were forfeited due to the resignation of certain RSU Participants and 14,355,683 RSU awards were exercised. As at 31 December 2021 and 2020, the Company did not have RSU awards outstanding under the RSU Scheme.

41. SHARE AWARD PLAN

On 28 February 2019, a share award plan (the "**Share Award Plan**") was approved and adopted by the then shareholder, which is a replacement alternative incentive scheme to the RSU Scheme and the appointment of Acheson Limited (the "**Trustee**") as the trustee of the Share Award Plan. The purposes of the Share Award Plan are to (i) incentivize, recognize and reward employees, directors (whether executive or non-executive, but excluding independent non-executive Directors) and officers of the Group for their contribution to the Group; (ii) attract and retain personnel to promote the long-term growth and development of the Group; and (iii) align the interests of selected person (the "**Selected Person**") who has accepted an offer of an award (the "**Award**") of Shares by the Board to a Selected Person pursuant to the Share Award Plan in accordance with the Share Award Plan Rules (the "**Award Holders**") with that of the shareholders to promote the long-term financial performance of the Company.

41. SHARE AWARD PLAN (CONTINUED)

A selection committee (the "**Selection Committee ") with its members from time to time appointed by the board of directors (the "Board**") may, from time to time and at its sole discretion, select any eligible Person to participate in the Share Award Plan and determine the number of Shares to be awarded based on the selection criteria adopted by the Board from time to time. Upon receiving the list of selected persons (the "**Selected Persons**") submitted by the Selection Committee, the remuneration committee of the Company (the "**Remuneration Committee**") will decide whether to approve and recommend to the Board or reject any of the selections made by the Selection Committee but will not change the number of shares determined by the Selection Committee to be awarded to each Selected Person. The Board will then decide whether to approve or reject the recommendations made by the Remuneration Committee but will not change the number of Shares determined by the Selection Committee and recommended by the Remuneration Committee to be awarded to each Selected Person. Awards shall be satisfied by shares acquired in the market at prevailing market prices and no new shares will be allotted and issued under the Share Award Plan. The Trustee shall hold the awarded shares and related income on trust for the award holders until the awarded shares and related income are vested in the relevant award holders according to the Share Award Plan rules. Upon vesting, the Trustee shall transfer the vested awarded shares and related income at no cost to such award holders.

The maximum aggregate number of Shares to be acquired by the Trustee under the Share Award Plan is 60,000,000 Shares. The maximum aggregate number of shares and related income (in the form of shares) that the Trustee may hold at any point of time is 30,542,313 Shares, which is subject to adjustment in the event of any subdivision or consolidation of shares. No further shares will be awarded to a Selected Person if the aggregate number of awarded shares underlying all Awards (whether vested or not) granted to such Selected Person under the Share Award Plan will exceed 0.5% of the Shares in issue from time to time.

During the year ended 31 December 2019, the Trustee purchased a total of 55,456,000 shares according to the Share Award Plan and 28,000,000 shares ("**2019 Share Awards**") has been granted. The fair value of 2019 Share Award was RMB70,154,000 (RMB2.51 each) as at the grant date.

During the year ended 31 December 2020, the Trustee purchased a total of 4,531,500 shares according to the Share Award Plan. No shares has been granted in the current year.

During the year ended 31 December 2021, the Trustee purchased a total of 6,788,000 shares according to the Share Award Plan. No shares has been granted in the current year.

42. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 26 June 2015, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 26 June 2015. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, an amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on the expiry date of the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

42. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the year:

	2021		2020	
	Weighted average exercise price ***HK$ per share***	**Number of options** ***'000***	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**3.45**	**44,691**	3.24	82,631
Granted during the year	**—**	**—**	—	—
Exercised during the year	**3.00**	**(575)**	3.00	(4,940)
Forfeited during the year	**3.00**	**(600)**	3.00	(33,000)
At 31 December	**3.46**	**43,516**	3.45	44,691

On 17 December 2019, the Group granted 20,000,000 share options to its employees.

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.50 (2020: HK$3.11) per share.

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

31 December 2021

Number of options ***'000***	**Exercise price*** ***HK$ per share***	**Exercise period**
23,516	3.00	1/7/2017 to 28/6/2025
20,000	4.00	16/2/2020 to 17/12/2025
43,516		

42. SHARE OPTION SCHEME (CONTINUED)

31 December 2020

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
24,691	3.00	1/7/2017 to 28/6/2025
20,000	4.00	16/2/2020 to 17/12/2025
44,691		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted on 17 December 2019 was RMB24,400,000 (RMB1.22 each).

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

	17 December 2019
Weighted average share price (HK$)	3.86
Weighted average exercise price (HK$)	4.0
Expected volatility (%)	49.61%
Expected life	6 years
Risk free rate (%)	1.72%
Expected dividend yield (%)	3.59%

No other feature of the options granted was incorporated into the measurement of fair value.

During the year, the 575,000 share options exercised during the year resulted in the issue of 575,000 ordinary shares of the Company and new share capital of RMB47,900 (before issue expenses), as further detailed in note 38 to the consolidated financial statements.

At the end of the reporting period, the Company had 43,516,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 43,516,000 additional ordinary shares of the Company and additional share capital of HK$435,200 (equivalent to RMB361,259) (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 43,516,000 share options outstanding under the Scheme, which represented approximately 2.77% of the Company's shares in issue as at that date.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*	Bank and other borrowings *RMB'000*	Total liabilities from financing activities *RMB'000*
At 1 January 2020	540,417	2,493,699	3,034,116
Changes in cash flows	(93,075)	110,711	17,636
Non-cash changes			
— addition	255,768	—	255,768
— interest charged	35,721	—	35,721
At 31 December 2020	**738,831**	**2,604,410**	**3,343,241**
Changes in cash flows	**(111,068)**	**25,568**	**(85,500)**
Non-cash changes			
— addition	**224,867**	**—**	**224,867**
— interest charged	**48,785**	**—**	**48,785**
At 31 December 2021	**901,415**	**2,629,978**	**3,531,393**

(b) Acquisition of a subsidiary

On 7 January 2020, the Group acquired 100% equity interest in Shijiazhuang Harmony Binchi Automobile Sales Service Co. LTD (石家莊和諧賓馳汽車銷售服務有限公司) ("**Shijiazhuang Harmony Binchi**") for a total consideration of RMB20,000,000 in cash. Shijiazhuang Harmony Binchi was engaged in the sale of automobiles and after-sales service business in PRC during the year.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Acquisition of a subsidiary (Continued)

The fair value of the identifiable assets and liabilities of Shijiazhuang Harmony Binchi acquired as at its date of acquisition is as follows:

Net assets acquired:	*RMB'000*
Property, plant and equipment	4,844
Intangible assets	5,313
Deferred tax liabilities	(1,328)
	8,829
Goodwill	11,171
	20,000

Satisfied by:	*RMB'000*
Cash	20,000

Net cash outflow arising on acquisition:	*RMB'000*
Cash consideration paid	20,000
Cash and cash equivalents acquired	—
	20,000

The goodwill arising on the acquisition of Shijiazhuang Harmony Binchi is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Shijiazhuang Harmony Binchi contributed approximately RMB53,317,000 and RMB2,247,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Acquisition of a subsidiary (Continued)

If the acquisition had been completed on 1 January 2020, total Group revenue for the year would have been RMB14,746,923,000, and profit for the year would have been RMB422,144,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is intended to be a projection of future results.

(c) Acquisition of a subsidiary

On 6 January 2020, the Group acquired 100% equity interest in Kunming Lejun Automobile Sales Service Co. LTD (昆明樂駿汽車銷售服務有限公司) (hereafter collectively referred to as "**Kunming Lejun**") for a total consideration of RMB45,000,000 in cash. Kunming Lejun was engaged in the sale of automobiles and after-sales service business in PRC during the year.

The fair value of the identifiable assets and liabilities of Kunming Lejun acquired as at its date of acquisition is as follows:

Net assets acquired:	*RMB'000*
Property, plant and equipment	415
Intangible assets	5,011
Inventories	1,515
Trade receivables	220
Prepayments, other receivables and other assets	36,392
Cash and bank balances	175
Trade and bills payables	(8,638)
Other payables and accruals	(5,240)
Income tax payable	(3,365)
Deferred tax liabilities	(1,253)
	25,232
Goodwill	19,768
	45,000

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Acquisition of a subsidiary (Continued)

Satisfied by:	*RMB'000*
Cash	45,000

Net cash outflow arising on acquisition:	*RMB'000*
Cash consideration paid	45,000
Cash and cash equivalents acquired	(175)
	44,825

The goodwill arising on the acquisition of Kunming Lejun is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Kunming Lejun contributed approximately RMB17,036,000 and loss of RMB2,102,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2020, total Group revenue for the year would have been RMB14,746,923,000, and profit for the year would have been RMB422,144,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is intended to be a projection of future results.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Acquisition of subsidiaries

On 29 May 2020, the Group acquired two businesses together with their assets and liabilities of Jiujiang Zhongshunbao Automobile Sales Service Co. LTD (九江中順寶汽車銷售服務有限公司) and Nanchang Baoshunxing Automobile Sales Service Co. LTD (南昌寶順行汽車銷售服務有限公司) (hereafter collectively referred to as "**Jiangxi Business Group**") for a total consideration of RMB115,000,000 in cash. Jiangxi Business Group was engaged in the sale of automobiles and after-sales service business in PRC during the year.

The fair value of the identifiable assets and liabilities of Jiangxi Business Group acquired as at its date of acquisition is as follows:

Net assets acquired:	*RMB'000*
Property, plant and equipment	38,239
Intangible assets	31,760
Deferred tax liabilities	(7,940)
	62,059
Goodwill	52,941
	115,000

Satisfied by:	*RMB'000*
Cash	115,000

Net cash outflow arising on acquisition:	*RMB'000*
Cash consideration paid	115,000
Cash and cash equivalents acquired	—
	115,000

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Acquisition of subsidiaries (Continued)

The goodwill arising on the acquisition of Jiangxi Business Group is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Jiangxi Business Group contributed approximately RMB325,140,000 and RMB11,258,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2020, total Group revenue for the year would have been RMB14,746,923,000, and profit for the year would have been RMB422,144,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is intended to be a projection of future results.

44. CAPITAL COMMITMENTS

Capital commitments of the Group in respect of property and equipment and capital contribution outstanding at each reporting date not provided for in these consolidated financial statements are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Property, plant and equipment		
— Contracted, but not provided for	**100,243**	89,461

45. RELATED PARTY TRANSACTIONS

Mr. Feng Changge is the Chairman, the Director and the Controlling Shareholder of the Company and is considered a related party of the Group.

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with a related party

	2021	2020
	RMB'000	*RMB'000*
Repayment from Yongda Hexie	**(1,624)**	(839)

(b) Balances with a related party

The Group had the following significant balances with its related party as at each reporting date:

	2021	2020
	RMB'000	*RMB'000*
Due from a related party:		
— Yongda Hexie	**—**	1,624

Balance with Yongda Hexie is unsecured and non-interest-bearing and have no fixed repayment terms.

(c) Compensation of key management personnel of the Group

	2021	2020
	RMB'000	*RMB'000*
Short term employee benefits	**7,408**	6,148
Equity-settled share option expense	**—**	421
Post-employee benefits	**423**	261
Total compensation paid to key management personnel	**7,831**	6,830

Further details of directors' and chief executive's emoluments are included in note 13 to the consolidated financial statements.

46. SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries as at 31 December 2021 are as follows:

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
Directly Owned						
Crystalline Prestige Investments Limited		Tortola, British Virgin Islands 2012	Registered capital US$500 and paid-in capital 0.01	100	100	Investment holding
Indirectly Owned						
LC Gloricar Investment Limited		Tortola, British Virgin Islands 2011	Registered capital US$1,000,000 and paid-in capital 10,000	100	100	Investment holding
Ace Manufacturing Holding Limited		Hong Kong, the PRC 2012	Paid-in capital HK$100	100	100	Investment holding
Doable Future Limited		Hong Kong, the PRC 2011	Paid-in capital HK$100	100	100	Investment holding
河南和諧汽車貿易有限公司 (Henan Hexie Automobile Trading Co., Ltd.)	(iv)	Zhengzhou, the PRC	Registered and paid-in RMB1,815,000,000	100	100	Investment holding
河南中德寶汽車銷售服務有限公司 (Henan Zhongdebao Automobile Sales & Services Co., Ltd.)	(iii)	Zhengzhou, the PRC	Registered and paid-in RMB42,860,000	100	100	Sale of automobiles and provision of after-sales services
鄭州鄭德寶汽車銷售服務有限公司 (Zhengzhou Zhengdebao Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB40,000,000	100	100	Sale of automobiles and provision of after-sales services
西安華都汽車銷售服務有限公司 (Xi'an Huadu Automobile Sales & Services Co., Ltd.)	(ii)	Xi'an, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
河南英之翼汽車銷售服務有限公司 (Henan Yingzhiyi Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB10,010,000	100	100	Sale of automobiles and provision of after-sales services
廣州市廣德寶汽車銷售服務有限公司 (Guangzhou Guangdebao Automobile Sales & Services Co., Ltd.)	(ii)	Guangzhou, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州華鼎汽車銷售服務有限公司 (Zhengzhou Huading Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
上海上德寶駿汽車銷售服務有限公司 (Shanghai Shangdebaojun Automobile Sales & Service Co., Ltd.)	(ii)	Shanghai, the PRC	Registered and paid-in RMB50,000,000	90	90	Sale of automobiles and provision of after-sales services
宜昌路順汽車銷售服務有限公司 (Yichang Lushun Automobile Sales & Services Co., Ltd.)	(ii)	Yichang, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
洛陽豫德寶汽車銷售服務有限公司 (Luoyang Yudebao Automobile Sales & Services Co., Ltd.)	(ii)	Luoyang, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
南陽宛德寶汽車銷售服務有限公司 (Nanyang Wandebao Automobile Sales & Services Co., Ltd.)	(ii)	Nanyang, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州華誠汽車銷售服務有限公司 (Zhengzhou Huacheng Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
安陽安德寶汽車銷售服務有限公司 (Anyang Andebao Automobile Sales & Services Co., Ltd.)	(ii)	Anyang, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
開封汴德寶汽車銷售服務有限公司 (Kaifeng Biandebao Automobile Sales & Services Co., Ltd.)	(ii)	Kaifeng, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
北京市華德寶汽車銷售服務有限公司 (Beijing Huadebao Automobile Sales & Services Co., Ltd.)	(ii)	Beijing, the PRC	Registered and paid-in RMB55,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州遠達雷克薩斯汽車銷售服務有限公司 (Zhengzhou Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB50,000,000	100	100	Sale of automobiles and provision of after-sales services
廈門遠達雷克薩斯汽車銷售服務有限公司 (Xiamen Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Xiamen, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
武漢漢德寶汽車銷售服務有限公司 (Wuhan Handebao Automobile Sales & Services Co., Ltd.)	(i)	Wuhan, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
武漢華鄭汽車銷售服務有限公司 (Wuhan Huazheng Automobile Sales & Services Co., Ltd.)	(ii)	Wuhan, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
蘇州意駿汽車銷售服務有限公司 (Suzhou Yijun Automobile Sales & Services Co., Ltd.)	(ii)	Suzhou, the PRC	Registered and paid-in RMB50,000,000	100	100	Sale of automobiles and provision of after-sales services
新鄉和德寶汽車銷售服務有限公司 (Xinxiang Hedebao Automobile Sales & Services Co., Ltd.)	(ii)	Xinxiang, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
北京豪駿行汽車銷售服務有限公司 (Beijing Haojunhang Automobile Sales & Services Co., Ltd.)	(i)	Beijing, the PRC	Registered and paid-in RMB50,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
漯河漯德寶汽車銷售服務有限公司 (Luohe Luodebao Automobile Sales & Services Co., Ltd.)	(i)	Luohe, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
常州常駿行汽車銷售服務有限公司 (Changzhou Changjunhang Automobile Sales & Services Co., Ltd.)	(ii)	Changzhou, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
無錫龍駿行汽車銷售服務有限公司 (Wuxi Longjunhang Automobile Sales & Services Co., Ltd.)	(ii)	Wuxi, the PRC	Registered and paid-in RMB50,000,000	100	100	Sale of automobiles and provision of after-sales services
河南和諧汽車融資租賃有限公司 (Henan Lease Finance Co., Ltd.)	(i)	Zhengzhou, the PRC	Registered and paid-in $250,000,000	100	100	Service of finance leases
上海谷卡二手車有限公司 (Shanghai Goocar Pre-owned Automobile Co., Ltd.)	(i)	Shanghai, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of pre–owned motor vehicles
洛陽遠達雷克薩斯汽車銷售服務有限公司 (Luoyang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Luoyang, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州華德寶汽車銷售服務有限公司 (Zhengzhou Huadebao Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB30,010,000	100	100	Sale of automobiles and provision of after-sales services
邯鄲遠達雷克薩斯汽車銷售服務有限公司 (Handan Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Handan, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
商丘商沃汽車銷售服務有限公司 (Shangqiu Shangwo Automobile Sales & Services Co., Ltd.)	(ii)	Shangqiu, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
商丘商德寶汽車銷售服務有限公司 (Shangqiu Shangdebao Automobile Sales & Services Co., Ltd.)	(ii)	Shangqiu, the PRC	Registered and paid-in RMB10,000,000	90	90	Sale of automobiles and provision of after-sales services
南陽宛沃汽車銷售服務有限公司 (Nanyang Wanwo Automobile Sales & Services Co., Ltd.)	(ii)	Nanyang, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
上海君諾汽車服務有限公司 (Shanghai Junnuo Automobile Services Co., Ltd.)	(ii)	Shanghai, the PRC	Registered and paid-in RMB5,000,000	100	100	Sale of automobiles and provision of after-sales services
上海和諧進出口貿易有限公司 (Shanghai Hexie Import & Export Trading Co., Ltd.)	(ii)	Shanghai, the PRC	Registered and paid-in RMB10,000,000	100	100	Parallel–import vehicles
周口周德寶汽車銷售服務有限公司 (Zhoukou Zhoudebao Automobile Sales & Services Co., Ltd.)	(ii)	Zhoukou, the PRC	Registered and paid-in RMB10,000,000	51	51	Sale of automobiles and provision of after-sales services
焦作遠達雷克薩斯汽車銷售服務有限公司 (Jiaozuo Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Jiaozuo, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州和駿汽車銷售有限公司 (Zhengzhou Hejun Automobile Sales Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB50,000,000	100	100	Sale of automobiles and provision of after-sales services
鞏義市義德寶汽車銷售服務有限公司 (Gongyi Yidebao Automobile Sales & Services Co., Ltd.)	(ii)	Gongyi, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州賓馳汽車銷售服務有限公司 (Zhengzhou Binchi Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
河南和諧汽車控股有限公司 (Henan Hexie Automobile Holding Co., Ltd.)	(i)	Zhengzhou, the PRC	Registered capital RMB100,000,000	100	100	Investment holding
鄭州鄭沃汽車銷售有限公司 (Zhengzhou Zhengwo Automobile Sales Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
信陽市申沃汽車銷售服務有限公司 (Xinyang Shenwo Automobile Sales & Services Co., Ltd.)	(i)	Xinyang, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
廣州市粵駿汽車銷售服務有限公司 (Guangzhou Yuejun Automobile Sales & Services Co., Ltd.)	(ii)	Guangzhou, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州和諧鄭駿汽車銷售有限公司 (Zhengzhou Hexie Zhengjun Automobile Sales Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
漯河漯德奧汽車銷售服務有限公司 (Luohe Luodeao Automobile Sales & Services Co., Ltd.)	(ii)	Luohe, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
新鄉和諧新駿汽車銷售服務有限公司 (Xinxiang Hexie Xinjun Automobile Sales & Services Co., Ltd.)	(ii)	Xinxiang, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
商丘和諧銘駿汽車銷售服務有限公司 (Shangqiu Hexie Mingjun Automobile Sales & Services Co., Ltd.)	(i)	Shangqiu, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
新鄉遠達雷克薩斯汽車銷售服務有限公司 (Xinxiang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Xinxiang, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
包頭市燁德寶汽車銷售服務有限公司 (Baotou Yedebao Automobile Sales & Services Co., Ltd.)	(ii)	Baotou, the PRC	Registered and paid-in RMB16,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州頤駿行汽車銷售服務有限公司 (Zhengzhou Yijun Automobile Sales & Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
山西賓馳汽車銷售服務有限公司 (Shanxi Bingchi Automobile Sales & Services Co., Ltd.)	(ii)	Shanxi, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
洛陽裕駿汽車銷售服務有限公司 (Luoyang Yujun Automobile Sales & Services Co., Ltd.)	(ii)	Luoyang, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
信陽遠達雷克薩斯汽車銷售服務有限公司 (Xinyang Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Xinyang, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
北京和諧嘉駿汽車銷售服務有限公司 (Beijing Hexie Jiajun Automobile Sales & Services Co., Ltd.)	(ii)	Beijing, the PRC	Registered and paid-in RMB50,000,000	100	100	Sale of automobiles and provision of after-sales services
北京和諧智聯新能源汽車銷售有限公司 (Beijing Automobile Zhilian New Energy Automotive Sales Co., Ltd.	(ii)	Beijing, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
三門峽鈞德寶汽車銷售服務有限公司 (Sanmenxia Jundebao Automobile Sales & Services Co., Ltd.)	(i)	Sanmenxia, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
平頂山和諧豫駿汽車銷售服務有限公司 (Pingdingshan Hexie Yujun Automobile Sales & Services Co., Ltd.)	(ii)	Pingdingshan, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
呼和浩特皓德寶汽車銷售服務有限公司 (Hohhot Haodebao Automobile Sales Services Co., Ltd.)	(ii)	Hohhot, the PRC	Registered and paid-in RMB16,000,000	100	100	Sale of automobiles and provision of after-sales services
武漢和諧和駿汽車銷售服務有限公司 (Wuhan Hexie Hejun Automobile Sales & Services Co., Ltd.)	(ii)	Wuhan, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
河南和之諧物業管理有限公司 (Henan Hezhxie Property Management Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB10,000,000	100	100	Dormant
昆明樂駿汽車銷售服務有限公司 (Kunming Lejun Automobile Sales & Services Co., Ltd.)	(ii)	Kunming, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
石家莊和諧賓馳汽車銷售服務有限公司 (Shijiazhuang Hexie Binchi Automobile Sales & Services Co., Ltd.)	(i)	Shijiazhuang, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
江西和諧賓馳汽車銷售服務有限公司 (Jiangxi Hexie Binchi Automobile Sales & Services Co., Ltd.)	(i)	Jiangxi, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
河南和之悅汽車服務有限公司 (Henan Hezhiyue Automobile Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB5,000,000	100	100	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
南昌和諧昌寶汽車銷售服務有限公司 (Nanchang Hexie Changbao Automobile Sales & Services Co., Ltd.)	(ii)	Nanchang, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
九江江德寶汽車銷售服務有限公司 (Jiujiang Jiangdebao Automobile Sales & Services Co., Ltd.)	(ii)	Jiujiang, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
鄂爾多斯勝德寶汽車銷售服務有限公司 (Erdos Shengdebao Automobile Sales & Services Co., Ltd.)	(ii)	Ordos, the PRC	Registered and paid-in RMB10,000,000	100	100	Sale of automobiles and provision of after-sales services
青島恒駿汽車銷售服務有限公司 (Qingdao Hengjun Automobile Sales & Services Co., Ltd.)	(ii)	Qingdao, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
滄州遠達雷克薩斯汽車銷售服務有限公司 (Cangzhou Yuanda Lexus Automobile Sales & Services Co., Ltd.)	(ii)	Cangzhou, the PRC	Registered and paid-in RMB20,000,000	100	100	Sale of automobiles and provision of after-sales services
鄭州頤德寶汽車銷售有限公司 (Zhengzhou Yidebao Automobile Sales Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
南京瑞駿汽車銷售服務有限公司 (Nanjing Ruijun Automobile Sales & Services Co., Ltd.)	(ii)	Nanjing, the PRC	Registered and paid-in RMB30,000,000	100	100	Sale of automobiles and provision of after-sales services
瀋陽遠達雷克薩斯汽車銷售服務有限公司 (Shenyang Yuanda Lexus Automobile Sales Services Co., Ltd.)	(ii)	Shenyang, the PRC	Registered and paid-in RMB30,000,000	100	—	Sale of automobiles and provision of after-sales services

46. SUBSIDIARIES (CONTINUED)

Name	Notes	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2021	2020	Principal activities
溫州和諧烜博汽車銷售有限公司 (Wenzhou Harmony Automobile Sales Co., Ltd.)	(ii)	Wenzhou, the PRC	Registered and paid-in RMB10,000,000	100	—	Sale of automobiles and provision of after-sales services
鄭州悦駿汽車銷售服務有限公司 (Zhengzhou Yuejun Automobile Sales Services Co., Ltd.)	(ii)	Zhengzhou, the PRC	Registered and paid-in RMB30,000,000	100	—	Sale of automobiles and provision of after-sales services
天津烜博汽車銷售服務有限公司 (Tianjin Xuanbo Automobile Sales Services Co., Ltd.)	(ii)	Tianjin, the PRC	Registered and paid-in RMB10,000,000	100	—	Sale of automobiles and provision of after-sales services

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

None of the non-controlling interests is considered individually significant.

Notes:

(i) The subsidiary is a wholly foreign-owned enterprise incorporated in the PRC

(ii) The subsidiary is a wholly owned domestic limited company incorporated in the PRC

(iii) The subsidiary is a non-wholly owned domestic limited company incorporated in the PRC

(iv) The subsidiary is a non-wholly foreign-owned enterprise incorporated in the PRC

47. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group had no significant contingent liabilities.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	**1,930**	2,268
Intangible assets	**13,414**	1,457
Interests in subsidiaries	**2,867,963**	3,169,864
Right of use assets	**8,976**	16,627
	2,892,283	3,190,216
Current assets		
Prepayments, other receivables and other assets	**52,920**	68,186
Cash and bank balances	**48,763**	106,553
	101,683	174,739
Current liabilities		
Bank loans and other borrowings	**209,756**	347,711
Other payables and accruals	**87,722**	9,207
Lease liabilities	**9,518**	9,105
	306,996	366,023
Net current liabilities	**(205,313)**	(191,284)
Total assets less current liabilities	**2,686,970**	2,998,932
Non-current liabilities		
Lease liabilities	**–**	8,015
NET ASSETS	**2,686,970**	2,990,917
Capital and reserves		
Share capital	**12,480**	12,536
Reserves	**2,674,490**	2,978,381
TOTAL EQUITY	**2,686,970**	2,990,917

49. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 March 2022.

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**17,981,051**	14,746,923	12,621,821	10,639,877	10,840,411
Profit/(Loss) before taxation	**926,965**	617,306	672,893	817,170	1,223,382
Taxation	**(235,694)**	(195,162)	(146,845)	(127,186)	(202,094)
Profit/(Loss) for the year	**691,271**	422,144	526,048	689,984	1,021,288
Profit (/Loss) attributable to equity shareholders of the Company	**673,155**	410,701	513,307	683,692	1,009,356
Non-Controlling interests	**18,166**	11,443	12,741	6,292	11,932
Profit/(Loss) for the year	**691,271**	422,144	526,048	689,984	1,021,288
Earning/(Loss) per share					
Basic (RMB Cents)	**0.44**	0.27	0.34	0.45	0.66
Diluted (RMB Cents)	**0.44**	0.27	0.34	0.44	0.65

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total Assets	**13,248,598**	12,352,377	11,422,562	11,022,067	10,077,107
Total Liabilities	**5,206,036**	4,804,890	(4,099,063)	(4,100,789)	(3,746,642)
	8,042,562	7,547,487	7,323,499	6,921,278	6,330,465
Equity attributable to equity shareholders of the Company	**7,967,380**	7,488,040	7,270,323	6,878,393	6,287,320
Non-Controlling interests	**75,182**	59,447	53,176	42,885	43,145
Total Equity	**8,042,562**	7,547,487	7,323,499	6,921,278	6,330,465