A LEADING LUXURY BRANDS DEALER CONGLOMERATE

2021 ANNUAL REPORT
年報

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

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

Stock Code 股份代號：1728

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COMPANY PROFILE

China ZhengTong Auto Services Holdings Limited

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

The Group has developed a forward-looking strategic network covering developed regions and provinces with rapid economic development in China, laying down a solid foundation for rapid growth of the Group in the future. As at 31 December 2021, we operated 118 dealership outlets in 40 cities across 17 provinces and municipalities nationwide; in 2021, the Group opened 4 new stores, namely Chengdu Porsche Centre, Wuhan Benz 4S Store, Dongguan Porsche Repair Centre and Shenzhen FAW-Volkswagen New Energy Showroom, and regained the authorization of a Volvo 4S Store in Beijing. Recently, the Dalian Porsche Centre invested and constructed by the Group has passed the facility inspection of Porsche manufacturers and commenced operation. So far, the Group has 6 Porsche brand outlets. Our network covers not only the developed automobile market of some of the affluent first-tier and capital cities and regions, but has also expanded its presence in second and third-tier cities and regions with rapid growth and low automobile penetration.

With the establishment of "Smile Zhengtong" service brand as its original intention, the Group has always been committed to providing our customers with superior automobile sales and after-sale services. The provision of comprehensive automobile solutions and the adoption of a customer-oriented business model allow the Group to facilitate its long-term relationship with customers. To address growing demand in the automobile market, the Group has also strengthened its after-sale services with the aim of delivering to its customers high quality services in a rapid manner. The Group's supply chain business has been complementary to its automobile dealership and after-sale services business.

FIVE YEARS' FINANCIAL SUMMARY

RESULTS

	2017	2018	2019	2020	**2021**
(RMB'000)					
Revenue	35,474,325	37,455,510	35,137,794	16,880,923	**20,985,529**
(Loss)/Profit before taxation	1,753,791	1,889,488	1,163,064	(10,395,426)	**(2,213,649)**
Income tax credit/(expense)	(542,329)	(634,706)	(396,359)	1,782,957	**9,641**
(Loss)/Profit for the year	1,211,462	1,254,782	766,705	(8,588,604)	**(3,780,767)**
Attributable to:					
Equity shareholders of the Company	1,190,795	1,224,065	663,862	(8,579,106)	**(3,622,131)**
Non-controlling interests	20,667	30,717	102,843	(9,498)	**(158,636)**
(Loss)/Profit for the year	1,211,462	1,254,782	766,705	(8,588,604)	**(3,780,767)**

ASSETS AND LIABILITIES

	2017	2018	2019	2020	**2021**
(RMB'000)					
Total assets	36,939,130	44,199,218	44,857,974	27,995,953	**26,129,786**
Total liabilities	(26,585,498)	(31,873,772)	(31,217,677)	(22,683,053)	**(25,589,165)**
Total equity	10,353,632	12,325,446	13,640,297	5,312,900	**540,621**
Equity attributable to equity shareholders of the Company	10,200,811	12,143,276	12,418,268	4,108,094	**508,430**
Non-controlling interests	152,821	182,170	1,222,029	1,204,806	**32,191**
Total equity	10,353,632	12,325,446	13,640,297	5,312,900	**540,621**

Becoming a leading comprehensive service provider in the ecology of the automobile industry


BMW X1
E-Class L

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS:

2021 has been a particularly unusual year. China has successfully responded to the unprecedented changes brought about by the pandemic, as evidenced by the steady recovery of its economy. Faced with the severe impact of the pandemic on the macro economy, China's economy still achieved a robust growth with a year-on-year GDP growth rate of 8.1% and a GDP of over RMB110 trillion, accounting for more than 18% of the world's economy and contributing about 25% to the world's economic growth; the per capita GDP exceeded US$12,000, surpassing the world's per capita level and approaching the lower limit of per capita income level of high-income countries. The Chinese economy has become an important force in leading the development of the global economy. During the year, the driving effect of domestic demand on economic development has been significantly enhanced, and the advantages of a sizeable market have emerged; the domestic and international cycles have created synergies, and the cycle of production, distribution, circulation and consumption has been continuously improved, all of which successfully achieved a good start for the "14th Five Year" Plan.

According to the statistics of the Statistical Communique of the People's Republic of China on the National Economic and Social Development, in 2021, the number of civil vehicles in China was 301.51 million, representing an increase of 20.64 million as compared with that of 2020; among which, the number of private cars was 262.46 million, representing an increase of 18.52 million. According to statistics from the China Association of Automobile Manufacturers, in 2021, the production and sales of passenger vehicles were 21.408 million and 21.482 million, representing a year-on-year increase of 7.1% and 6.5% respectively. The consumption demand for luxury vehicles was strong with sales for the year of 3.472 million, representing a year-on-year increase of 20.7%, which was a result of the sustained and steady growth of China's economy, industry policy support, technological progress, improvement of economic performance and continuous cultivation of consumer preferences in the automobile industry.

Similar to 2020, the first-class luxury brands in 2021 remained BMW, Mercedes-Benz, and Audi. Although affected by market factors such as the shortage of chips, in 2021, the sales volume of the Company's core brand (BMW) in China still reached 820,000, with a robust year-on-year growth of 8.3%, followed by the sales volume of Mercedes-Benz and Audi. Among many other brands operated by the company, Hongqi sold 271,500 units nationwide in 2021, with a year-on-year increase of 42.2%; Jaguar Land Rover sold 105,200 units nationwide in 2021, with a year-on-year increase of 6.9%; Porsche sold 93,500 units nationwide in 2021, with a year-on-year increase of 5.9%.

With the profound changes in the domestic and foreign economic environment, the automobile dealer industry is currently undergoing continuous and fundamental changes in terms of market supply and demand, competition pattern and retail model. According to the forecast of third-party consulting institutions, in China's overall automobile market, competition in the dealer industry showed a trend of concentration at the top level. It is noted that many listed companies operating in the same industry have carried out large-scale mergers and acquisitions during the year to further increase their market share. The sales growth rate of luxury vehicles was significant, and the value of the automotive industry chain has been shifting to the aftermarket, such as pre-owned automobile, after-sales maintenance and auto finance, and there is increasingly mature IAM (independent aftermarket) competition. New energy vehicles have shifted from policy-driven to market-driven development, showing a favorable situation in the dual improvement of market scale and development quality. New brands, such as Nio (蔚來) and Lixiang (理想), have achieved triple-digit growth rate. The market share of China's self-developed automobile brands exceeded 40%, and the export volume of vehicles continued to grow rapidly.

In the face of a complex and unpredictable macroeconomic climate and the ever-changing industry situation, ZhengTong witnessed the completion of a substantial shareholder change and equity transfer. Xiamen ITG Holding Group Co., Ltd. ("ITG Holding") acquired 29.9% of the equity interest in the Company from the former controlling shareholder of the Company. With ITG Holding becoming the single largest shareholder of the Company and the appointment of new executive Directors to the Board, the Company ushered in a new management team and advanced organizational structure adjustment. This injection of state-owned capital has further optimized the capital structure of the Company, energized the transformation and development of the Company and created more possibilities for the Company.

ITG Holding is a municipal state-owned conglomerate in Xiamen, Fujian Province and its business covers four major sectors: supply chain, city construction and operation, consumption and health, and finance and technology. In 2021, the group was ranked 171st in the Fortune Global 500, which was the fifth time it was ranked in it. During the year, the Company officially became a member of ITG Holding, and also was the fourth listed company in that group. The automobile industry is one of the three core pillars identified in ITG Holding's "14th Five-Year" strategic development plan. The acquisition of the Company's equity is an important part of ITG Holding's "14th Five-Year" strategic plan, as well as a crucial step in a new direction.

With the resources introduced by the new Shareholder and the efforts expended by new management on cost control, system reform and the integration of the old and the new, the Company began to usher in restorative growth in the second half of 2021. The Company achieved a positive annual gross profit, and various financial and business indicators continued to improve.

Following the change in substantial shareholder and amidst changes in the market, the Company has initiated the formulation of the "14th Five-Year" strategic plan. It has begun comprehensively sorting out and repositioning the business direction, track selection, management structure and other aspects, clarified the vision of "becoming a leading comprehensive service provider in the ecology of the automobile industry", fortified the three pillars, namely, 4S system, new retail and emerging business, and began implementing the Company's short, medium and long-term development plans by stages. In the short term, the Company will attach great importance to the establishment of its industry position, focusing on advantageous areas and related strategic track expansion, optimizing and revitalizing the assets of non-principal business, improving operating quality and recovering business competitiveness; in respect of medium and long term, it intends to focus on the expansion of upstream and downstream automotive industry chains, explore service opportunities along the automobile ecological chain, and cultivate its digital operation capabilities.

Development is a race against time, but execution is in the details. The Company has clarified its future development vision and goals, and the next step is to refine the strategic goals into annual, quarterly and monthly operating goals, and ensure corresponding implementation. The whole Company will also make steady progress towards the common goal with practical, serious, professional and unremitting attitude and efforts, supplemented by systematic measures to improve quality and efficiency, promote business and prevent risks, so as to join in the effort to promote the high-quality development of the Company.

As the saying goes, "victory belongs to the team united by sharing common goals". The Company should facilitate "hard integration" in strategic goals, organizational structure adjustment, and "soft integration" in management philosophy and corporate culture transfer. Combining historical and cultural experiences, the Company will achieve an organic integration of mixed ownership culture and establish a positive corporate culture of new ZhengTong, so as to further enhance the staff's sense of belonging and identity. We wish to share several key words with the public, "efficiency", "collaboration" and "breakthrough", by which we mean that our hope is for the Company to improve its efficiency, strengthen internal and external collaboration and think outside the box, so as to stand at a new starting point for development, forge ahead on a new journey, demonstrate new actions and reach new achievements.

In 2021, notwithstanding various factors, the Company saw a change in substantial shareholder and its performance recovered steadily, which was attributable to the dedication of all employees as well as the trust and support of its business partners and shareholders of the Company (the "Shareholders"). The Board of Directors of the Company would like to express its sincere gratitude to our Shareholders, business partners and customers for their long-term support and trust in the Group, as well as our loyal staff for their hard work and outstanding contributions to the Group throughout 2021. We believe that with the strong support of Shareholders, together with the unremitting efforts of all management and staff, the Company will be able to reach new heights, achieve a new transitional development, and consolidate its position as a national excellent luxury automobile dealer group.

Wang Mingcheng
Chairman of the Board
21 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, the Group was committed to developing its luxury and ultra-luxury auto sales business and after-sales services business, with rapid recovery of various businesses and all round improvement of operation quality as its primary goal. The Group recorded restorative growth amidst an overall supply shortage in the industry and continuously improved its operating quality, which were attributable to the financial support from its shareholders, the unity and cooperation of its core team, reasonable and efficient operating decisions, effective communication with the manufacturers of agent brands, as well as the resourcing support from financial institutions.

During the reporting period, the Group's financing channels recovered rapidly and liquidity improved. It formulated reasonable and effective operation strategies, implemented refined management and achieved quality and efficiency improvement. Customer-oriented, it improved service quality and increased sales volume by giving play to its advantages in brand and network. During the reporting period, the Group expanded the operating network of advantageous brands with a new Porsche brand store and a new Benz brand store. It strategically adjusted the positioning of certain loss-making shops to optimize the structure of its operating network, actively tapped into the new energy automobile market to accumulate experience in new energy automobile services, expanded its investment in new media operating channels, and increased both its marketing channels and customer acquisition capabilities. It maximized synergy between business segments including new automobiles sales, after-sales service, pre-owned automobile replacement, pre-owned automobile dealership, and financial insurance and promoted a business layout that encompasses the full vehicle cycle.

For the year ended 31 December 2021, the Group recorded a revenue of approximately RMB20,986 million (2020: approximately RMB16,881 million), and gross profit of approximately RMB1,236 million (2020: gross loss of approximately RMB5,173 million). Loss attributable to equity holders of the Company was approximately RMB3,622 million (2020: approximately RMB8,579 million) and basic loss per share was approximately RMB133.8 cents (2020: approximately RMB334.8 cents, representing a decrease of approximately 60.1% versus last year). In the fourth quarter, sales of new automobiles, comprehensive gross profit margin for new automobiles and after-sales capacity value have recorded various degrees of growth, and the conversion rate of pre-owned automobile and the profitability of single vehicles have increased significantly. In 2021, the stores of the Company received a total of 156 awards from automobile manufacturers, local governments, industry media, industry associations, among which, 144 were awarded by manufacturers, while 12 were awarded by local governments, media and industry associations.

I. MAJOR OPERATING INFORMATION IN 2021

(I) Automobile dealership sector

1. Sales of new automobiles business

The overall shortage in the supply of luxury vehicles in the PRC market in 2021 was mainly due to the shortage of whole-vehicle supply caused by the global shortage in semi-conductor chips, as well as the overwhelming demand for luxury branded automobiles. Although it was affected by the waves of the pandemic and the shortage of chips and capital, the Group seized market opportunities, made rapid business recovery its target, adopted various measures to overcome challenges, and achieved significant improvement in the sales volume and sales revenue of new vehicles.

For the year ended 31 December 2021, the sales of new automobiles of the Group reached 51,433 units in total, representing a year-on-year increase of approximately 24.3%, including 39,702 units of luxury branded and ultra-luxury branded automobiles, representing a year-on-year increase of approximately 25.8%.

The Group proactively responded to the market trend by, on one hand, actively communicating with manufacturers while achieving their targets to a high standard, which gave the Group greater access to quality resources, and on the other hand, focusing on the improvement of sales capability and profitability by taking advantage of the changing market supply and demand. The Group researched and analysed the development trend of the industry to formulate forward-looking operating strategies, executed flexible pricing policy in light of market changes, strengthened resources sharing via coordination of regional resources, optimized inventory structure to accelerate the turnover of commodity vehicles and enhanced customer experience and loyalty with personalized products and services. Such measures resulted in a significant improvement in the profitability of the Group's sales of new automobiles business.

2. After-sales services business

In 2021, the Group served 1,352,572 units of automobiles after-sales in aggregate. Revenue from the after-sales services of the Group amounted to approximately RMB3,105 million.

During the reporting period, focusing on customer experience, the Group promoted precise digital marketing by relying on its advanced information management system and developed customer profiles through big data analysis to classify customer bases and provide personalized services and products based on customer needs, with a focus on attracting lost customers and enhancing the loyalty of existing customers. The Group analyzed the after-sales needs of customers in surrounding areas of dealership shops and enhanced customer solicitation to expand regional coverage and business, as well as strengthened the coordination between new vehicle and pre-owned vehicle businesses to provide "one-stop" services for customers. In order to minimize the adverse impact of the ongoing epidemic on its after-sales business while ensuring strict compliance with the epidemic prevention and control policies of local governments, the Group conducted customer invitation and schedulings through its information management system, increased the proportion of its online business, improved the efficiency of offline services, and promoted car pickup and delivery services to create a safe and efficient service experience for customers.

3. Pre-owned automobile business

According to the data published by China Automobile Dealers Association, a total of 17,590,000 units of pre-owned automobiles were traded nationwide in 2021, representing a year-on-year increase of 22.6%. The strong market demand has driven a rapid increase in the trading volume of pre-owned automobiles.

The Group's pre-owned automobile business is an important strategic business segment, and the Group has continued to attach great importance to its development during the reporting period. During the reporting period, riding on the rapid increase of new automobiles sales, the Group established a standard for its pre-owned automobile business to optimize service procedures and improve fundamental management functions. Based on the regions in which the dealerships operate and brand characteristics, the Group formulated differentiated pre-owned automobile business objectives and promoted business improvement in conjunction with performance appraisal planning. It strengthened collaboration among the pre-owned automobile segment, the after-sales service segment and the new automobiles sales segment, and integrated customer information to facilitate mutual growth between business segments, establish synergy and promote the effective improvement of the Group's pre-owned automobile business.

4. Auto finance technology segment

Shanghai Dongzheng Automotive Finance Co., Ltd. ("**Dongzheng**"), a former subsidiary of the Company, is an automotive finance company regulated by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") focusing on the luxury vehicle market. In January 2022, the Company received a ruling from the Shanghai Financial Court, pursuant to which the Shanghai Financial Court ruled that the Company's equity interest in Dongzheng be liquidated by way of auction. For further details, please refer to "Note 31 to the consolidated financial statements— Disposal group held for sale and discontinued operations" below and the section headed "Management discussion and analysis — Material Acquisitions and Disposals" below.

4.1 Financial Leasing and Insurance Brokerage have been further refined

Under the synergistic effect of the Group, Shanghai Zhengtong Dingze Financial Leasing Co, Ltd. has made substantial strides in its business. It has been recognised by market dealer groups and 4S stores, and has achieved a great performance.

As regards the insurance brokerage, the Group further consolidated the online new insurance and renewal insurance businesses, the profitability of which has been further strengthened. By pursuing a "customer-oriented" business philosophy, the Group provides its customers with a diversified product mix to meet various insurance demands at different stages of vehicle usage. At the internal level, the Group has scaled up the integration of management and optimized staffing structure to significantly enhance management efficiency.

4.2 Gradual digital transformation to drive the innovative development of the Company

In 2021, by focusing on the digital operation and management of the customer life cycle, the Company carried out considerable development and innovation.

Given the popularity of online marketing ushered in by the pandemic, the Company has implemented continuous precision marketing on target customers by using various live stream media and official accounts, which improved its marketing capacity and significantly increased sales leads. The after-sales digital marketing project, which is self-developed and based on the Cheweixin (車微星) system, has completed its primary development phase. Through piloting, the Company has established connection with 150 thousand customers, and approximately ten thousand actual transactions and approximately three million interactions between customers and the Company, building a solid foundation for future implementation of customer life-cycle management, end-to-end services and marketing.

In terms of customer acquisition, tracking and management, the Company has developed a medium for connecting with vertical websites such as Autohome (汽車之家), Yiche (易車) and Dongchedi (懂車帝). It also uses WeCom to connect with potential customers, and has established a communication channel between WeCom and customers. In terms of customer retention and services, it set up various customer solicitation tasks through the establishment of customer tags and a customer solicitation criterion pool in OMS. In terms of operating support, through the upgrade of internal management software modules, it has achieved real-time KPI updates in various operating daily reports, and various operating control reports of brands and stores are now automatically generated.

5. Network development

As of 31 December 2021, the Group owned 118 dealership stores in 40 cities across 17 provinces and municipalities in China. During the year, the Group opened four new stores, namely Chengdu Porsche Centre, Wuhan Benz 4S Store, Dongguan Porsche Repair Centre and Shenzhen FAW-Volkswagen New Energy Showroom, and reinstated the dealership of a Volvo 4S Store in Beijing, which was terminated in 2020. As of 31 December 2021, the Porsche Centre in Dalian developed by the Group has passed the facility inspection of Porsche manufacturers and commenced soft operation in late March 2022. The Group currently has 6 Porsche brand outlets. During the year, there were 5 dealership stores under development, including 4S stores for core luxury brands such as Porsche, Benz, BMW and Audi and repair centres. The Group will continue to progress its superior brand projects as scheduled and commence operation as soon as possible. Furthermore, the Group actively cooperated with OEMs of its brands to carry out brand upgrades, strengthened interaction with OEMs, and worked hard to improve both quantity and quality, thereby comprehensively improving customer experience and the operating capabilities of its dealership stores.

During the year, due to the ongoing COVID-19 epidemic and the subsequent impact of liquidity risks, the Group strategically closed 11 dealership stores based on their operational results and taking into account factors such as the potential of the automobile market in the region and the development strategies and profitability of relevant brands. The Group also completed the brand conversion of 7 dealership stores, whereby certain stores have been converted into comprehensive outlets or leased out to improve overall profitability. The Group will keep focusing on the general business recovery of its operational dealership stores, the continuous optimization of brands and regions, and strive to develop new growth points.

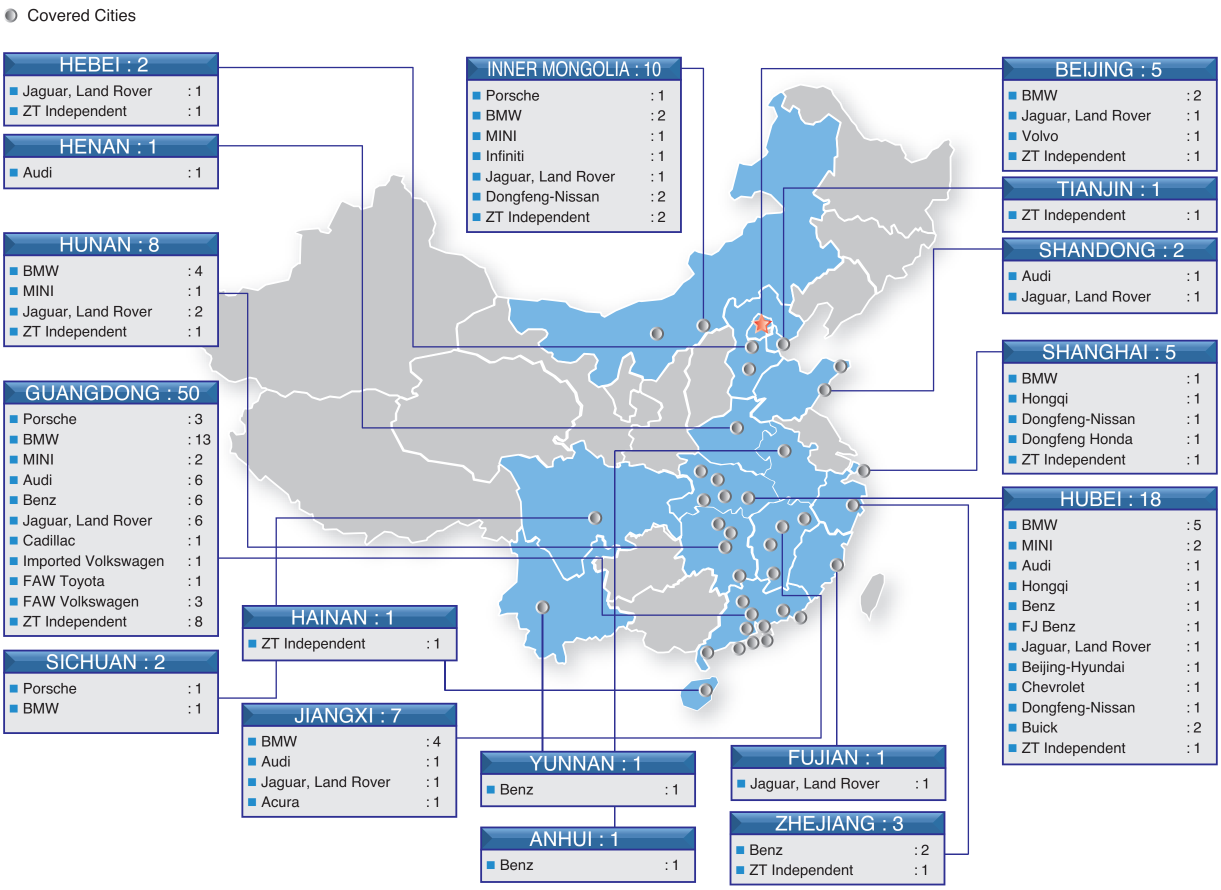
The following table sets out the details of our dealership stores as of 31 December 2021:

	Dealership stores in operation	Dealership stores in development	Total
5S/4S stores for luxury and ultra-luxury brands	72	4	76
4S stores for mid to high-end brands	12	0	12
Urban showrooms for luxury brands	10	0	10
Authorized repair service centres for luxury brands	6	1	7
Self-operated stores	18	0	18
Total	118	5	123

China's passenger vehicle market is gradually changing. On one hand, the overall sales growth of the passenger vehicle market has slowed down considerably, though the sales growth of the luxury brands market remained relatively robust. On the other hand, the market share of new energy vehicles has continued to increase. The Group will continue to focus on luxury brands in its network expansion strategies by strengthening its strategic partnership with domestic mainstream luxury and ultra-luxury brand OEMs and optimizing brand structure and regional distribution to achieve a balanced layout of dealership stores for core luxury brands and a refined brand structure in furtherance of its development plans. In addition, in response to the recent development trend of the automobile market, the Group will pay particular attention to new energy vehicle projects and different types of dealership stores such as repair centres. The Company has actively interacted and communicated with different new energy brands with the aim of participating and exploring new growth drivers when the opportunity arises.

DEALERSHIP NETWORK

Balanced and reasonable deployment of the nationwide dealership network for luxury brands



(II) Supply chain business

In light of the shortage of chips in the automobile manufacturing industry and the continuing epidemic, in 2021, Shengze Jietong Supply Chain Co., Ltd. ("**Shengze Jietong**") adhered to its goal of maximizing revenue and minimizing costs and steadily operated its three major businesses, namely, vehicle logistics business, warehousing logistics business and spare parts logistics. In 2021, Shengze Jietong recorded an operating income of RMB601 million, representing a year-on-year increase of 3.72%; and its profit before tax increased by 162.39% year-on-year, achieving sound operation result.

In 2021, a total of 451,700 vehicles were shipped, representing a year-on-year decrease of 5.75%, which was mainly due to the shortage of chips and changes in demand. Nonetheless, the vehicle logistics business achieved an increase in market share by developing a railway to road and road to water transportation model. In addition, Shengze Jietong exclusively obtained the vehicle distribution and transportation business of Pentium and Mazda from the Wuhan warehouse on the strength of the vehicle warehousing and transportation network in central China. In terms of the warehousing and logistics business, Shengze Jietong intends to move its Wuhan vehicle warehouse to its base in Hannan given the integrated road, railway and water transportation advantage of its Hannan logistics base, which is expected to further strengthen future business development and provide diversified business resources. Hannan's relocation plan gained widespread support from customer brands. During the year, a new three-year business contract for spare parts warehousing and distribution was signed. During the year, Shengze Jietong also actively pursued business with new energy vehicle brands in vehicle transportation, spare parts storage and transportation, vehicle storage management and distribution, and customers have shown strong willingness to cooperate given the Hannan base's advantages such as its proximity to riverside port, convenient transportation, and comprehensive supply chain support.

In 2021, Shengze Jietong strengthened its business operation and management. By improving transportation mode and procedures, Shengze Jietong was able to meet the delivery requirements of various customers and its efforts were recognised. In terms of commercial business, through procurement negotiation, bidding and other commercial cost reduction methods, a solid foundation has been laid for completion of annual target.

In 2022, Shengze Jietong will continue to expedite the construction of the logistics base in Hannan and actively promote the relocation and related business, so as to shore up resource reserves for the business expansion of the new base. In addition, Shengze Jietong will vigorously develop its automobile logistics project and seek to collaborate with various automobile brands on its automobile transportation business nationwide, so as to further improve its logistics network layout.

(III) Comprehensive properties business

To fully capitalize on the potential value of the land held by it, the Group promoted the planning and construction of comprehensive property projects. Such projects are mainly commercial real estate projects located in Chongqing, Kunming, Dalian and Shantou and other places. The projects in Kunming, Dalian and Shantou have obtained pre-sales permits and are planned for sale, and the structural engineering aspect of the project in Chongqing has also been completed. The Company organized and carried out two assets stocktaking, and provided the currently idle assets to its subsidiaries to facilitate mutual allocation and attract external investment. The Group believes that the said arrangement is reasonable to improve the efficiency of capital utilisation and generate a higher return for the shareholders.

II. STRATEGIC SYNERGY, MANAGEMENT OPTIMIZATION AND IMPROVEMENT OF OPERATIONAL QUALITY

In 2021, the Group leveraged its business recovery and reshaping to facilitate the "transformation and upgrade" process and expanded the application of new tools and new models in its corporate business management. The Group introduced innovative concepts on management, implemented refined management measures, and promoted a strong corporate culture by advocating a learning-oriented approach, improved its digital management standard, enhanced its operational efficiency, and further strengthened its core competitiveness.

(I) Organizational structure adjustment and strategy formulation

Upon the acquisition of 29.9% of the equity interest in the Company by ITG Holding, the team designated by the new single largest shareholder appointed new executive directors to the Board, and strengthened the supervisional requirements of state-owned capital. It also streamlined and integrated the departments at the headquarters, and appointed young and capable talents to key departments including operating, capital, financial, human resource and other departments, so as to bolster its management.

The Company engaged a professional consultant to assist in formulating its 2021-2025 development strategy, and set a new vision of "becoming a leading comprehensive service provider in the ecology of the automobile industry", namely, by establishing a strong foothold in automobile dealerships, focusing on "automobile, customers and data", surveying the ecology of the automobile industry, and unearthing the value of the customer life cycle.

(II) The establishment of regulation and system, and resource support

Since the fourth quarter of 2021, the Company has formulated and issued regulations in relation to the management of periodic reporting and information release, the management of goods and services procurement and internal approval procedures, in order to streamline the approval process and foster management relationship, which has significantly improved internal efficiency and coordination between departments.

The Company has implemented comprehensive budget management and formulated a system of performance appraisal in a targeted manner, which not only stabilized the core team, but also improved the efficiency and systematicness of coordination and management.

With the support of the largest shareholder, the Company has been afforded various financing channels, and has properly handled various maturing debts and actively strived for new financing, which effectively relieved the Company's capital pressure.

(III) To improve operational efficiency through digital and standardized management

The Company has established a business management and monitoring system to achieve real-time update of business progress, which continuously enhanced the timeliness and accuracy of business data, significantly improved the efficiency of management decisions at all levels, and elevated the Group's digital management capacity. Meanwhile, the Company expanded the application of digital marketing management media in its operating services, and guided stores to actively try new marketing models, such as live stream, short video, social media, and personal media. It also expanded the communicative channels between WeCom and customers and strengthened cooperation with vertical media platforms. With its digital marketing and services in development, a foundation for the achievement of customer life-cycle services and marketing has been laid.

The Company implemented standardized and graded management at stores. Through selecting the crucial indicators in the process of automobile sales and after-sales services, it established a business indicator system, so as to identify weaknesses in the operating process, and adopted a corresponding performance appraisal system. In respect of the advantage and disadvantage of dealerships, it adopted differentiated and targeted management models and operating strategies: for dealerships with excellent performance, more authority on decision-making is given to them, as well as appropriated resource preference; for dealerships with significant weaknesses, it formulates corresponding improvement and action plans, and conducts periodic review to facilitate improvement in their business performance; for dealerships whose performance cannot be improved after evaluation, they will be in a process of closing, suspension and transfer.

(IV) The implementation of safe production, and establishment of learning organization

The Group is committed to the growth and development of its employees. Adhering to the management principle of "safety and prevention first", the whole Company conducted its production in a safe, standardized and systematic manner. It conducted self-inspection on environment protection, fire protection, safety monitoring and equipment and facility management through organizing safe production inspection before festivals, "Fire Safety Month", "Hundred Days of Safety", learning activities on new Production Safety Law and so on. In response to the COVID-19 epidemic, the Company insisted on the implementation of multiple measures including knowledge promotion, prevention and control, and inspections, as well as periodic inspection to ensure staff and all business areas were under the orderly control of the epidemic prevention and control team.

The Company provided customers with better services through the establishment of a learning organization and the improvement of staff's professional skills and comprehensive quality. As of 31 December 2021, Zhengtong College, a learning platform of the Group, had launched a total of 129 online courses, the average teaching time of registered lecturers was up to 83 minutes, and special examinations organized by it were taken more than 4,527 times, and the accumulative number of times staff participated in learning was more than 64,851. Meanwhile, it encouraged staff to apply new knowledge to practical businesses through offline training and activities on the basis of the contents taught in the online training, and the combination of theory and practice, which effectively improved the learning efficiency and business standards of employees.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded a revenue of approximately RMB20,986 million, representing an increase of approximately 24.3% as compared to the revenue of approximately RMB16,881 million in 2020. The increase was mainly due to an increase in the sales of new automobiles during the year. Revenue of the Group was derived from the sales of new automobiles, after-sales services, and other business. Revenue from the sales of new automobiles amounted to approximately RMB16,989 million in 2021, representing an increase of approximately 34.8% as compared to approximately RMB12,606 million in 2020, and accounted for approximately 81.0% and 74.7% of the total revenue in 2021 and 2020, respectively. The revenue from sales of luxury and ultra-luxury branded automobiles increased by approximately 34.7% to approximately RMB15,483 million in 2021 from approximately RMB11,495 million in 2020, accounting for approximately 91.1% and 91.2% of revenue from the sales of new automobiles in 2021 and 2020, respectively. Revenue from the after-sales services was approximately RMB3,105 million, representing a decrease of approximately 7.9% as compared to approximately RMB3,373 million in 2020. In 2021, revenue from the after-sales services accounted for approximately 14.8% of our total revenue, representing a decrease of approximately 5.2 percentage points in revenue from that of last year.

Cost of sales

For the year ended 31 December 2021, the Group's cost of sales decreased by approximately 10.4% to approximately RMB19,750 million as compared to approximately RMB22,054 million in 2020. In 2021, the cost of sales for new automobiles of the Group decreased by approximately 12.3% to approximately RMB16,807 million from approximately RMB19,165 million in 2020. Cost of sales for after-sales services increased by approximately 2.5% to approximately RMB2,134 million from approximately RMB2,083 million in 2020. For the year ended 31 December 2021, the cost of sales included the reversal of RMB49 million (VAT exclusive) against rebate receivable (2020: reversal of RMB4,318 million (VAT exclusive)) .

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

For the year ended 31 December 2021, the Group had gross profit of approximately RMB1,236 million, while the Group incurred gross loss of approximately RMB5,173 million in 2020. The Group's gross profit margin was approximately 5.9% in 2021, while its gross loss margin was approximately 30.6% in 2020.

The Group's gross profit was principally generated from sales of new automobiles and after-sales services business. In 2021, the Group had gross profit from sales of new automobiles of approximately RMB182 million, while the Group incurred gross loss from sales of new automobiles of approximately RMB6,560 million in 2020. In 2021, the Group's gross profit from after-sales services decreased by approximately 24.9% to approximately RMB970 million from approximately RMB1,291 million in 2020.

Selling and distribution expenses

For the year ended 31 December 2021, the Group's selling and distribution expenses decreased by approximately 14.8% to approximately RMB1,281 million from approximately RMB1,503 million in 2020. The decrease in selling and distribution expenses was mainly attributable to decreases in staff salary cost and annual discretionary bonus, etc.

Administrative expenses

For the year ended 31 December 2021, the Group's administrative expenses amounted to approximately RMB1,151 million, representing an increase of approximately 7.9% over approximately RMB1,067 million in 2020. Such increase was primarily due to the fact that the foreign exchange gain generated from the appreciation of Renminbi during 2021 was less than that of 2020.

Loss from operations

For the year ended 31 December 2021, the Group's loss from operations decreased by approximately 89.8% to approximately RMB957 million from approximately RMB9,341 million in 2020. The Group's operating loss margin was approximately 4.6% in 2021, representing a decrease of approximately 50.7 percentage points over approximately 55.3% in 2020.

Income tax

For the year ended 31 December 2021, the Group's income tax amounted to approximately RMB10 million as a result of loss from operation incurred during the year and the effective tax rate was approximately 0.4% (2020: 17.2%).

Loss for the year

For the year ended 31 December 2021, the Group's loss for the year decreased by approximately 56.0% to approximately RMB3,781 million from approximately RMB8,589 million in 2020. The Group's loss margin was approximately 18.0%, representing a decrease of 32.9 percentage points as compared to 50.9% in 2020.

Contingent liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities other than the financial guarantees issued as disclosed in "Note 32 to the consolidated financial statements — Financial risk management and fair value of financial instruments" below.

Current assets and current liabilities

As at 31 December 2021, the Group's current assets amounted to approximately RMB12,791 million, representing a decrease of approximately RMB1,164 million as compared to the current assets of approximately RMB13,955 million as at 31 December 2020. As at 31 December 2021, the Group's current liabilities amounted to approximately RMB21,841 million, representing an increase of approximately RMB4,401 million as compared to the current liabilities of approximately RMB17,440 million as at 31 December 2020, which was mainly due to an increase in loans and borrowings.

Cash flow

As at 31 December 2021, the Group had cash and cash equivalents amounting to approximately RMB209 million, representing a decrease of approximately RMB282 million over approximately RMB491 million as at 31 December 2020. The Group's transactions and monetary assets were principally conducted in Renminbi. The Group's primary uses of capital were to pay for purchases of new automobiles, spare parts and automobile accessories and automobile lubricant oil, to repay the Group's loans, borrowings and other indebtedness, to fund the Group's working capital and ordinary recurring expenses and to establish new dealership stores or to acquire dealership stores or other businesses. The Group finances its liquidity requirements through a combination of cash flows generated from the operating activities, bank loans and other financings. For the year ended 31 December 2021, the Group had net cash inflow of approximately RMB156 million generated from its operating activities (for the year ended 31 December 2020: net cash inflow from operating activities amounted to approximately RMB346 million).

Capital expenditure and investment

For the year ended 31 December 2021, the Group's capital expenditure and investment were approximately RMB661 million (2020: RMB644 million).

Inventory

The Group's inventories included vehicles, automobile spare parts and properties under development for sale. In general, each of the Group's dealership stores individually manages the quotas and orders for new automobiles, automobile spare parts and other inventories. In addition, the Group utilizes its information technology systems to manage its inventory, and also monitors the inventories within its whole dealership network and may transfer automobiles from one dealership store to another to rebalance inventory levels. The inventories of the Group were approximately RMB2,649 million as at 31 December 2021, which increased by approximately RMB847 million when compared with RMB1,802 million as at 31 December 2020. Such change was mainly due to the increase in the inventories of new automobiles by the Group based upon market situation. The Group's average inventory turnover days of 2021 decreased by 5.0 days to 31.5 days from 36.5 days for 2020. The following table sets forth our average inventory turnover days (excluding the impact of properties under development for sale) for the year indicated:

	For the year ended 31 December (day)	
	2021	2020
Average inventory turnover days (excluding the impact of properties under development for sale)	**31.5**	36.5

Risks of foreign exchange

The Group conducts its business primarily in Renminbi. Certain bank deposits and bank loans were denominated in foreign currencies. However, the Group's operating cash flow and liquidity have not been subject to significant influence from fluctuations in exchange rate. The Group used cross currency swap to hedge its US-dollar and HKD future loans repayment.

Liquidity and capital resources

Working capital and capital expenditures of the Group were primarily funded through cash generated from internal operation and borrowings provided by principal banks and other financial institutions. As at 31 December 2021, the Group's cash and bank deposits were approximately RMB3,319 million (including: pledged bank deposits of approximately RMB2,696 million, time deposits of RMB414 million and cash and cash equivalents of RMB209 million), representing an increase of approximately RMB1,491 million from approximately RMB1,828 million as at 31 December 2020. As at 31 December 2021, the Group's loans and borrowings, lease liabilities, and bonds payable amounted to approximately RMB18,141 million (31 December 2020: loans and borrowings, obligations under finance leases, and bonds payable amounted to approximately RMB14,664 million). As at 31 December 2021, the net gearing ratio of the Group was approximately 2,741.6% (31 December 2020: approximately 241.6%). Net gearing ratio was calculated as loans and borrowings, lease liabilities, and bonds payable less cash and bank deposits divided by total equity. The Group will actively enhance its business efficiency and consider various methods to improve its existing financial position and reduce the degree of leverage of the Group.

Pledged assets

The Group has pledged its assets as the security for loans and borrowings to be used as working capital for daily operations. As at 31 December 2021, the pledged assets of the Group amounted to approximately RMB6,310 million (31 December 2020: approximately RMB5,458 million).

Investments held in foreign currency and hedging

For the year ended 31 December 2021, the Group did not hold any investments denominated in foreign currencies. Furthermore, the Group's working capital or liquidity did not encounter any material difficulties or material impacts as a result of the movement in exchange rate.

Employees and remuneration policies

As at 31 December 2021, the Group had a total of 7,760 employees in China (at 31 December 2020: 7,997 employees). The staff costs incurred for the year ended 31 December 2021 were approximately RMB1,081 million (2020: approximately RMB1,392 million). The Group offers competitive remuneration packages and welfare benefits, including pension, work-related compensation benefits, maternity insurance, medical and unemployment benefit plans. The Group also provided good working environment and diversified training program.

FUTURE OUTLOOK AND STRATEGIES

The prevention and control of COVID-19 has become normalized in 2021. Though there exists considerable uncertainty as to the impact the ongoing COVID-19 epidemic has on the world economy, China has been at the forefront of the prevention and control of COVID-19 during the year. China's economy has further demonstrated its development vigour and was one of the growth drivers of the world economy in 2021. It is expected that the impact of COVID-19 will remain in 2022, but as the epidemic prevention and control mechanism becomes mature, its impact on the national economy will likely continue to be within control. It is expected that the domestic economy will develop steadily, household consumption will continue to rise, the upward trend of automobile consumption will continue and the development prospects of the luxury brands automobiles market will be promising as a whole.

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

In response to the Decision, the Company had committed to sell its entire interests in Dongzheng. Prior to the Ruling (as defined below), the Company had been actively identifying potential purchasers and had engaged a financial adviser to assist on the possible disposal of its interests in Dongzheng with an objective of achieving a completed sale within 2021.

On 29 January 2022, the Company received a ruling on administrative proceeding and a notice of property preservation (the "**Ruling**") from the Shanghai Financial Court. Pursuant to the Ruling, the Company's 1.52 billion shares in Dongzheng shall be liquidated by auction (the "**Liquidation Order**") and its 1.52 billion shares and dividends held in Dongzheng shall be frozen for a period from 26 January 2022 to 25 January 2025 (the "**Freezing Order**").

As advised by the PRC legal adviser of the Company:

(i) The Liquidation Order will take effect immediately upon its delivery, and therefore there is no avenue for judicial appeal. An appeal against the Freezing Order may be lodged by the Company with the Shanghai Financial Court within five days from the date of receipt of the Ruling.

(ii) As the property preservation is procedural in nature, there is no disposition of the Company's substantive rights.

(iii) Given the Ruling approved the enforcement of the Decision and the actual circumstances of this case, it is difficult to prevail in any application for an appeal to revoke the Freezing Order.

Accordingly, based on the advice of its PRC legal adviser, the Company has decided not to apply for an appeal to revoke the Freezing Order.

In view of the ruling of Shanghai Financial Court, the Company has terminated its previous discussions with independent purchasers regarding the potential disposal.

On 16 April 2022, the Company was made aware of an auction announcement issued by the Shanghai Financial Court on the judicial auction online platform on JD.com (https://paimai.jd.com/287421325) in relation to the auction of the shares held by the Company in Dongzheng, details of which are (among others) as follows:

Subject of auction: 1.52 billion shares held by the Company in Dongzheng.

Base bid price: RMB1,606,812,970.00; deposit: RMB160,000,000; increment interval of bid: RMB5,000,000 or in multiples thereof.

Time of auction: 10: 00 a.m., 18 May 2022 to 10: 00 a.m., 19 May 2022 (excluding extensions of time).

Qualification of the bidder: The bidder shall be a corporate legal person in compliance with PRC laws and regulations as well as the regulations and requirements of the CBIRC and other relevant regulatory authorities in relation to any changes in the controlling shareholder of an automotive finance company. The bidder shall also be aware of the relevant Hong Kong regulatory requirements.

As at the date of this annual report, the auction is still in the publication stage. It is uncertain whether any party will successfully acquire the equity interests held by the Company in Dongzheng and the Company is unable to ascertain the final price of the disposal at this stage. However, given that the Company must comply with the court order for the disposal by way of auction of the equity interest held in Dongzheng, and has no discretion otherwise, such disposal will not constitute a "transaction" under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and therefore the requirements for notifiable transactions, including shareholders' approval and the dispatch of a circular to shareholders, will not apply to such disposal.

For further details, please refer to the announcements of the Company dated 7 December 2020, 3 February 2021, 9 March 2021, 8 February 2022 and 21 April 2022.

Save for the above court ordered disposal which has yet to take place, for the year ended 31 December 2021, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules in force during the year (the "**CG Code**"). So far as the current Board is aware, during the year ended 31 December 2021, the Company has complied with the code provisions set out in the CG Code, except for the following deviation:

During the year under review, for the period from the beginning of the year up to 9 September 2021, the positions of Chairman and Chief Executive Officer were held separately by Mr. Wang Muqing (who resigned as the Chairman of the Board on 9 September 2021 and subsequently resigned as an executive Director on 10 January 2022) and Mr. Wang Kunpeng (who resigned as an executive Director and the Chief Executive Officer on 17 September 2021), respectively. To the best knowledge and belief of the Company, Mr. Wang Muqing and Mr. Wang Kunpeng did not have any financial, business, family or other material/relevant relationship with each other.

Mr. Wang Mingcheng was appointed as the Chairman of the Board and the Chief Executive Officer on 9 September 2021 and 17 September 2021, respectively. In order to focus on the performance of his responsibilities as the Chairman of the Board and an executive Director, Mr. Wang Mingcheng subsequently resigned as the Chief Executive Officer on 10 March 2022 and the role of Chief Executive Officer was taken up by Mr. Chen Hong. Save for their current and/or former employment with certain subsidiaries of the single largest shareholder of the Company, details of which are set out in the announcements of the Company in relation to their respective appointment dated 31 August 2021 and 10 March 2022, Mr. Wang Mingcheng and Mr. Chen Hong do not have any financial, business, family or other material/relevant relationship with each other.

Although the positions of Chairman and Chief Executive Officer were not separate during the abovementioned period from 17 September 2021 to 31 December 2021 (and to 10 March 2022 when the new Chief Executive Officer was appointed), the powers and authorities have not been concentrated as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as senior management. In addition, there are three independent non-executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there were adequate balance of power and safeguards in place. Since Mr. Chen Hong was appointed as the new Chief Executive Officer on 10 March 2022, there has been segregation of duties between the Chairman of the Board and the Chief Executive Officer.

In connection with the ongoing investigation by the independent board committee into the circumstances which led to the execution of the Undertaking and Shortfall Agreements (as defined in the section headed "Compliance with Laws and Regulations" of this annual report), the current management of the Company is still making improvements to historical record keeping of the Group. Nevertheless, following the recent change in the Company's single largest shareholder and the implementation of internal controls from then on, the Company believes that its internal controls have significantly improved.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Directors' securities transactions (the "**Securities Code**") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Having made specific enquiries of all current Directors, all current Directors confirmed that they have complied with the Securities Code and the Model Code during the year ended 31 December 2021.

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

BOARD OF DIRECTORS

Board Composition

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

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

Executive Directors:

Mr. Wang Mingcheng *(Chairman) (appointed on 1 September 2021)*
Mr. Li Zhihuang *(appointed on 17 September 2021)*
Mr. Zeng Tingyi *(appointed on 1 September 2021)*
Mr. Wang Muqing *(resigned on 10 January 2022)*
Mr. Wang Kunpeng *(resigned on 17 September 2021)*
Mr. Li Zhubo *(resigned on 1 September 2021)*
Mr. Wan To *(resigned on 1 September 2021)*

Independent Non-executive Directors:

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

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

To the knowledge of the Company, save for the executive Directors' current and/or former employment with the single largest shareholder of the Company and/or its subsidiaries, details of which are set out in the section headed "Directors' and Senior Management's Profiles" of this annual report, there is no financial, business, family or other material/relevant relationship among the current members of the Board.

During the year ended 31 December 2021, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Not less than one-third of the members of the Board were independent non-executive Directors.

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

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

Responsibilities

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

Delegation by the Board

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

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

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

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

Appointment and Re-election of Directors

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

Each of the Directors has entered into a service contract (for executive Director) or a letter of appointment (for independent non-executive Director). Each of the independent non-executive Directors was appointed for a term of 3 years subject to provisions of retirement and rotation under the Articles. No Director proposed for re-election at the forthcoming 2022 annual general meeting of the Company (the "**2022 AGM**") has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

Accordingly, Mr. Wang Mingcheng, Mr. Li Zhihuang, Mr. Zeng Tingyi, Dr. Cao Tong and Ms. Wong Tan Tan will retire from office by rotation at the 2022 AGM, and being eligible, will offer themselves for re-election.

Board Diversity

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

Induction and Continuing Development of Directors

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

The existing Directors are continuously updated with developments in legal and regulatory regime and the business and market environments so as to facilitate the discharge of their responsibilities. Ongoing updates of any applicable laws and regulations were provided by the Company to the Directors in a reasonable time frame.

During the year, all Directors have participated in appropriate continuous professional development by attending training courses or by reading materials relevant to the Company's business or management or Directors' duties and responsibilities. The table below summarises the participation of each of the Directors in continuous professional development during the year ended 31 December 2021:

Name of Director	Participated in continuous professional development[1]
Executive directors	
Mr. Wang Mincheng *(appointed on 1 September 2021)*	√
Mr. Li Zhihuang *(appointed on 17 September 2021)*	√
Mr. Zeng Tingyi *(appointed on 1 September 2021)*	√
Mr. Wang Muqing *(resigned on 10 January 2022)*	√
Mr. Wang Kunpeng *(resigned on 17 September 2021)*	√
Mr. Li Zhubo *(resigned on 1 September 2021)*	√
Mr. Wan To *(resigned on 1 September 2021)*	√
Independent Non-executive directors	
Dr. Wong Tin Yau, Kelvin	√
Dr. Cao Tong	√
Ms. Wong Tan Tan	√

Note:

(1) Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials

Changes to Information in Respect of Directors and Chief Executives

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors information are set out below:

- Mr. Wan To resigned as an executive Director with effect from 1 September 2021.

- Mr. Li Zhubo resigned as an executive Director with effect from 1 September 2021 and as the chief financial officer of the Company with effect from 9 September 2021, whereupon he was appointed as the vice president of the Company.

- Mr. Wang Kunpeng resigned as an executive Director, the chief executive officer of the Company and the vice chairman of the Board with effect from 17 September 2021.

- Dr. Wong Tin Yau resigned as a member of the Remuneration Committee with effect from 1 September 2021 and was re-appointed as a member of the Remuneration Committee with effect from 29 March 2022.

- Mr. Wang Muqing resigned as the chairman of the Nomination Committee with effect 1 September 2021, as the chairman of the Board with effect from 9 September 2021 and as an executive Director with effect from 10 January 2022.

- Mr. Zeng Tingyi was appointed as an executive Director with effect from 1 September 2021.

- Mr. Li Zhihuang was appointed as as an executive Director and a member of the Remuneration Committee with effect from 17 September 2021.

- Mr. Wang Mingcheng was appointed as an executive Director and the chairman of the Nomination Committee with effect from 1 September 2021, as the chairman of the Board with effect from 9 September 2021, and as the chief executive officer of the Company with effect from 17 September 2021. Mr. Wang Mingcheng resigned as the chief executive officer of the Company with effect from 10 March 2022.

- Mr. Chen Hong was appointed as the chief executive officer of the Company with effect from 10 March 2022.

ATTENDANCE RECORDS

The attendance of the Directors at the general meetings, Board meetings and Committee meetings in 2021 was as follows:

	Meetings Attended/Meetings Held during Tenure of Office				
Members of the Board of Directors	**2021 AGM**	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:					
Mr. Wang Mingcheng *(Chairman)* *(appointed on 1 September 2021)*	–	4/4	–	–	–
Mr. Li Zhihuang *(appointed on 17 September 2021)*	–	2/2	–	–	–
Mr. Zeng Tingyi *(appointed on 1 September 2021)*	–	4/4	–	–	–
Mr. Wang Muqing *(resigned on 10 January 2022)*	1/1	8/9	–	1/1	1/1
Mr. Wang Kunpeng *(resigned on 17 September 2021)*	1/1	5/5	–	–	–
Mr. Li Zhubo *(resigned on 1 September 2021)*	1/1	5/5	–	–	–
Mr. Wan To *(resigned on 1 September 2021)*	1/1	4/4	–	–	–
Independent Non-executive Directors:					
Dr. Wong Tin Yau, Kelvin	1/1	9/9	2/2	1/1	–
Dr. Cao Tong	1/1	5/9	2/2	1/1	1/1
Ms. Wong Tan Tan	1/1	6/9	2/2	–	1/1

BOARD AND COMMITTEE MEETINGS

Board Practices and Conduct of Meetings

During the year ended 31 December 2021, the Company held a total of nine Board meetings. At the Board meetings, among others, the Board reviewed and approved the final results for the year ended 31 December 2020 and interim results for the six months ended 30 June 2021 and also considered other significant matters of the Company.

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

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

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

BOARD COMMITTEES

The Board has established three Committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. The Remuneration Committee, the Nomination Committee and the Audit Committee are established with defined written terms of reference. These terms of reference are posted on the websites of the Company and the Stock Exchange, respectively and are available for inspection by Shareholders upon request. These Committees are provided with sufficient resources to discharge their duties and are required to report to the Board on their decisions or recommendations. During the year ended 31 December 2021, two meetings of the Audit Committee were held, and one meeting of each of the Remuneration Committee and the Nomination Committee was held respectively.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, including executive Director, Mr. Li Zhihuang, and independent non-executive Directors, Dr. Cao Tong (chairman of the Remuneration Committee) and Dr. Wong Tin Yau, Kelvin.

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

During the year ended 31 December 2021, the Remuneration Committee held one meeting to review the remuneration policies and strategies of the Group, and to make recommendations to the Board on the remuneration of Directors and senior management.

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

Nomination Committee

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

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

During the year ended 31 December 2021, the Nomination Committee held one meeting. The Nomination Committee has performed the following work during the year: (1) reviewing the structure, size, diversity and composition of the Board to ensure the professional knowledge, skills and experience of the Board meet the business needs of the Company; (2) reviewing the annual confirmation of independence of the independent non-executive Directors and assessing their independence; (3) making recommendations to the Board on re-appointment of Directors retiring and offering themselves for re-election at the 2021 AGM; and (4) making recommendations to the Board on the appointment of Directors.

Audit Committee

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

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

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

During the year ended 31 December 2021, the Audit Committee held two meetings. The Audit Committee has performed the following work during the year: (i) reviewing the preliminary unaudited results and annual results for the year ended 31 December 2020 and interim results for the six months ended 30 June 2021; (ii) reviewing the relevant financial reporting procedures and compliance procedures, the report of internal audit on internal controls and risk management system; (iii) reviewing the non-exempt continuing connected transactions entered into by the Group and non-competition undertakings made by the former controlling Shareholders; and (iv) reviewing the re-appointment of external auditors and providing relevant recommendations to the Board.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Company in respect of its reporting responsibilities for the financial statements is set out in the section headed "Independent Auditor's Report" on page 80.

The remuneration received by the Company's auditors, KPMG, during the year ended 31 December 2021 is set out below:

Category of Services	Fee Paid/Payable RMB
Audit Services	**9,800,000**
Non-audit Services	**120,000**
Total	**9,920,000**

Note: The non-audit services conducted by the external auditor mainly include ESG service.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Board, through the Audit Committee, has conducted a review on the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2021. In light of the Undertaking and Shortfall Agreements (as defined in the section headed "Compliance with Laws and Regulations" of this annual report), the Board considers that historical internal controls for the approval by the Company for execution of guarantees by the Company's subsidiaries in China, including the compliance requirements of the Listing Rules in connection therewith, had fallen short in respect of the Undertaking and Shortfall Agreements. Notwithstanding, given the recent change in the Company's single largest shareholder and the internal controls since implemented, the Board believes that such internal controls have been significantly improved in this respect.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

COMPANY SECRETARY

The Company engages an external service provider to provide secretarial services and has appointed Ms. Ng Sau Mei as its Company Secretary. During the year, Ms. Ng Sau Mei's primary corporate contact person was Mr. Raphael Ng, who was the senior compliance manager of the Company. The current primary corporate contact person is Ms. Ding Ding (丁丁), vice president of the Company. With the assistance of the Mr. Raphael Ng who was an employee of the Company, the Company Secretary provided assistance to the Board and the Directors had access to the advice and services of the Company Secretary.

During the Reporting Period, the Ms. Ng Sau Mei has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

RIGHTS OF SHAREHOLDERS

A summary of certain rights of the Shareholders is set out below:

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

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

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

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

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

Procedures for Shareholders to submit proposals at general meetings

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

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

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

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

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

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

Procedures for Shareholders to make enquiries to the Company

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

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

CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

1 INTRODUCTION

This report is the sixth Environmental, Social and Governance Report (hereinafter referred to as the "**ESG Report**") issued by the Company. It aims to present the performance of the Group's environmental and social responsibility practices in 2021, including key ESG issues that concern stakeholders.

Basis of Preparation

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as provided in Appendix 27 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

Reporting Period

This report is prepared annually and the one for next reporting period (2022) is expected to be released in 2023.

Scope of the Report

This report discloses the Group's management approaches, measures and performance in environmental, social and governance aspects from 1 January 2021 to 31 December 2021, and partial contents of which provides a brief review and introduction on previous relevant activities and relevant information before the release of this report.

This report focuses on the operating environment and social policies in relation to the sales of luxury and ultra-luxury brand and other brand vehicles, after-sales services, post-market businesses and supply chain business, which are mainly engaged by the Group in the PRC during the reporting period. The social elements of the statistics of key performance indicator and other factors cover all business segments of the Group. The environmental elements of the statistics cover the business segments having the most significant impacts on the environment, the automobiles sales and after-sales services, or the 4S/5S shops. As the Group has been gradually systematically collecting data on environmental factors and vehicle recalls in recent years, 45 significant shops (2020: 31) were selected based on their locations, operation history, automobiles brands and sales, representing a continuously larger scope of collection. The survey forms a strong basis for future expansion of the survey.

Source

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

Availability

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

2 STATEMENT OF THE BOARD OF DIRECTORS

The board of directors of the Group takes sole responsibility for the Group's environmental, social and governance strategy and its reporting, assessing and determining the ESG-related risks of the Group and ensuring that the Group has established appropriate and effective ESG risk management and internal control system.

Our development opportunities come from people's pursuit of a better and more convenient life. Because of this, we pay special attention to the sustainable development of the Company, and established and improved the ESG governance system, and the review and decision-making mechanism on major ESG issues that can be led by and involve the participation of the board of directors, including identifying and evaluating ESG risks, formulating ESG strategies and policies, establishing management policies and planning to approve and review ESG target management, and approve the annual ESG report and other matters concerning management.

Based on the external environment and the Group's development strategy, during the reporting period, the Group identified key ESG issues based on its communication with stakeholders to clarify work priorities, including: product health and safety, supply chain management, customer privacy, among others. The Group focuses on reviewing the aforesaid issues and performance improvement in its daily work, and conducts target management accordingly. In the future, we will continue to adjust our strategy and progress our sustainable development management based on the expectations of stakeholders and the actual operation of the Group, so as to continuously improve the level of sustainable development.

This report discloses in detail the progress and effectiveness of the Group's ESG work in 2021. The board of directors of the Group, as the highest responsible and decision-making body for ESG matters, ensures that there are no false representations or misleading statements contained in, or material omissions from this report, and accepts full responsibilities for the truthfulness, accuracy and completeness of the information therein.

3 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

3.1 Business and ESG Strategy

Business of the Group

The Group is committed to developing a one-stop automobile service platform mainly for (i) the sales of luxury and ultra-luxury branded automobiles; (ii) after-sales services (including maintenance, repair and sales of auto parts); (iii) post-market businesses (including auto financing, insurance brokerage, finance leasing, pre-owned automobiles trading, e-commerce platform and other highly value-added businesses); and (iv) supply chain business, covering automobile logistics and trading of auto maintenance supplies. As of the end of the reporting period, the Group had 123 4S shops and 5S shops (including 118 shops in operation and 5 shops pending authorisation for construction).

ESG Strategy of the Group

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

3.2 ESG Governance Structure

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

3.3 Involvement of Stakeholders

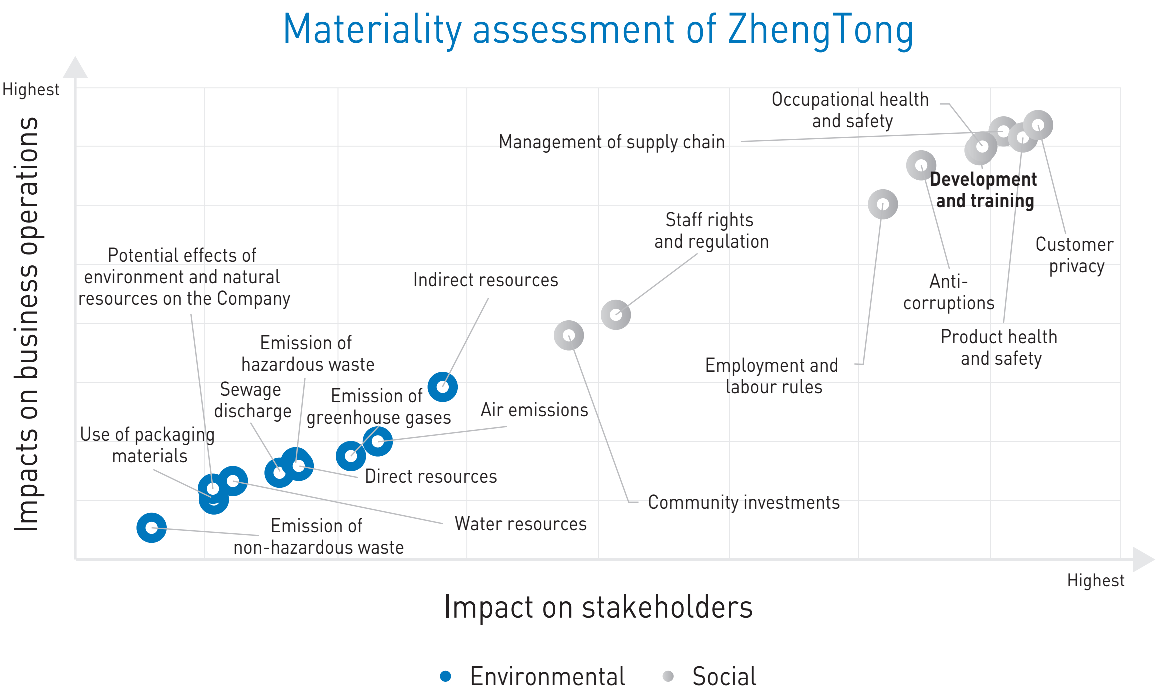
Stakeholders of the Group in respect of environmental, social and governance interests can be classified as internal and external stakeholders, which mainly involve internal staff (from the management to front-line employees), suppliers, customers, shareholders, investors, governments and communities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

3.4 Materiality Assessment

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

Materiality Assessment

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



3.5 Reporting Principles

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

Materiality principle: We identify major ESG issues through materiality assessment, and the relevant process and results have been disclosed in this report.

Quantitative principle: In accordance with the "key performance indicators" of the "Environmental, Social and Governance Reporting Guide" as set out in Appendix 27 to the Listing Rules, the Group disclosed quantitative key performance indicators with historical data in the "environmental" and "social" categories, as well as forward-looking information such as targets to the greatest extent, and will be fully disclosed in the future after the statistical process is gradually optimized.

Balance principle: This report strives to achieve objective, fair and truthful disclosure and reflection of the Group's management practices and achievements in the environment, social and governance aspects in 2021, and also the problems encountered and improvement measures with a sense of responsibility.

Consistency principle: We follow a consistent convention on statistical disclosure. In this report, we adopted the same disclosure policy as that of the information disclosed in the report of the previous year. For the information disclosed for the first time, we will disclose ESG information adopting the same policy in subsequent years, to facilitate meaningful comparisons year by year.

4 ENVIRONMENTAL PROTECTION

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

Waste disposal

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

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

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

The waste discharge of the Group was as follows:

	Emissions in total		Emissions per Unit	
	2021	2020	**2021**	2020
Solid waste — batteries	**30.68 tonnes**	99.85 tonnes	**0.68 tonnes/shop**	3.22 tonnes/shop
Solid waste — others	**128.39 tonnes**	118.03 tonnes	**2.85 tonnes/shop**	3.81 tonnes/shop
Liquid waste	**812,200 liters**	594,000 liters	**18,000 liters/shop**	19,200 liters/shop

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

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

During the reporting period, the Group invested RMB2.38 million in total to implement 8 rain and sewage diversion projects and installed 15 VOC waste gas treatment equipment to reduce waste gas emission and waste water discharge.

Besides repair process, the emissions of nitrogen oxides, sulfides and particulate matter from providing rescue vehicles, test-drive automobiles and scooters to customers and vehicles for daily use and natural gas for use of business premises and canteens were 1,456.87 kilograms, 66.58 kilograms and 156.38 kilograms, respectively, during 2021. Greenhouse gas emissions from electricity and natural gas use for the above-mentioned vehicles and business premises was 24,900.89 tonnes of carbon dioxide equivalent (shop average: 553.35 tonnes of carbon dioxide equivalent) in total, in particular, the greenhouse gas emissions under scope 2 was 15,982.47 tonnes of carbon dioxide equivalent (shop average: 355.17 tonnes of carbon dioxide equivalent).

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

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

Use of resources

The Group attaches great importance to resource conservation. It continuously improves the management system in energy consumption management, optimizes energy conservation measures, and is committed to continuous monitoring and improvement of the efficiency of our energy and resource utilization. ZhengTong has implemented the following measures to save energy and reduce consumption:

- The indoor light shall not be turned on under the condition of favorable daylighting; the outdoor lighting, light boxes, etc. are equipped with intelligent devices (controlled by time and lighting level); there is personnel arranged to be responsible for the formulation of standards for high-power lighting fixtures such as spotlight and metal halide lamp in the exhibition hall according to the sunshine of stores;

- It has strengthened the management of office equipment. Equipment not in use shall be turned off in time, so as to reduce the power consumption and standby power consumption of electronic office equipment;

- There are personnel arranged to control the temperature of water inlet and outlet of the central air-conditioner according to the temperature of customer area. In principle, indoor temperature shall not be lower than 26℃, and if it falls below 26℃, the temperature of chilled water of central air-conditioner shall be increased;

- Through the collaboration with multi-departments, it improved the efficiency of the baking room by concentrating its time schedule to reduce frequent temperature change;

- In terms of workshop floor cleaning, the recommended procedure is to clean by mop at first, and then use tap water to flush, so as to reduce the flushing frequency;

- The use of energy-saving products such as LED lamp for newly-installed or renovated equipment and lighting fixtures is recommended, and the energy efficiency of high-power electric appliance shall not be lower than level 3;

- The energy-saving renovation is carried out on high-power facilities and equipment with a long remaining service life.

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

The use of resources of the Group for 2021 was as follows:

	2021	2020
Electricity	**25,324,400 kWh**	16,076,600 kWh
Average electricity consumption per store[1]	**562,700 kwh/store**	518,600 kwh/store
Natural gas (for canteen)	**67,800 cubic meters**	40,700 cubic meters
Average natural gas (for canteen) consumption per store [2]	**13,600 cubic meters/store**	40,700 cubic meters/store
Natural gas (for heating)	**242,900 cubic meters**	243,900 cubic meters
Average natural gas (for heating) consumption per store	**62,300 cubic meters/store**	61,000 cubic meters/store
Liquefied gas	**3,974,200 liters**	1,594,100 liters
Average liquefied gas consumption per store[3]	**496,800 liters/store**	265,700 liters/store
Diesel oil — vehicles	**7,700 liters (consumption per unit: 10.21 liters/100 km)**	6,600 liters (consumption per unit: 11.17 liters/100 km)
Gasoline	**653,000 liters (consumption per unit: 17.45 liters/100 km)**	1,270,400 liters (consumption per unit: 13.32 liters/100 km)

Note 1: The "average per store" here is the number of stores participating in environmental date collection as the denominator, which are 45 for 2021, and 31 for 2020. In addition, for the reason that the business hours were materially affected by the COVID-19 epidemic in 2020, the date is not comparable. During the year 2019, the average electricity consumption of 29 stores of the Groups, which participated in the environmental date collection, was 566,100 kwh.

Note 2: The "average per store" here is the number of stores with natural gas consumption for canteen as the denominator.

Note 3: The "average per store" here is the number of stores with natural gas consumption for heating as the denominator.

Green office

The Group's 2021 Annual Work Summary Conference and partial corporate culture activities were broadcast live on WeCom, and the number of participating employees exceeded expectations, achieving sound result. The wide application of new media in work significantly supports our implementation of green office, which is conducive to reducing travel and energy conservation and emission reduction.

Response to climate change

Climate change has become a common challenge for human society. The Group continuously pays attention to the risks and opportunities related to climate change, evaluates its actual and potential impact on our operations, strategies and financial performance, and actively adopts countermeasures to further promote the sustainable development of the enterprise.

Climate-related risks can be classified as transition risks arising from the transition to a low-carbon economy, and physical risks arising from climate change. Transition risks include policy and legal risks, market and technology risks, reputation risk, while physical risks include acute physical risk (extreme weather such as typhoons and floods) and chronic physical risk (long-term changes in natural patterns such as rising sea levels and persistent high temperatures).

According to the nature of our business and national industry policy orientation of the transition from fuel vehicles to hybrid and electric vehicles, we have continued to promote the electric vehicle distribution business in recent years, actively introducing hybrid and electric vehicles from brand manufacturers to fulfill the customers' changing demand. At present, the customer base is relatively stable. We believe the transition risks also represent development opportunities for us.

In terms of physical risks, chronic physical risks are taken into account mainly during the selection process of the location of a new 4S store or 5S store, or the renovation of existing stores. In respect daily operation, we mainly focus on acute physical risks. In view of the fact that our operating sites are located in various provinces in PRC, there are huge differences in acute physical risks faced by the Group, for the reason that the frequent extreme weathers of each region vary. Hence, the stores in each region formulated emergency management plan according to local climate characteristics and frequent extreme weather, and conducted irregular drills.

In the future, we will continue to improve the governance, strategy formulation, risk management, indicator and goal identification and management of climate-related risks, and work together with all parties of society to respond to climate change and achieve common sustainable development.

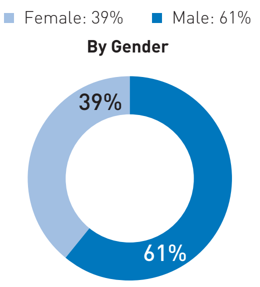
5 EMPLOYMENT AND LABOUR PRACTICE

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

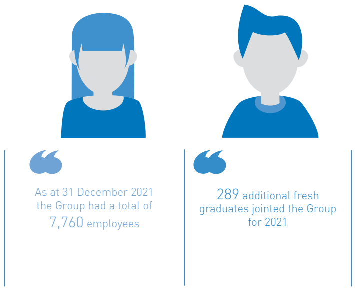
5.1 Employment

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

Subject to compliance with applicable laws, we recognize the rights of our employees to customary values and practices, and respect their nationality, religion, physical health, disability, gender, workers' union, and political views. In any circumstance, no managerial personnel is permitted to adopt any form of coercion, intimidation, insult, or exploitation against our employees, including posture, language abuse, and physical contact. The principle of equal opportunity has been applicable throughout all stages of employment, in particular recruitment, training, career development and promotion. During the reporting period, the Group has complied with all relevant labour laws and regulations that have a significant impact on the Group such as the Labour Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China. The Company resolutely eliminates the employment of child labour and forced labour. The Company expressly commits that a person under 16 years old will not be employed. In addition, certain certificates of candidates including ID card and education certificate will be required by the Group, and such certificates will be verified and reviewed during the recruitment approval procedure, so as to avoid misemploying child labour. The human resources department conducts random inspections of induction information provided by employees during internal audits. If a misuse of child labor or forced labour is found, rectification will immediately be made by terminating the employment and holding relevant responsible persons accountable. During the reporting period, there was not any employment of child labour within the Group.



To improve the employment rates of the local markets where the subsidiaries are located, except certain necessary experienced staff seconded from other 4S shops or 5S shops, the Group will hire local employees as far as possible for new 4S shops or 5S shops. During the reporting period, the Group had additional 289 (2020: 311) fresh graduates in total. As at the end of the reporting period, the Group had a total of 7,760 (2020: 7,997) employees.



The young force represents a vital factor in the future development of a business, thereby leading the business to a prosperous tomorrow. ZhengTong provides young professionals with tremendous employment opportunities, as well as a platform for young professionals to seek self-improvement and learning. During the reporting year, 2 out of seven general brand managers were of the post-80s generation, and there are quite a few number of middle management who were of the post-90s generation. As at the end of the reporting period, 53% and 34% of the employees have worked in the Group for more than three years and five years, respectively.

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

During the reporting period, the total number of the Group's employees was 7,760, and the number and ratio of each classification are set out below:

Classification		Number of employees	Ratio	Turnover rate
Gender	Male	4,760	61%	31%
	Female	3,000	39%	25%
Type of employment	Fulltime	7,468	96%	–
	Parttime (intern, post-retirement employee)	292	4%	–
Age	At and under 30 years old	2,936	38%	38%
	30 to 39 years old (including 30 years old)	3,592	46%	26%
	40 to 49 years old (including 40 years old)	994	13%	16%
	At and over 50 years old	238	3%	18%
Region	North region (including Beijing, Tianjin, Shanghai, Jilin, Liaoning, Hebei, Henan, Shandong, Inner Mongolia, Anhui, Jiangsu)	1,198	16%	30%
	Central region (including Hubei, Hunan, Jiangxi, Sichuan)	2,506	32%	29%
	South region (including Fujian, Guangdong, Hainan, Yunnan, Chongqing, Zhejiang)	3,256	42%	27%

During the reporting period, the employee turnover rate[4] was 28.6%.

Note 4: The employee turnover rate here represents the employee active turnover rate, not including the situation caused by the business termination due to the cancellation of authorization in certain dealerships.

5.2 Health and Safety

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

In the preparation and revision of safety guidelines, the Group has identified the major safety risks in operation and has proposed specific risk control measures based on the characteristics of the risk. In highly dangerous areas, such as maintenance workshop and baking room, professional protection gears, such as anti-smashing shoes, helmet, anti-cutting gloves, earplug and so on, are provided to staff of high-risk positions, and staff working in baking room are equipped with gas mask and protective clothing to prevent injuries caused by high temperature and isolate the smell of spray paint. Meanwhile, staff working in dangerous areas are strictly required to put on the safety equipment at all times. In view of the possible food safety risks in self-operated canteens, the Group requires maintenance of samples daily and strictly manages and examines the hygiene of such canteens and chefs. In the view of the explosive danger of gas use, the Group uniformly provides training on the safe use of gas for staff and regularly examines their use. The Group is in the process of using materials which are more environmentally friendly, non-harmful or less harmful (e.g. the use of water-based paint for paint-drying) so as to minimize personal damage that these operations may cause to the staff.

Pandemic Combat

At the beginning of the outbreak of the COVID-19 pandemic, the Company established a special anti-pandemic team, and formulated the Epidemic Prevention Guidance Manual including emergency plans. From the first outbreak of the pandemic to the present, the Group actively took action in a timely manner, adopting a series of optimized anti-pandemic and prevention measures to protect the health and safety of all staff. The Group adheres to the principle of prioritizing the prevention of the spread of COVID-19 and conducted the following with unremitting efforts:

- Enhancement of daily monitoring: The administrative department of each company tracks the local pandemic dynamics in a timely manner, implements the "daily report", "zero case report" and timely reporting system of the pandemic, arranges special staff to be responsible for reporting the situation of the pandemic dynamics and the implementation of relevant works to the superior, and strengthens inspection and prevention;

- Preparation of anti-pandemic materials: Each store still attaches great importance to the prevention of the pandemic, purchases and uses anti-pandemic materials in accordance with the requirements of the local government, and conducts the daily collection and use registration;

- Implementation of disinfection: The disinfection of working place shall be implemented strictly in accordance with the Instructive Manual for Pandemic Prevention (《防疫指導手冊》), unifying form, disinfection schedule and arranging special personnel to register in a timely manner;

- Management on external personnel: A temperature check point is set at the entrance of each 4S store, personnel entering into the store will be required to wear mask and scan codes, and temperature of such personnel will be checked and registered by security;

- Personnel arrangement for pandemic prevention: the general manager of each store is the first responsible person for safety and pandemic prevention. Each store shall reasonably arrange cleaner, security, and human resource and administrative staff according to the specific situation, to prevent people from entering the store without inspection or any disinfection that isn't implemented strictly;

- Guarantee of emergency work：The emergency leading team is responsible for the overall deployment and decision-making of pandemic prevention and control. The emergency team organizes, coordinates and communicates pandemic-related management policies, guides stores to reserve emergency materials, and organizes emergency drills of pandemic prevention in stores. The general manager of 4S store leads the on-site emergency response team to implement the on-site emergency response plan.

Case: 360° protective reception with effectiveness, safety, speediness and comfort

On August 2021, the pandemic broke out again in Wuhan, leading to the intensified situation of the city's pandemic prevention. Actively responding to the appeal of the government, Wuhan Tengxing (武漢騰星) launched the "4 Steps" of pandemic prevention on the basis of the original pandemic prevention measures so as to further strengthen the pandemic prevention and control. Pandemic preventive inspection area is the first step, which is set in the entrance. The area is set in the security box by Wuhan Tengxing, and if there is any lack of five items, including green health code, temperature, mask, disinfection and business inquiries, the person would not be allowed to enter the store; the second step is the different frequency of the disinfection on various places of the store. Cleaners would conduct daily disinfection on exhibition hall 4 times, guest resting area 6 times and office area 4 times; the third step is to distribute anti-pandemic packages containing masks, hand sanitizer and disinfected paper towels to customers and staff, so as to take care of the health of employees while ensuring normal operations; the fourth step is to formulate exhibition hall reception procedure with 360° protection. Disinfectant hand sanitizer is placed at the entrance of elevator, sales consultant bows to customers instead of shaking hands with them, adds them on WeChat instead of exchanging business cards in reception and prompts them to wear mask and wash hands in a timely manner when they leave. Upon the departure of customers, the automobile experienced by customers would be cleaned and its doors would be opened for ventilation.

Fire Safety

Fire accidents are devestating, and thus fire safety is critical to the safety of life and property of our employees and customers. To address fire accidents, the Group has always considered prevention as the first line of defense and persistently promotes fire prevention awareness and makes good preparation for fire extinguishing equipment. On the other hand, we designate fire control responsible officers, and ensure that evacuation routes and safety exits are constantly accessible. The electrical appliance and wiring must be in strict compliance with regulations. Furthermore, the fire extinguisher (powder and carbon dioxide) and other basic fire control facilities must be in good condition, subject to thorough inspection on a monthly basis and repairment and maintenance records are kept. During the reporting period, cooperating with the fire safety training centre, the Group regulatorily held fire safety training in relation to the use of firefighting facilities and explanation of relevant knowledge, so as to consolidate fire safety knowledge and skills. Meanwhile, we collaborated with fire brigade to carry out fire drills, and all staff in the relevant shops took part in the drills. Through firefighting simulations and evacuation drills, the safety awareness and emergency response ability of our staff and customers have been raised.

During the reporting period, the Group continued to organize different types of health and safety educational programs in order to raise the awareness of our staff in this respect, including trainings, safety knowledge quizzes and competitions. The Group also regularly examined the compliance of safety guidelines of the 4S/5S shops and vehicle maintenance workshops. During the year, the Group arranged in-house safety inspections for each shop so as to ensure all certificates required by laws and regulations have been obtained or renewed. In addition, we also accept external safety supervision. Qualified suppliers conduct fire inspection on the fire protection system and issue an annual fire inspection report on a yearly basis. During the reporting period, the coverage rate of stores with fire maintenance and inspections was about 80%.

The Group has conscientiously insisted on compliance with the requirements of health and safe works. During the reporting period, the aggregate number of work-related injuries was 9, and number of working days lost due to such injuries was 266. After the occurrence of work-related injuries, the Group communicated with related employee and departments in a timely manner to understand the reasons of the accident and the post-injury treatment, and took them as cases to strengthen occupational heath and safety education. From 2019 to 2021, the number of work-related deaths was 1, which happened in 2020.

5.3 Development and Trainings

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

Various marketing and technical training sessions for new car models were also arranged by the maintenance centres of different brands of vehicles. The Group actively arranged for staff to participate in such trainings to ensure that our customers are provided with the sales, repair and maintenance services using the latest technologies. In addition to conventional trainings, we also integrated the application of new media into the daily operation and corporate culture to improve employees' familiarity with new media.

To cope with the steady growing business, the Group strived to maintain its high quality services by developing its human resources. The Group has continued organizing "senior manager training program" since 2009. Members of the middle management from various departments as well as 4S or 5S shops are selected to attend lectures given by senior management, department heads, experienced general shop managers of the Group and external lecturers.

ZhengTong College (正通學院)

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

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

There are more than 28 internal lecturers at ZhengTong College. There are more than 1,765 internal and external online courses. The total course duration lasts more than 246 hours, which covers the topics of improving the professional capabilities of new employees and on-the-job employees at their positions (sales, after-sales, marketing, customer services, etc.). During 2021, 129 new courses were launched, which were mainly related to the improvement of leadership management and sales skills. During the reporting period, the number of times special examinations organized by the college was taken was approximately 4,527, accumulated number of times people participated in learning was 64,851, and since the opening of ZhengTong College on 15 August 2019, more than 8,401 active learning users have logged on with a total of more than 273,836 learning hours.

Employee Training	Ratio of received training	Average training time (h/year)
Gender		
Male	**41%**	**12.60**
Female	**59%**	**17.90**
Position		
Sales	**28%**	**11.90**
After-sales	**36%**	**15.30**
Others	**36%**	**15.20**

6 ANTI-CORUPTION

Any misconduct in business operation, including graft, and accepting or committing bribery, will severely damage our reputation, and seriously disrupts the proper management and operation of a business, as well as damaging the integrity of a company. These misconducts will impede the sustainable and healthy development of a business. As a result, the Group is uncompromising in its opposition to any form of fraud or corruption.

In addition, the Group has adopted a series of measures to prevent and punish actions involving corruption. We have adopted a preventive approach through system building and publicity and education. The establishment of anti-corruption system aims to strengthen the restriction and supervision through deterrent punishment, effective prevention and stringent security mechanisms that eliminate corruption. Our legal department also arranges relevant training programs for our staff to promote the prevention of corruption and uphold moral uprightness and integrity with zero tolerance for corruption. The audit department conducts inspections and audits from time to time, and if any misconduct is identified, it shall be promptly rectified, and the Company will seriously pursue consequences against the persons who violated regulations and disciplines. During the reporting period, the legal department and external professional institutions carried out integrity education for directors, senior management and employees, and achieved positive results. The Company established a supervision department to further enhance the Company's supervision and inspection in accordance with national administrative laws, regulations, rules and policies.

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

We have also developed whistleblowing and reporting channels for employees to report any illegal acts. Reporting channels of the Group are as follows: e-mail: ztjc@zhengtongauto.com; telephone: 010-6382 9393 transfer to 8119.

The Group has adopted a zero-tolerance policy to strictly prohibit corruption in all aspects of our operation. The Group believes that the strict compliance and implementation of regulatory systems can maintain the proper business management and safeguard the career of our staff. As our workforce gets younger, some of our staff may not have a great deal of life experience and as a result may be more susceptible to temptations. The Group will continuously educate our staff to improve their moral cultivation and regularly review their training, so that they can remember, respect and observe the law and discipline. During the reporting period, the Group was not aware of any corruption incident.

7 SUPPLY CHAIN MANAGEMENT

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

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

In the meantime, the Group also collaborates with various automobile brands and other suppliers on social and environmental aspects for the purposes of making contribution to the sustainability of the entire industry and community. Regarding after-sales services, the Group collaborates closely with service providers and arrange regular meetings to enhance mutual communication. Our Group also regularly undertakes evaluations on our suppliers' performance in environmental and social responsibility aspects. For logistics suppliers, we have issued the Transportation Management Measures to supervise and assess logistics suppliers to operate in accordance with the requirements and specifications in terms of planning management, on-site management, quality management, in-transit management, behavior management, and complaint management and others. For the suppliers of spare parts and other items, our Group has stringent criteria for selection of suppliers, including requirements of environmental and social responsibilities regarding "Prohibition of Child Labour", "Health and Safety" and "Environmental Protection". The Group has entered into an "integrity agreement" with each of our suppliers to show our determination and require them to comply with our anti-corruption policy. Suppliers who do not comply with such requirements will be given an unfavourable assessment. In addition, for suppliers that require the related industrial qualifications, we will confirm and ensure all of these suppliers and manufacturers have obtained all of the qualifications as required by their respective industries. The Group also attaches great importance to the maintenance and protection of third-party intellectual property rights. No violation occurred during the reporting period.

Regional Distribution of Suppliers

Region	Number
Northeast China	7
North China	8
Northwest China	6
South China	9
Central China	10
East China	6
Total	46

8 PRODUCT LIABILITIES

Dealership in stores

"Offering supreme driving experience to our customers" is the mission and principle of all employees of our Group and what our employees strive to practice. To continue to offer better experience for customers when purchasing and using their cars, we have further created a new model of marketing to improve customer interaction experience and diversified our offerings to provide more comprehensive services for customers.

The Group attaches great importance to cooperation with automobile brands to jointly improve customers' experience.

Case: "Hello East Region, Smile ZhengTong (你好東區，微笑正通)" campaign

In late May 2021, the Mercedes-Benz East District Dealer Conference launched the "Hello East District, Smile ZhengTong" project, which aims to improve the service capabilities of regional 4S stores. Adopting the customer-centric spirit put forward by the Group Operation Conference, our subsidiary Yiwu Xinhui Automobile Sales Service Co., Ltd carried out training for all staff to improve the service capability of customer-facing front-line staff. In order to enhance the ceremonial nature of picking up a car, sales consultants created unexpected surprises for customers by preparing items with good meanings such as apples, willows, chopsticks, salutes and cakes, and earned friendship with customers while improving performance.

New media marketing

With the normalization of the pandemic and the popularization and application of new media marketing, live broadcast is becoming an important way for potential customers to obtain auto information, and it also effectively supplemented and expanded the number of leads in stores. The stores of the Group adopted various digital communication methods such as short videos, live broadcasts, and cloud-based car viewing, and satisfied the personalized needs from potential customers to existing customers by creating all online and offline scenarios and constantly enriching consumer touchpoints and extensively connecting with customers, so as to achieve in-depth customer operation and multiple value exploration.

In 2021, the Group constantly arranged precise marketing for target customers, and its marketing capacity was steadily improved. The number and quality of leads of the Group's stores on major vertical websites such as Autohome, Yiche, and Dongchedi have stabilized at the first camp of the auto dealer group, and most of its stores are among the top in the region. The innovative communication of online live broadcasts has always maintained a high level of participation at the consumer level, and sales leads have increased significantly. In the fourth quarter of 2021, leads represented a month-on-month increase of 70%. Since July 2021, the Group carried out a total of 1,217 car live broadcasts in its stores, with a total live broadcast duration of 1,299.7 hours. The total number of viewers has reached 2,297,240 people/times, and an additional 1,073 sales leads have been obtained through live broadcasts. Based on the actual condition and regional distribution of stores, the Group selected 22 stores to participate in the live broadcast training of Dongchedi in the third quarter. During the first round of live broadcasts lasting for three weeks, a total of 244 sessions were completed, and the highest number of viewers was 353,782.

Supporting services

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

The Group continues to improve its services with a focus on "fulfilling customers' needs and requirement". We have created a friendly and convenient consumption environment, and actively responded to the potential demands of customers based on their feedbacks. In 2021, with the normalization of pandemic prevention and control, the travel of the residents was sometimes inconvenient, which also caused difficulties for some customers to buy and use cars. For customers who found it inconvenient to go out for vehicle maintenance, we provided free door-to-door pickup and delivery service, and maintained real-time communication with customers through photos and videos throughout the vehicle maintenance process, so that customers could keep abreast of the situation.

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

Customer communication

The voice of customers is the starting point of Zhengtong to provide high-quality service. The Group earnestly assumed the main responsibility for protecting rights and interests of consumers, and ensured that the objectives and policies of consumer rights protection are effectively implemented. We did not receive formal complaints but received trivial feedbacks, all of which were related to delivery and had been properly resolved.

The Group has established the "Handling Process for Customer Complaint of 4S Stores" to ensure effective communication with customers after products are provided. Consumer complaints are first received by the customer service department. Professional customer service personnel listen to customers' demands patiently, accurately record customer information including the complainant's name, phone number, car model, license plate, and specific complaint, and pass the same to the 4S store through OMS and notify the customer service manager by SMS, and the business department will then provide and implement timely solutions after analysis. After the complaint is processed, the Group's call center will conduct a return visit to check the customer's satisfaction with the complaint processing result, and record the result into the OMS for archiving. In the event of a major customer complaint, the complainant will notify the department head and general manager as soon as possible, and the general manager will organize the crisis management team for a meeting to discuss countermeasures, and give an early warning according to the manufacturer's relevant technical specifications and business specifications; if any media intervenes, the Group processes the same in accordance with the "Procedures for Managing Media Public Relations of 4S Stores". For insubstantial complaints, we also actively appease and ease customers' emotions. Zhengtong has been committing to improve customer service experience.

Customer privacy

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

1. Copying and using customer information without permission are prohibited to be done in the computers of all stores;

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

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

4. During the customer care and return visit, we will also confirm with the customers whether there is any information leakage.

The above measures have strengthened the confidential awareness of our staff of the Group, greatly mitigated the concerns of our customers or potential customers and safeguarded customer privacy effectively. In addition, the information technology department reviews the operation history of the information system on an irregular basis to ensure that there is no illegal login, information use and leakage. There has been no divulgement of customer privacy for the Group during the reporting period.

Vehicle recalls

The research, development and manufacture of automobiles involve systematic and complicated processes, and potential deficiencies or problems may exist during the course. Therefore, timely recall of defective vehicles is an important method of the automobile industry to eliminate defects and also a necessary measure to ensure product quality and the safety of life and properties of customers. ZhengTong has always believed that recalls are part of being responsible to consumers, and in most cases, recalls are aimed at active recalls and goodwill recalls for the purpose of not affecting the safety of vehicles. As a direct service provider for end customers, ZhengTong takes the protection of consumers' rights and interests as its fundamental principle when there is a recall of automobile products, cooperates closely with manufacturers, and assumes the responsibility as a strong participant and executor in the process of automobile recall by informing customers the first time and properly arranging the corresponding recall procedures and services to ensure the safety of customers and roads, which greatly improved customer satisfaction, customer stickiness and brand recognition. Thanks to the Group's stellar pandemic prevention and control system and the strict and efficient implementation of such systems by our stores, during the reporting period, the Group did not suffer from any product recalls or recalls due to safety and health reasons, creating a healthy and safe consumption environment for customers.

New energy automobile

New energy automobile is an important direction for the sustainable development of automobiles. In response to the current national policy, our Group focuses on the sales of new energy automobiles in order to contribute to environmental protection with our own resources. The Group keeps accelerating the creation of a green and smart life that exceeds expectations for users, so as to build a future travel ecosystem. ZhengTong actively communicated with a number of new leading car-making brands to carry out more extensive and in-depth cooperation; also, it further promoted cooperation with new energy leading brands such as NIO and Tesla to provide customers with professional and convenient after-sales service. We are also constantly trying and expanding new energy vehicle-related businesses. Based on the authorization of existing luxury brands, each store is actively applying for the authorization of new energy vehicles, and increasing the sales of new energy vehicles in the daily operation. The proportion of new energy vehicles in the total sales volume has increased gradually.

While conducting in-store sales, we will make full vehicle introductions for potential consumers of new energy automobiles, and will actively assist new energy automobile owners to obtain relevant licenses and install new energy charging equipment. In addition, many stores' test drive activities have also begun to include new energy automobiles, allowing more consumers to experience new energy automobiles in person. We actively promoted new energy automobiles and publicize the concept of environmental protection through public welfare activities.

9 COMMUNITY INVESTMENTS

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

Engagement in Pandemic Prevention

In 2021, the COVID-19 pandemic remained severe, and with the advent of the post-pandemic era, pandemic prevention and control has been normalized. Faced with various needs arising from the pandemic prevention and control, the Group has promptly and proactively taken actions, and, based on its own advantages, supported and safeguarded the pandemic combat.

ZhengTong has been tireless in its fight against the pandemic. Based on the ever-changing severe pandemic prevention and control situation, employees at all levels of ZhengTong united and actively organized to participate in the front line of the pandemic as volunteers, and conveyed love and care by supplying urgently needed materials in a timely manner.

Case: Transporting for delivering supplies to help thousands of households

On 21 May 2021, Liwan District of Guangzhou was classified as a risk control area during the pandemic. Our subsidiary Guangzhou Baoze Automobile Sales Services Co., Ltd. ("Guangzhou Baoze") took the initiative to contact the street where it was located after entering the closed state at the request of the government. A logistics supplies support team was set up voluntarily by the after-sales department and the administration department to assist in transporting pandemic prevention supplies and providing logistics support for the front-line anti-pandemic medical staff. Besides, two employees of Guangzhou Baoze joined the volunteer team, traveling to and from more than 10 pandemic prevention sites in the street for distributing pandemic prevention materials and supplies, delivering nucleic acid reagents to detection points with long queues, and delivering meals to the front-line medical workers in the scorching sun. The seemingly ordinary relay also made the days of isolation more meaningful.

Case: Working together for an end of the pandemic

Huhhot in late autumn was in a critical period of fighting against a new round of pandemic, and front-line workers were busy in every street and community day and night. As an enterprise in the new urban area, the Group has a social responsibility to contribute to the fight against the pandemic. On 27 October 2021, its three subsidiaries in Huhhot (Huhhot Yingfei Automobile Sales Services Co., Ltd., Huhhot Jieyunhang Automobile Sales Services Co., Ltd. and Huhhot Qibao Automobile Sales Services Co., Ltd.) jointly headed to the "Sanitation Workers' Home" near the quarantine area with 7 vehicles of anti-pandemic supporting supplies valuing RMB6,000 for needs of the front-line sanitation workers. After the donation ceremony, the general managers of various subsidiaries in Hohhot said that the front-line sanitation workers were working outdoors at close to 0 degrees Celsius, sticking to their positions day and night, leaving their homes for everyone. Enterprises have the responsibility and obligation to give support and care, cheer for the guardians who have always been on the front line of pandemic prevention and control, and help each other to put an end to the pandemic.

INDEX OF DISCLOSURES

ESG Report Guide		Chapter	Note
Major Category A. Environmental			
Aspect A1: Emissions			
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. relating to waste gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4	
A1.1	Types of emissions and respective emission data.	4	
A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).	4	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).	4	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume and per facility).	—	Note 1
A1.5	Description of emission target(s) set and steps taken to achieve them.	4	
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4	

ESG Report Guide		Chapter	Note
Aspect A2: Use of Resources			
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	4	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume and per facility).	4	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume and per facility).	—	Note 2
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	—	Note 2
A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, volume per production unit.	—	Note 3
Aspect A3: Environment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer's significant impact on environmental and natural resources.	4	
A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	—	Note 4
Aspect A4: Climate Change			
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4	

ESG Report Guide		Chapter	Note
Major Category B. Social			
Employment and Labor Practice			
Aspect B1: Employment			
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1	
B1.1	Total workforce by gender, employment type (such as full-time or part-time), age group and geographical region.	5.1	
B1.2	Employee turnover rate by gender, age group and geographical region.	5.1	
Aspect B2: Health and Safety			
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.2	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.2	
B2.2	Number of working days lost due to work-related injuries.	5.2	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2	

ESG Report Guide		Chapter	Note
Aspect B3: Development and Training			
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management and middle management).	5.3	
B3.2	The average training hours completed per employee by gender and employee category.	5.3	
Aspect B4: Labor Standards			
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child or forced labor.	5.1	
B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1	
B4.2	Description of steps taken to eliminate the irregular practices when discovered.	5.1	

ESG Report Guide		Chapter	Note
Operating Practice			
Aspect B5: Supply Chain Management			
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	7	
B5.1	Number of suppliers by geographical region.	7	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	7	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	7	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7	
Aspect B6: Product Responsibility			
B6	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	8	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	8	
B6.2	Number of complaints on products and services and the follow-up measures.	8	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	8	
B6.4	Description of quality assurance process and recall procedures.	8	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	8	

ESG Report Guide		Chapter	Note
Aspect B7: Anti-corruption			
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6	
B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	6	
B7.3	Description of anti-corruption training provided to directors and staff.	6	
Community			
Aspect B8: Community Investment			
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take the communities' interests into consideration.	9	
B8.1	Key areas of contribution (e.g. education, environmental concerns, labor needs, health, culture and sport).	9	
B8.2	Resources contributed (e.g. money or time) to the key areas.	9	

Note 1: As the Group mainly focuses on providing services, the emission of non-hazardous waste is insignificant to the Group.

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

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

Note 4: The Group's business activities involve little natural resources, and accordingly this aspect is determined to be immaterial.

DIRECTORS' AND SENIOR MANAGEMENT'S PROFILES

DIRECTORS

Executive Directors

Mr. Wang Mingcheng (王明成先生), aged 52, has served as an executive Director and the chairman of the Nomination Committee since 1 September 2021. As at 9 September 2021, Mr. Wang Mingcheng was appointed as the chairman of the Board. He is currently a vice chairman of the board of Xiamen Xindeco Ltd.* (廈門信達股份有限公司) (stock code: 000701), a company listed on the Shenzhen Stock Exchange ("**Xiamen Xindeco**"). From March 2016 to December 2018, Mr. Wang Mingcheng served as a general manager and a director of Xiamen ITG Assets Operation Group Co. Ltd.* (廈門國貿資產運營集團有限公司). From December 2018 to September 2021, Mr. Wang Mingcheng served as a general manager of Xiamen Xindeco. In 2013, Mr. Wang Mingcheng obtained an executive master's degree in business administration at Xiamen University. Mr. Wang Mingcheng is also an accountant. Mr. Wang Mingcheng has over 30 years of experience in corporate restructuring, company operation and management.

Mr. Zeng Tingyi (曾挺毅先生), aged 48, has served as an executive Director since 1 September 2021. He is currently a deputy general manager of Xiamen ITG Holding Group Co., Ltd. ("**ITG Holding**", the single largest shareholder of the Company), the vice chairman of the board of Xiamen CCRE Group Co., Ltd. (廈門海翼集團有限公司), a director of Xiamen Xindeco, an executive director of Xiamen Information Xinda Co., Ltd.* (廈門信息信達有限公司), and the chairman and general manager of Xiamen ITG Industry Co., Ltd* (廈門國貿產業有限公司). From October 2018 to January 2020, Mr. Zeng Tingyi was a director of ITG Holding. From November 2013 to August 2018, Mr. Zeng Tingyi was a vice president of Xiamen ITG Group Corp. Ltd. (廈門國貿集團股份有限公司) (stock code: 600755), a company listed on the Shanghai Stock Exchange ("**Xiamen ITG**"). Mr. Zeng Tingyi served as the chairman of the board of Xiamen Xindeco from August 2018 to January 2022. In 2004, Mr. Zeng Tingyi obtained a master's degree in business administration at Xiamen University, and Mr. Zeng Tingyi is also a senior economist. Mr. Zeng Tingyi has over 20 years of management experience in sales of automobiles, trade and logistics and investment.

Mr. Li Zhihuang (李植煌先生), aged 56, has served as an executive Director and a member of the Remuneration Committee since 17 September 2021. He is a deputy general manager of ITG Holding, the chairman of the board of Xiamen Xindeco, a director of Xiamen ITG, a director of Zhonghong Pulin Medical Product Co., Ltd.* (中紅普林醫療用品股份有限公司) (stock code: 300981), a company listed on the Shenzhen Stock Exchange. Mr. Li Zhihuang was the finance department manager, a deputy financial director, a financial director, a vice president, an executive vice president of Xiamen ITG and a director of ITG Holding from February 2001 to July 2018. Mr. Li Zhihuang served as the chairman of the board of Zhonghong Pulin Group Co., Ltd.* (中紅普林集團有限公司) from August 2018 to January 2022. Mr. Li Zhihuang obtained an executive master's degree in business administration at Xiamen University in 2009 and is a senior accountant. Mr. Li Zhihuang has over 30 years of experience in accounting management for large-scale enterprises and corporate decision making and governance.

Independent Non-executive Directors

Dr. Wong Tin Yau, Kelvin (黃天祐博士), SBS, JP, aged 61, has served as an independent non-executive Director since 17 November 2010. Dr. Wong also serves as the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Dr. Wong was the chairman of Financial Reporting Council and was its member from 2015 to 2018. Besides being a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, he served as a non-executive director of the Securities and Futures Commission from 2012 to 2018, chairman of Investor and Financial Education Council from 2017 to 2018, chairman of The Hong Kong Institute of Directors from 2009 to 2014, and members of the Listing Committee of the Main Board and GEM of the Stock Exchange of Hong Kong Limited from 2007 to 2013. From 2010 to 2016, he was a member of Standing Committee on Company Law Reform. Dr. Wong obtained his master's degree in business administration from Andrews University in Michigan, the United States in 1992 and a Ph.D. in business administration from The Hong Kong Polytechnic University in 2007. Dr. Wong is an executive director and a deputy managing director of COSCO SHIPPING Ports Limited (stock code: 1199), responsible for the strategic planning, management of capital markets and investor relations, he is also an independent non-executive director of JS Global Lifestyle Company Limited (stock code:1691). All the aforementioned companies are listed on the Stock Exchange. Dr. Wong is an independent non-executive director at Xinjiang Goldwind Science & Technology Co., Ltd., a company listed in Hong Kong and Shenzhen (stock code: 2208 and 002202.SZ), Yangtze Optical Fibre and Cable Joint Stock Limited Company* (stock code: 6869 and 601869.SH). He served as an independent non-executive director of Bank of Qingdao Co., Ltd., a company listed in Hong Kong and Shenzhen (stock code: 3866 and 002948.SZ). Dr. Wong also served as an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993), I.T Limited (stock code: 999) (delisted in Hong Kong on 30 April 2021), Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company listed in Hong Kong and Shanghai (stock code: 2196 and 600196.SH), Bank of Qingdao Co., Ltd., a company listed in Hong Kong and Shenzhen (stock code: 3866 and 002948.SZ). Dr. Wong was appointed as Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013, and was awarded the Silver Bauhinia Star (SBS) in 2021.

Dr. Cao Tong (曹彤先生), aged 53, has been appointed as an independent non-executive Director since 8 April 2016. Dr. Cao is also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. Dr. Cao is currently the chairman of Shenzhen Hande Financial Technology Holdings Co., Ltd.* (深圳瀚德金融科技控股有限公司). Dr. Cao served as a cadre of the Beijing Branch of the People's Bank of China, the vice president of the Beijing Branch, the general manager of the personal banking department of the head office and deputy head of the Shenzhen management department of China Merchants Bank, the vice president of China CITIC Bank Corporation Limited, a company listed on the Stock Exchange (stock code: 998), the vice president of the Export-Import Bank of China and the president of WeBank Co., Ltd. in Qianhai, Shenzhen. He has nearly 28 years' experience in finance industry. Dr. Cao obtained his master's degree in economics from Renmin University of China in July 1999. He further obtained a Ph.D. in finance from Dongbei University of Finance and Economics in June 2011 and a Ph.D. in business administration from Arizona State University, the United States in July 2015.

Ms. Wong Tan Tan (王丹丹女士), aged 45, has served as an independent non-executive Director since 13 December 2016. Ms. Wong also serves as a member of the Audit Committee and Nomination Committee of the Company. Ms. Wong had served as a financial commissioner of the financial department and a senior manager of the marketing department at UTStarcom (USA) from March 2001 to February 2005, and served as an assistant to the chief executive officer at the Beijing headquarters of UTStarcom from February 2005 to April 2006. From May 2006 to September 2016, she was a chief representative and an executive director of the Beijing Office of J.P. Morgan Chase & Co. Ms. Wong studied business administration at Vanguard University of California in Costa Mesa in the United States from 1997 to 1998. From 1998 to 2000, she studied at the University of Southern California, Gordon S. Marshall School of Business, the United States, where she obtained a bachelor's degree in business administration, majoring in finance.

Senior Management Personnel

Mr. Chen Hong (陳弘), aged 39, has served as the chief executive officer of the Company since 10 March 2022 to preside over the daily operation and management. Mr. Chen Hong served successively as a representative of securities affairs and the general manager of the security affairs division of Xiamen ITG from July 2008 to November 2017. Mr. Chen Hong served successively as the secretary of the board and a deputy general manager of Xiamen Xindeco from December 2017 to March 2022, and concurrently served as an executive director of Xiamen Xindeco Investment Management Co., Ltd.* (廈門信達投資管理有限公司). Mr. Chen Hong graduated from Zhongnan University of Economics and Law with a bachelor's degree in law in 2005, and obtained a master's degree in law from Xiamen University in 2008. Mr. Chen Hong is also an economist and has over 13 years of management experience in corporate governance, standardized operations, investment and mergers and acquisitions of large enterprises.

* *For identification purpose only*

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities and other particulars of the subsidiaries of the Company are set out in note 16 to the consolidated financial statements.

BUSINESS MODEL AND STRATEGIES

The Group's main focus is on luxury and ultra-luxury branded automobile sales in China, and has made significant strides in its traditional after-sales services and post-market businesses in sectors of financing, insurance brokerage, pre-owned automobiles and beyond. The operations strategies implemented by the Group in the year under review were set out in the "Business Review" of the section headed "Management Discussion and Analysis" on pages 8 to 15 of this annual report.

SUBSIDIARIES

Please refer to note 16 to the consolidated financial statements.

RESULTS

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

BUSINESS REVIEW

Business performance, financial review, business review as well as prospects and strategies of the Group are set out in the section headed "Management Discussion and Analysis" in this annual report. Certain key financial indicators are provided in the section "Five Years' Financial Summary" in this annual report.

DIVIDEND

Given the severity of the COVID-19 epidemic development across the world and its impact on the local and global economy, the Board has resolved not to recommend the payment of a dividend for the year ended 31 December 2021 after thorough consideration. The Group considers such temporary suspension of dividend payment to be reasonable under the current situation and feels optimistic about the prospects of economic recovery from COVID-19 and resumption of our dividends policy.

FIVE YEARS' FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The single largest customer and the top five customers in aggregate of the Group accounted for 0.76% and 1.33% of the Group's total sales for the year ended 31 December 2021 respectively. The single largest supplier and the top five suppliers in aggregate of the Group accounted for 28.97% and 73.42% of the Group's total purchases for the year respectively.

As far as the Directors are aware, none of the Directors, their close associates, or any Shareholder which to the knowledge of the Directors owns more than 5% of the number of issued Shares had any interest in any of the five largest suppliers and customers disclosed above.

RETIREMENT BENEFIT SCHEMES

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2021 are set out in the Consolidated Statement of Changes in Equity on page 93 and note 30 to the consolidated financial statements.

At 31 December 2021, deficit of the Company amounted to RMB635 million (31 December 2020: deficit RMB109 million). The Board proposed not to declare a final dividend for the year of 2021 (2020: Nil), in order to maximize the liquidity of the Group, in light of the severity of the COVID-19 epidemic development across the world and its unfathomable impact on the local and global economy in the foreseeable future.

In 2021, the Company proposed not to pay an interim dividend for the six months ended 30 June 2021 (2020: Nil).

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report were as follows:

Executive Directors:

Mr. Wang Mingcheng *(Chairman) (appointed on 1 September 2021)*
Mr. Li Zhihuang *(appointed on 17 September 2021)*
Mr. Zeng Tingyi *(appointed on 1 September 2021)*
Mr. Wang Muqing *(resigned on 10 January 2022)*
Mr. Wang Kunpeng *(resigned on 17 September 2021)*
Mr. Li Zhubo *(resigned on 1 September 2021)*
Mr. Wan To *(resigned on 1 September 2021)*

Independent Non-executive Directors:

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

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

Mr. Wang Mingcheng, Mr. Li Zhihuang, Mr. Zeng Tingyi, Dr. Cao Tong and Ms. Wong Tan Tan will retire from office by rotation at the 2022 AGM, and being eligible, will offer themselves for re-election. The Board proposes to re-appoint the Directors standing for re-election at the 2022 AGM.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the 2022 AGM has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

To the best knowledge of the current Directors, save as disclosed in the sections headed "Continuing Connected Transactions", "Disposal of Shares by Former Controlling Shareholder", "Compliance with Laws and Regulations" or elsewhere in this annual report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with him/her had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE WITH FORMER CONTROLLING SHAREHOLDER

To the best knowledge of the current Directors, save as disclosed in this annual report, no contract of significance had been entered into and/or subsisted during or at the end of the year between the Company or any of its subsidiaries, and the former controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries and no contract of significance for provision of services to the Company or any of its subsidiaries by the former controlling shareholder or any of its subsidiaries had been entered into during the year and/or subsisted during or at the end of the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

CONTINUING CONNECTED TRANSACTIONS

The following lease agreements and property management agreements which constituted non-exempt continuing connected transactions subject only to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules have been conducted during the year (the "**Continuing Connected Transactions**"). The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the Continuing Connected Transactions.

Lease Agreements and Property Management Agreements

(i) Lease Agreements

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

The Connected Lessors, namely, 湖北熙可實業有限公司 (Hubei Xike Industry Co., Ltd.) ("**Hubei Xike**"), 北京寶澤汽車科技發展有限公司 (Beijing Baoze Automobile Technology Development Co., Ltd.) ("**Beijing Baoze**"), 武漢聖澤捷運貿易有限公司 (Wuhan Shengze Jieyun Trading Co., Ltd.) ("**Wuhan Shengze Jieyun**"), 武漢聖澤捷眾物流有限公司 (Wuhan Shengze Jiezhong Logistics Co., Ltd.) ("**Wuhan Shengze Jiezhong**"), 長沙聖澤瑞寶電子產品貿易有限公司 (Changsha Shengze Ruibao Electronics Trading Co., Ltd.) ("**Changsha Shengze**"), 內蒙古聖澤鼎傑汽車貿易有限公司 (Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd.) ("**Inner Mongolia Shengze Automobile Trading**"), 武漢江融投資有限公司 (Wuhan Jiangrong Investment Co., Ltd.) ("**Wuhan Investment**"), are directly or indirectly wholly-owned by family members of Mr. Wang Muqing, a former executive Director (who resigned on 10 January 2022) and a former controlling Shareholder.

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

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

	Location	Gross floor area (sq.m.)	Use	Lessor	Lessee (being subsidiaries of the Company)	Quarterly rental (RMB)
7.	4S Store, No.40, Xing'an North Road Jia, New District, Hohhot, Inner Mongolia Autonomous Region, the PRC	7,439.00	Operation of 4S businesses	Inner Mongolia Shengze Automobile Trading	呼和浩特市捷運行汽車銷售服務有限公司 (Huhhot Jieyunhang Automobile Sales Services Co., Ltd.*)	2,952,818
8.	4S Store, No.688, Changsha Avenue, Yuhua District, Changsha, Hunan, the PRC	4,498.26	Operation of 4S businesses	Changsha Shengze	長沙瑞寶汽車銷售服務有限公司 (Changsha Ruibao Automobile Sales Services Co., Ltd.*)	694,090
9.	No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	4,661.59	Operation of 4S businesses	Hubei Xike	湖北博誠汽車銷售服務有限公司 (Hubei Bocheng Automobile Sales Services Co., Ltd.*)	654,146
10.	No. Te 6 Huangpu Technological Park, Jiangan District, Wuhan City, Hubei Province, the PRC	6,541.52	Operation of 4S businesses	Hubei Xike	武漢開泰汽車銷售服務有限公司 (Wuhan Kaitai Automobile Sales Services Co., Ltd.*)	913,147
11.	Shiqiao Village, Houhu County, Jiangan District, Wuhan City, Hubei Province, the PRC	18,600.00	Operation of 4S businesses	Wuhan Investment	湖北奧澤汽車銷售服務有限公司 (Hubei Aoze Automobile Sales Services Co., Ltd.*)	4,030,434
12.	Shiqiao Village, Houhu County, Jiangan District, Wuhan City, Hubei Province, the PRC	2,556.00	Operation of 4S businesses	Wuhan Investment	武漢寶澤汽車銷售服務有限公司 (Wuhan Baoze Automobile Sales Services Co., Ltd.*)	553,860
13.	Lot 6C2 in Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	120,951.22	Operation of logistics and storage businesses	Wuhan Shengze Jieyun	聖澤捷通供應鏈有限公司 (Shengze Jietong*)	5,278,996
14.	Lot 5C2 in Wuhan Economic and Technological Development Zone, Wuhan City, Hubei Province, the PRC	10,422.59	Operation of Logistics and storage businesses	Wuhan Shengze Jiezhong	聖澤捷通供應鏈有限公司 (Shengze Jietong*)	715,372

Notes:

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

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

* for identification purpose only

(ii) Property Management Agreements

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

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

(iii) Proposed Annual Caps

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

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

REVIEW OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged KPMG, its independent external auditor, to perform certain procedures in respect of the Continuing Connected Transactions which have been reported to the Board of Directors in a letter dated 29 March 2022. KPMG has confirmed the matters stated in Rule 14A.56 of the Listing Rules in respect of the Continuing Connected Transactions.

The independent non-executive Directors have reviewed the Continuing Connected Transactions and the report of KPMG and are of the opinion that the Continuing Connected Transactions were entered into by the Group:

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

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

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

SHARE AWARD SCHEME

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

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

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

The aggregate number of the Shares administered under the Share Award Scheme and underlying all grants of Shares (excluding the Shares where the rights to acquire them have been released or lapsed in accordance with the Share Award Scheme) made pursuant to the Share Award Scheme shall not exceed in total 5% of the Company's issued Shares as at the Adoption Date (i.e. 122,611,021 Shares). The maximum number of the Shares which may be granted to an individual selected participant shall not exceed 1% of the issued Shares as at the Adoption Date (i.e. 24,522,204 Shares).

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

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

On 12 June 2020, based on the recommendation of the Remuneration Committee, the Board considered and approved the grant of a total of 47,100,000 Grant Shares to 40 selected participants in accordance with the terms of the Share Award Scheme.

Out of the 47,100,000 Grant Shares, (i) 35,700,000 Grant Shares were granted to 37 non-connected selected participants, all being independent employees of the Group who are not connected persons of the Company; and (ii) 11,400,000 Grant Shares were granted to 3 former executive Directors, namely, Mr. Wang Kunpeng, Mr. Li Zhubo and Mr. Wan To. As at the end of the reporting period, the 47,100,000 Grant Shares have been fully issued to the Trustee.

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

During the year ended 31 December 2021, no grant was made under the Share Award Scheme.

During the year ended 31 December 2021, movements of Grant Shares granted under the Share Award Scheme were as follows:

		Number of Grant Shares					
Grantees	Grant Date	As at the Grant Date	Outstanding as at 1 January 2021	Vested during the year 2021	Lapsed during the year 2021	Outstanding as at 31 December 2021	Vesting date/ period (Note 1)
WANG Kunpeng (former executive Director)	12 June 2020	4,400,000	4,400,000	4,400,000	–	–	12 June 2021
LI Zhubo (former executive Director)	12 June 2020	4,000,000	4,000,000	4,000,000	–	–	12 June 2021
WAN To (former executive Director)	12 June 2020	3,000,000	3,000,000	3,000,000	–	–	12 June 2021
37 selected participants who are independent employees of the Group	12 June 2020	35,700,000	29,760,000	8,080,000	4,200,000 (Note 2)	17,480,000	12 June 2022 to 12 June 2024 (Note 3)
		47,100,000	**41,160,000**	**19,480,000**	**4,200,000**	**17,480,000**	

Notes:

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

2. During the period from the 1 January up to 31 December 2021, 5 out of the 37 selected participants tendered their resignation and ceased to be a participant under the Share Award Scheme, hence their 4,200,000 Grant Shares became immediately forfeited, as such grant automatically lapsed forthwith. The Trustee shall hold such 4,200,000 Grant Shares for the time being which shall be applied towards future grants.

3. The outstanding 17,480,000 Grant Shares, subject to the satisfaction of the annual performance review of the relevant selected participants and other vesting conditions applicable to them, will vest on 12 June 2022 (i.e. the second anniversary of the Grant Date), on 12 June 2023 (i.e. the third anniversary of the Grant Date) and on 12 June 2024 (i.e. the fourth anniversary of the Grant Date), respectively.

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

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

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

Long positions in the Shares and underlying Shares of the Company:

Name of Director	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding
Wang Muqing	Founder of a discretionary trust	562,898,636 (Note 2)	20.51%

Notes:

1. As at 31 December 2021, the total number of Shares in issue was 2,744,542,420.

2. To the best knowledge and belief of the Directors, these Shares are directly held by Joy Capital Holdings Limited ("**Joy Capital**"), the entire voting share capital of which is held by Bright Brilliant Holdings Limited ("**Bright Brilliant**"), which in turn is wholly-owned by Credit Suisse Trust Limited in Guernsey as trustee of a family discretionary trust of which Wang Muqing is one of the founders (the other founder being Wang Boheng who is the grandson of Wang Muqing). Wang Muqing resigned as an executive Director on 10 January 2022.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the interests or short positions of such persons (other than the Directors or chief executives of the Company) in the Shares and underlying Shares as recorded in the register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding
Joy Capital	Beneficial owner	562,898,636 (Note 2)	20.51%
Bright Brilliant	Interest of a controlled corporation	562,898,636 (Note 2)	20.51%
Credit Suisse Trust Limited	Trustee	562,898,636 (Note 2)	20.51%
Wang Boheng	Founder of a discretionary trust	562,898,636 (Note 2)	20.51%
Xiamen ITG Holding Group Co., Ltd.	Beneficial owner	820,618,184	29.90%

Notes:

1. As at 31 December 2021, the total number of Shares in issue was 2,744,542,420.

2. To the best knowledge and belief of the Directors, these Shares are directly held by Joy Capital, the entire voting share capital of which is held by Bright Brilliant, which in turn is wholly-owned by Credit Suisse Trust Limited in Guernsey as trustee of a family discretionary trust of which Wang Muqing is one of the founders (the other founder being Wang Boheng who is the grandson of Wang Muqing).

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person (other than the Directors and chief executives of the Company) who had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DISPOSAL OF SHARES BY FORMER CONTROLLING SHAREHOLDER

On 19 October 2020, the former controlling shareholder of the Company, i.e. Joy Capital and Mr. Wang Muqing entered into a sale and purchase agreement (the "**Agreement**") with Xiamen Xindeco. Pursuant to the Agreement, Joy Capital conditionally agreed to sell and Xindeco conditionally agreed to purchase 806,535,284 shares of the Company at a consideration of HK$1,403,371,394. On 30 July 2021, a supplemental sale and purchase agreement (the "**Supplemental Agreement**") was entered into between the original parties to the Agreement and ITG Holding, pursuant to which certain major terms of the Agreement were amended. Under the Supplemental Agreement, it was agreed (among others) that ITG Holding shall enjoy all such rights and assume all such obligations of Xindeco under the Agreement, and the number of shares to be transferred under the Agreement was adjusted to 820,618,184 (representing 29.9% of the entire issued share capital of the Company as at the date of the Supplemental Agreement), at a total consideration of HK$1,427,875,640.16 (the "**Disposal**"). Completion of the Disposal took place on 31 August 2021, upon which ITG Holding became the single largest shareholder of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the Share Award Scheme, at no time during the year ended 31 December 2021 was the Company, or any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Other than the Share Award Scheme, no equity-linked agreements were entered into by the Company during 2021 or subsisted at the end of 2021.

NON-COMPETE UNDERTAKINGS BY FORMER CONTROLLING SHAREHOLDERS

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

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

The Company has received a confirmation from Mr. Wang Muqing confirming compliance with the terms of the Non-Compete Undertakings during the period from 1 January 2021 to the date of completion of the disposal referred to in the following paragraph.

Following the disposal of 820,618,184 Shares (representing 29.9% of the issued share capital of the Company) by Joy Capital which was completed on 31 August 2021, the Covenantors ceased to be a controlling shareholder of the Company and no longer need to comply with the duties and obligations under the Non-compete Undertakings. Details of the disposal have been disclosed in the announcements of the Company dated 20 October 2020, 30 July 2021 and 31 August 2021.

To the best knowledge of the current Directors, there had been compliance with the Non-Compete Undertakings during the period from 1 January 2021 to the day the Covenantors ceased to be a controlling shareholder of the Company.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in notes 24 and 27 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

Save for Mr. Li Zhihuang and Mr. Zeng Tingyi who will not receive any remuneration from the Company during their respective terms of office, none of the current Directors has waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

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

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

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

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

In 2016, Wuhan Zhengtong United Industrial Investment Group Co., Ltd.* 武漢正通聯合實業投資集團有限公司 ("**Wuhan Zhengtong**"), an indirect wholly owned subsidiary of the Company, undertook (the "**Undertaking**") to pay for any shortfalls in the event of default by Beijing Guangze Real Estate Development Co., Ltd.* 北京廣澤房地產開發有限公司 ("**Beijing Guangze**"), in support of Beijing Guangze's (i) redemption obligations under certain investment agreements relating to the investment made by Ningbo Yuchen Fengze Equity Investment Partnership (Limited Partnership)* 寧波禹宸豐澤股權投資合夥企業（有限合夥）("**Yuchen Fengze**") in Beijing Zunbaocheng Real Estate Co., Ltd.* 北京尊寶成置業有限公司 ("**Beijing Zunbaocheng**") and Beijing Baoze Automobile Technology Development Co., Ltd.* 北京寶澤汽車科技發展有限公司 ("**Beijing Baoze**") (the "**Redemption Obligations**"); and (ii) repayment obligations under a loan provided by Hengfeng Bank Co., Ltd. Yangzhou Branch* (恒豐銀行股份有限公司揚州分行) (the "Lender", who was entrusted by Yuchen Fengze to provide the loan to Beijing Guangze) (the "**Loan Obligations**"). In March 2020, Wuhan Zhengtong entered into certain shortfall agreements (the "**Shortfall Agreements**") with Yuchen Fengze and the Lender which replaced the Undertaking as guarantees for the Redemption Obligations and the Loan Obligations.

To the best knowledge of the Directors, Beijing Guangze is a majority-controlled company held indirectly by a family member of Mr. Wang Muqing, a former executive Director, who has resigned on 10 January 2022. Beijing Guangze holds 8.6758% and 4.3478% equity interest in Beijing Zunbaocheng and Beijing Baoze, respectively.

Other than the shortfall guarantees provided by Wuhan Zhengtong as mentioned above, the Redemption Obligations and Loan Obligations have also been secured by, among other things, certain land use rights and properties located in Beijing belonging to Beijing Zunbaocheng and Beijing Baoze since 2016.

On 17 December 2021, the Company was notified that a court judgement had been granted by the Ningbo Intermediate People's Court in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong.

On 28 December 2021, the Company was notified that another court judgement had been granted in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong by the Yangzhou Intermediate People's Court (together with the court judgement notified to the Company on 17 December 2021, the "**First Instance Judgement**").

Pursuant to the First Instance Judgement, Beijing Guangze shall:

- pay to Yuchen Fengze a principal amount of RMB420 million together with interest, comprising, among others, the redemption price for the equity investment made by Yuchen Fengze in Beijing Zunbaocheng and Beijing Baoze. Wuhan Zhengtong was held jointly and severally liable for the same amount;

- pay to Yuchen Fengze approximately RMB1.41 billion (comprising the loan principal of RMB1.35 billion, accrued interest, default interest and compound interest) and late payment interest, the actual amount of which will increase with time and relevant costs. Wuhan Zhengtong was held jointly and severally liable for the same amount.

For further details, please refer to the announcements of the Company dated 22 December 2021 and 31 December 2021 (the "**December 2021 Announcements**").

The First Instance Judgement is not yet effective, and Wuhan Zhengtong has already filed an appeal against it through Zhejiang Higher People's Court and Jiangsu Higher People's Court. An initial court hearing was held by the Zhejiang Higher People's Court in February 2022. The appeal has not reached conclusion as of the date of this report.

As stated in the December 2021 Announcements, the entry into of the Undertaking and Shortfall Agreements may have constituted undisclosed connected transactions of the Company at the relevant time.

As stated in the announcement of the Company dated 10 January 2022 (together with the December 2021 Announcements, the "**Announcements**"), an independent board committee comprising executive Directors who were not Directors at the relevant time (i.e. Mr. Wang Mingcheng, Mr. Li Zhihuang and Mr. Zeng Tingyi) was established on 7 January 2022 to conduct an investigation into the above matters. For further details of the above, please refer to the Announcements.

Save as disclosed herein, during the year under review, to the best knowledge of Directors, the Company was in compliance with the relevant laws and regulations that have a significant impact on the Group in all material respects.

IMPORTANT EVENTS AFTER 31 DECEMBER 2021

Save as disclosed in the sections headed "Material Acquisitions and Disposals", "Changes to Information in Respect of Directors and Chief Executives", "Compliance with Laws and Regulations" and "Purchase, Sale or Redemption of the Company's Listed Securities" in this annual report, there were no other significant events affecting the Group which occurred after 31 December 2021 and up to the date of this report.

MAJOR RISKS AND UNCERTAINTIES

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

(i) Macro-economic environment

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

(ii) Industry policies

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

(iii) Manufacturers' policies

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

(iv) Intense competition

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

(v) Supply chain

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

(vi) Information systems

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

(vii) Market risks

The Group is subject to various types of market risks, including credit risks, liquidity risks, interest rate risks and exchange risks, the details of which are set out in note 32 to the financial statements in this annual report. The Group has exercised effective control over market risks through continuous monitoring of risks and changes, timely risk warnings and appropriate application of hedge instruments.

PERMITTED INDEMNITY

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

More details of the environmental policies and performance of the Company are set out in the Environmental, Social and Governance (ESG) Report in this annual report.

MANAGEMENT CONTRACTS

Except for the service contracts of the Directors and senior management of the Company or otherwise disclosed in this annual report, no contracts were entered into between the Company and any individuals, companies or legal corporations, for the management and administration of the whole or any substantial part of the Company's business during the year ended 31 December 2021.

CORPORATE GOVERNANCE

So far as the current Board is aware, during the year ended 31 December 2021, save for the deviation as explained under the section headed the section headed "Corporate Governance Practices" on page 21 of this annual report, the Company had complied with the applicable Code Provisions set out in the CG Code.

SUFFICIENCY OF PUBLIC FLOAT

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

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

On 30 September 2021, the Company commenced an offer (the "**Offer**") to purchase for cash any and all of its outstanding US$173,000,000 in aggregate principal amount of senior notes due 2022 (the "**Notes**") issued by the Company on 21 January 2020 and 14 February 2020. As of the expiration deadline of the Offer, US$162,400,000 in aggregate principal amount of the Notes had been validly tendered. On 29 November 2021, the Company purchased all the Notes validly tendered in the Offer, after which Notes (the "**Remaining Notes**") in an aggregate principal amount of US$10,600,000 remained outstanding. The Company redeemed the Remaining Notes at maturity date (i.e. 21 January 2022).

Save for the abovementioned redemption, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the Shareholders by reasons of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

AUDITORS

KPMG will retire and, being eligible, offer themselves for re-appointment at the 2022 AGM. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the 2022 AGM.

On behalf of the Board

Wang Mingcheng
Chairman
21 April 2022

INDEPENDENT AUDITOR'S REPORT

KPMG

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

OPINION

We have audited the consolidated financial statements of China ZhengTong Auto Services Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 89 to 195, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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.

Impairment of goodwill and intangible assets — car dealerships

Refer to note 14 & note 15 to the consolidated financial statements on pages 135 to 139 and the accounting policies on page 98 and page 101.

The Key Audit Matter	How the matter was addressed in our audit
As a result of acquisitions by the Group of 4S dealership stores, the Group recognised goodwill and intangible assets — car dealership in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealership stores, which are considered to represent individual cash generating units ("CGUs"). As at 31 December 2021, goodwill and intangible assets — car dealership, after provision for impairment, amounted to RMB567 million (31 December 2020: RMB694 million) and RMB1.9 billion (31 December 2020: RMB2.0 billion), respectively. The 4S dealership business in China operates in a highly competitive and regulated market which increases the risk of sales volatility of the 4S dealership stores. Consequently, there are uncertainties as to whether the acquired 4S dealership stores can meet forecast growth projections.	Our audit procedures to assess impairment of goodwill and intangible assets — car dealerships included the following: • evaluating the appropriateness of management's identification of CGUs and the amounts of goodwill and intangible assets — car dealerships allocated to each CGU; • evaluating the reasonableness of management's identification of impairment indications of goodwill and intangible assets — car dealership and determination of recoverable amount; • assessing the qualifications, experience and expertise of the external valuer appointed by management in assessing the impairment of goodwill and intangible assets — car dealerships and considering their objectivity and independence;

KEY AUDIT MATTERS (Continued)

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

Refer to note 14 & note 15 to the consolidated financial statements on pages 135 to 139 and the accounting policies on page 98 and page 101.

The Key Audit Matter	How the matter was addressed in our audit
Management reviews internal and external sources of information at the end of each reporting period to identify indications that goodwill and intangible assets may be impaired, and if such indication exists, the recoverable amount is estimated. As at 31 December 2021, management assesses goodwill and intangible assets — car dealerships for potential impairment by determining the recoverable amount for each CGU to which the goodwill and intangible assets — car dealerships have been allocated, with reference to a valuation report prepared by an external valuer appointed by management. The recoverable amount of each CGU is determined by management using the discounted cash flow method. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating sales growth rates, corresponding gross margin rates and working capital changes, which are based on past performance and management's expectation of market developments.	• with the assistance of our internal valuation specialists, evaluating the methodology adopted by management and the valuer in determining the recoverable amount of goodwill and intangible assets — car dealership with impairment indications and the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry; • comparing data in the discounted cash flow forecast of each individual CGU with relevant data, including forecast revenue, forecast cost of sales, forecast other operating expenses and forecast working capital, in the financial budget which was approved by the directors and comparing forecast revenue growth trends with sales forecasts issued by industry research institutions;

KEY AUDIT MATTERS (Continued)

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

Refer to note 14 & note 15 to the consolidated financial statements on pages 135 to 139 and the accounting policies on page 98 and page 101.

The Key Audit Matter	How the matter was addressed in our audit
We identified impairment of goodwill and intangible assets — car dealerships as a key audit matter because these assets are material to the consolidated financial statements and because the impairment assessments prepared by management are complex and contain certain judgements and assumptions which are inherently uncertain and could be subject to management bias.	• comparing forecast revenue, forecast cost of sales, forecast other operating expenses and forecasts working capital included in the discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified; • obtaining from management sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • considering the disclosures in the consolidated financial statements of the assumptions in the impairment assessments of goodwill and intangible assets — car dealerships with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (Continued)

Recognition of vendor rebates	
Refer to note 20 to the consolidated financial statements on page 161 and the accounting policies on page 114.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group earns vendor rebates under various and differing arrangements with automobile manufacturers. Rebate arrangements, which can vary in different fiscal years and between automobile manufacturers, include rebates based on purchase or (for certain specific car models) sales volumes, performance rebates and other specific rebates. Rebates based on purchase or sales volumes are granted by vendors if certain purchase or sales targets are met. Performance rebates are granted by vendors in accordance with the vendors' comprehensive assessment of the Group's business performance. In addition, other specific rebates are granted to the Group, including, but not limited to, compensation for automobile mortgage sales, new store one-off compensation, regional annual awards and car demonstration compensation.	Our audit procedures to assess the recognition of vendor rebates included the following: • obtaining an understanding of the design and implementation of management's key internal controls in relation to the recognition of vendor rebates; • assessing the Group's accounting policies in respect of the recognition of vendor rebates by inspecting the terms and conditions set out in each type of rebate arrangement communicated by the respective automobile manufacturers with reference to the requirements of the prevailing accounting standards; • selecting a sample of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or underlying bank payment slips;

KEY AUDIT MATTERS (Continued)

Recognition of vendor rebates (Continued)	
Refer to note 20 to the consolidated financial statements on page 161 and the accounting policy on page 114.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group manually calculates rebates and recognises them to the extent that the management estimates it is probable that the associated conditions will be met and the amount can be estimated reliably. We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and because the manual calculation of the Group's entitlement to such rebates involves material management's estimation, which increases the risk that vendor rebates are not accurately recognised in accordance with the underlying entitlement conditions.	• for vendor rebate receivables at the reporting date, performing recalculations of the amounts receivable, on a sample basis, based on the terms of the underlying vendor rebate policies and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate polices; • evaluating, on a sample basis, the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; • assessing, on a sample basis, whether vendor rebates accrued at the previous financial reporting date were subsequently settled in the current year; and • for reversal of vendor rebate entitlements as an adjustment to cost of sales recorded during the reporting period, assessing the reasonableness of management's identification of significant uncertainties around the recoverability of certain rebate receivable and determination of corresponding reversal amount, by understanding the business rationale behind and, on a sample basis, inspecting underlying supporting documents.

KEY AUDIT MATTERS (Continued)

Assessment of the fair value of asset held for sale

Refer to note 31 to the consolidated financial statements on page 176 and the accounting policy on page 99.

The Key Audit Matter	How the matter was addressed in our audit
As disclosed in note 31, the Company has lost its control over Shanghai Dongzheng Automotive Finance Co., Ltd. ("Dongzheng") as at 31 December 2021. The Company's interest in Dongzheng would fall within the scope of HKFRS 9 as a financial asset measured at fair value through profit or loss upon the loss of control and be classified as asset held for sale ("Asset Held for Sale"), which was classified as level 3 financial instruments. The fair value of the Asset Held for Sale was RMB1.40 billion as at 31 December 2021. The Company recognised a fair value remeasurement loss of RMB1.2 billion on the same date. Such remeasurement loss was based on the difference of the fair value and the carrying amount of the Asset Held for Sale as at the date of loss of control. The fair value of the Asset Held for Sale was measured based on market approach, which involves estimating control premium and liquidity discount, which are subject to a significant degree of judgement and could be subject to management bias. We identified the assessment of the fair value of Asset Held for Sale as a key audit matter because of the significance of its fair value and remeasurement loss and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation model.	Our audit procedures to assess the fair value of Asset Held for Sale included the following: • assessing the design, implementation and operating effectiveness of key internal controls for the management's fair value assessment of financial instruments; • assessing the accounting of loss of control of Dongzheng as at 31 December 2021 with reference to the requirements of the prevailing accounting standards; • assessing the qualifications, experience and expertise of the external valuer appointed by management in assessing the fair value of Assets Held for Sale and evaluating objectivity and independence of the external valuer; • engaging our internal valuation specialists to perform an evaluation of the fair value of the Asset Held for Sale, which included evaluating the reasonableness of valuation methodology and key assumption applied including control premium and liquidity discount; and • assessing whether the disclosure of Asset Held for Sale in the financial statements was in accordance with the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021 (Expressed in RMB'000)

	Note	2021 RMB'000	2020 RMB'000
		For the year ended 31 December	
Continuing operations			
Revenue	3	**20,985,529**	16,880,923
Cost of sales		**(19,749,970)**	(22,054,370)
Gross profit/(loss)		**1,235,559**	(5,173,447)
Other income	4	**556,634**	665,223
Selling and distribution expenses		**(1,281,469)**	(1,502,673)
Administrative expenses		**(1,151,222)**	(1,066,925)
Impairment losses on goodwill and intangible assets	14, 15	**(316,617)**	(2,262,744)
Loss from operations		**(957,115)**	(9,340,566)
Finance costs	5(a)	**(1,301,874)**	(1,091,937)
Share of profit of associates and a joint venture		**45,340**	37,077
Loss before taxation	5	**(2,213,649)**	(10,395,426)
Income tax	6(a)	**9,641**	1,782,957
Loss for the year from continuing operations		**(2,204,008)**	(8,612,469)
Discontinued operations	31		
(Loss)/profit for the year from discontinued operations, net of tax		**(1,576,759)**	23,865
Loss for the year		**(3,780,767)**	(8,588,604)
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company			
— from continuing operations		**(2,200,181)**	(8,596,060)
— from discontinued operations		**(1,421,950)**	16,954
		(3,622,131)	(8,579,106)
(Loss)/profit for the year attributable to:			
Non-controlling interests			
— from continuing operations		**(3,827)**	(16,409)
— from discontinued operations		**(154,809)**	6,911
		(158,636)	(9,498)
Loss for the year		**(3,780,767)**	(8,588,604)
Basic and diluted (loss)/earnings per share	9		
from continuing operations (RMB cents)		**(81.3)**	(335.5)
from discontinued operations (RMB cents)		**(52.5)**	0.7
		(133.8)	(334.8)

The notes on pages 95 to 195 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021 (Expressed in RMB'000)

	Note	2021 RMB'000	2020 RMB'000
		For the year ended 31 December	
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
financial statements of entities outside the Mainland China		**6,541**	14,772
Other comprehensive income for the year		**6,541**	14,772
Total comprehensive income for the year		**(3,774,226)**	(8,573,832)
Attributable to:			
Equity shareholders of the Company			
— from continuing operations		**(2,193,640)**	(8,581,288)
— from discontinued operations		**(1,421,950)**	16,954
		(3,615,590)	(8,564,334)
Non-controlling interests			
— from continuing operations		**(3,827)**	(16,409)
— from discontinued operations		**(154,809)**	6,911
		(158,636)	(9,498)
Total comprehensive income for the year		**(3,774,226)**	(8,573,832)

The notes on pages 95 to 195 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021 (Expressed in RMB'000)

	Note	At 31 December 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	11	**5,688,860**	6,098,398
Investment properties	12	**115,631**	—
Right-of-use assets	13	**2,915,812**	3,036,412
Intangible assets	14	**2,631,734**	2,979,596
Goodwill	15	**566,736**	693,791
Interest in associates	17	**533,367**	516,887
Deferred tax assets	29	**616,626**	442,782
Long-term receivables		**270,075**	237,924
Other financial assets	21	**—**	35,000
		13,338,841	14,040,790
Current assets			
Inventories	18	**2,649,031**	1,801,768
Trade and bills receivables	19	**1,005,066**	1,054,337
Prepayments, deposits and other receivables	20	**4,294,473**	4,373,866
Other financial assets	21	**122,589**	250,000
Pledged bank deposits	22	**2,696,460**	989,711
Time deposits		**413,841**	443,180
Cash and cash equivalents	23	**208,771**	395,119
Asset(s) held for sale	31	**1,400,714**	4,647,182
		12,790,945	13,955,163
Current liabilities			
Loans and borrowings	24	**14,776,527**	10,122,239
Bonds payable	27	**365,936**	—
Lease liabilities	25	**309,477**	529,620
Trade and other payables	26	**5,974,680**	4,197,308
Income tax payables		**414,378**	387,750
Liabilities held for sale	31	**—**	2,203,270
		21,840,998	17,440,187
Net current liabilities		**(9,050,053)**	(3,485,024)
Total assets less current liabilities		**4,288,788**	10,555,766

The notes on pages 95 to 195 form part of these financial statements.

At 31 December 2021 (Expressed in RMB'000)

	Note	At 31 December 2021 RMB'000	2020 RMB'000
Non-current liabilities			
Loans and borrowings	24	**1,519,457**	1,433,964
Bonds payable	27	**—**	1,417,105
Lease liabilities	25	**1,169,334**	1,161,212
Deferred tax liabilities	29	**839,606**	946,546
Trade and other payables	26	**219,770**	251,656
Other financial liabilities		**—**	32,383
		3,748,167	5,242,866
NET ASSETS		**540,621**	5,312,900
CAPITAL AND RESERVES	30		
Share capital		**235,203**	231,265
Reserves		**273,227**	3,876,829
Total equity attributable to equity shareholders of the Company		**508,430**	4,108,094
Non-controlling interests		**32,191**	1,204,806
TOTAL EQUITY		**540,621**	5,312,900

Approved and authorised for issue by the board of directors on 29 March 2022.

Wang Mingcheng
Chairman

Li Zhihuang
Director

The notes on pages 95 to 195 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (Expressed in RMB'000)

	Attributable to shareholders of the Company										
	Share capital RMB'000 (note 30(c))	Share premium RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000 (note 30(d)(i))	Exchange reserve RMB'000 (note 30(d)(ii))	Discretionary surplus reserve RMB'000	General reserve RMB'000 (note 30(d)(iii))	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	209,150	6,112,674	607,161	777,763	(17,952)	4,459	156,047	4,568,966	12,418,268	1,222,029	13,640,297
Total comprehensive income for the year:											
Loss for the year	–	–	–	–	–	–	–	(8,579,106)	(8,579,106)	(9,498)	(8,588,604)
Other comprehensive income	–	–	–	–	14,772	–	–	–	14,772	–	14,772
Total comprehensive income for the year	–	–	–	–	14,772	–	–	(8,579,106)	(8,564,334)	(9,498)	(8,573,832)
Dividends (note 30(b))	–	–	–	–	–	–	–	–	–	(7,725)	(7,725)
Issue of ordinary shares by placement (note 30(c))	22,115	214,735	–	–	–	–	–	–	236,850	–	236,850
Equity settled share-based transactions	–	–	17,310	–	–	–	–	–	17,310	–	17,310
Appropriation to reserves	–	–	–	19,465	–	–	–	(19,465)	–	–	–
Balance at 31 December 2020, and 1 January 2021	231,265	6,327,409	624,471	797,228	(3,180)	4,459	156,047	(4,029,605)	4,108,094	1,204,806	5,312,900
Total comprehensive income for the year:											
Loss for the year	–	–	–	–	–	–	–	(3,622,131)	(3,622,131)	(158,636)	(3,780,767)
Other comprehensive income	–	–	–	–	6,541	–	–	–	6,541	–	6,541
Total comprehensive income for the year	–	–	–	–	6,541	–	–	(3,622,131)	(3,615,590)	(158,636)	(3,774,226)
Loss of control in a subsidiary	–	–	(315,517)	(63,716)	–	–	(156,047)	535,280	–	(1,013,979)	(1,013,979)
Issue of ordinary shares for Share Award Scheme (note 30(a))	3,938	–	(3,938)	–	–	–	–	–	–	–	–
Equity settled share-based transactions	–	19,740	(3,814)	–	–	–	–	–	15,926	–	15,926
Appropriation to reserves	–	–	–	24,472	–	–	–	(24,472)	–	–	–
Balance at 31 December 2021	**235,203**	**6,347,149**	**301,202**	**757,984**	**3,361**	**4,459**	**–**	**(7,140,928)**	**508,430**	**32,191**	**540,621**

The notes on pages 95 to 195 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021 (Expressed in RMB'000)

	Note	For the year ended 31 December 2021 RMB'000 (Note)	 2020 RMB'000 (Note)
Operating activities:			
Cash generated from operations	23(b)	**308,150**	520,074
Income tax paid		**(152,518)**	(173,844)
Net cash generated from operating activities		**155,632**	346,230
Investing activities:			
Payment for purchase of property, plant and equipment		**(638,429)**	(563,451)
Payment for purchase of right-of-use assets		**—**	(13,733)
Proceeds from disposal of property, plant and equipment		**509,119**	384,453
Proceeds from redemption of financial assets		**41,580**	—
Payment for purchase of intangible assets		**(3,537)**	(8,716)
Dividend received from joint venture		**—**	24,061
Dividend received from an associate		**28,860**	—
Loss of control in a subsidiary (note 31)		**(255,890)**	—
Net cash used in business acquisition		**(71,000)**	(71,000)
Decrease in time deposits		**29,339**	237,749
Interest received		**14,126**	33,051
Net cash (used in)/generated from investing activities		**(345,832)**	22,414
Financing activities:			
Proceeds from loans and borrowings and bonds payable	23(c)	**21,830,870**	16,695,255
Repayment of loans and borrowings and bonds payable	23(c)	**(19,397,617)**	(16,939,663)
Capital element of lease rentals paid		**(475,903)**	(238,559)
Interest element of lease rentals paid		**(91,083)**	(104,548)
Proceeds from issue of ordinary shares by placement	30(c)	**—**	236,850
Dividends paid to non-controlling interests	30(b)	**—**	(7,725)
Interest paid	23(c)	**(1,329,040)**	(1,146,051)
(Increase)/decrease of pledged bank deposits	22	**(627,681)**	150,360
Payments for issue costs and listing expenses of a subsidiary	23(c)	**—**	(5,185)
Net cash used in financing activities		**(90,454)**	(1,359,266)
Net decrease in cash and cash equivalents		**(280,654)**	(990,622)
Cash and cash equivalents at the beginning of the year		**490,540**	1,497,400
Effect of foreign exchange rate changes		**(1,115)**	(16,238)
Cash and cash equivalents at the end of the year	23	**208,771**	490,540

Note: Consolidated cash flow statement for the year ended 31 December 2021 and 2020 include cash flows from both continuing and discontinued operations.

The notes on pages 95 to 195 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

On 31 August 2021, the sale and purchase agreement among Xiamen ITG Holding Group Co., Ltd. ("**ITG Holding**"), Joy Capital Holdings Limited ("**Joy Capital**", the then controlling shareholder) and other relevant parties (the "**SPA**") has been completed. Upon completion of the SPA, ITG Holding holds 820,618,184 shares, representing approximately 29.9% of the Company's share capital in issue and then becomes the single largest shareholder of the Company, and Joy Capital holds 562,898,636 shares, representing approximately 20.51% of the Company's share capital in issue, and is no longer the controlling shareholder of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interest in associates.

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

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

— investments in equity securities (see note 2(g)); and

— derivative financial instruments (see note 2(h)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Group incurred a net loss of RMB3,781 million for the year ended 31 December 2021. And the Group had net current liabilities of RMB9,050 million as at 31 December 2021, including a sum of loans and borrowings of RMB5,766 million due to ITG Holding and its subsidiaries. Notwithstanding these conditions, the Group's consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis and the directors consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because, based on the cash flow projections for at least the next twelve months, the directors of the Company concluded that the Group will have adequate funds having considered the current available banking facilities as well as the financial support from ITG Holding, who has informed the Group that, on the basis that in compliance with regulatory regime applicable to state owned enterprises and after obtaining internal resolutions and approvals, it will provide financial support to the Group as may be necessary to enable the Group to continue operation as a going concern for at least the next twelve months.

(c) Changes in accounting policy

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 2(l)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. The Group has early adopted the 2021 amendment in this financial year.

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

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

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(e). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(h) Derivative financial instruments

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

(i) Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are measured at cost less accumulated depreciation and impairment losses (see note 2(m)(iii)). Cost includes expenditure that is directly attributable to the acquisition of the investment property. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 30 to 40 years. Depreciation methods, useful lives and residual values are re-assessed at the end of each reporting period and adjusted if appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Intangible assets (other than goodwill)

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

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

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

Both the period and method of amortisation are reviewed annually.

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

(l) Leased assets

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

(i) As a lessee

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leased assets (Continued)

(i) As a lessee (Continued)

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

(ii) As a lessor

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets

(i) Credit losses

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

— financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, time deposits, trade and bills receivables, and deposits and other receivables and long-term receivables);

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

Measurement of ECLs

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

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses (Continued)

Measurement of ECLs (Continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset has past due certain periods under different risk profiles. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward —looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(w)(ix) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

— significant financial difficulties of the debtor;

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

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

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

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

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

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

Write-off policy

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "Other payables and accruals" at fair value.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs) on the financial guarantees are determined to be higher than the amount carried in "Other payables and accruals" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk —free rate adjusted for risks specific to the cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iii) Impairment of other non-current assets

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

— property, plant and equipment;

— investment properties;

— right-of-use assets;

— intangible assets;

— goodwill; and

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

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

— *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iii) Impairment of other non-current assets (Continued)

— *Reversals of impairment losses*

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

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

(iv) Interim financial reporting and impairment

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

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

(n) Inventories

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

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

— 4S dealership business

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Inventories (Continued)

— Property development business

Cost and net realisable values are determined as follows:

— *Property under development for sale*

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

— *Completed property held for resale*

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

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

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

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

(o) Contract liabilities

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

(p) Trade and other receivables

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(m)(i).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(s) Interest-bearing borrowings

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

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits (Continued)

(ii) Share-based payments (Continued)

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Income tax

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Income tax (Continued)

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

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

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

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

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

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

  — the same taxable entity; or

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

(v) Provisions and contingent liabilities

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and other income

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

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

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

(i) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised upon delivery of motor vehicles when the customer takes possession of and accepts the motor vehicles. Revenue excludes value added tax and is after deduction of any trade discounts.

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

Revenue arising from the sale of motor spare parts is recognised when the customer takes possession of and accepts the spare parts.

(iii) After-sales services — maintenance services income

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

(iv) Logistics services income and other related services income

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

(v) Sales of lubricant oil

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

(vi) Service income from financial services — consulting services

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and other income (Continued)

(viii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(ix) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(m)(i)).

(x) Government grants

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

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

(x) Vendor rebates

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Translation of foreign currencies

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

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

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

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

(z) Borrowing costs

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

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

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

(i) Non-current assets held for sale

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Non-current assets held for sale (Continued)

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

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

(ii) Discontinued operations

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

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

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

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

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

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(bb) Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

(cc) Segment reporting

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

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

3 REVENUE

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

(i) Disaggregation of revenue

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

	For the year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Continuing operations		
Sales of passenger motor vehicles	**16,988,912**	12,605,564
Provision of after-sales services	**3,104,557**	3,373,363
Provision of logistics services	**613,298**	611,266
Sales of lubricant oil	**269,766**	280,576
	20,976,533	16,870,769
Discontinued operations		
Service income from financial services	**34,242**	72,597
Revenue from other sources		
Continuing operations:		
Others	**8,996**	10,154
Discontinued operations:		
Interest income from financial services	**247,827**	547,908
	21,267,598	17,501,428
Revenue of continuing operations	**20,985,529**	16,880,923
Revenue of discontinued operations	**282,069**	620,505

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

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

4 OTHER INCOME

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Continuing operations:		
Service income	**389,932**	430,838
Interest income from bank deposits	**14,126**	33,051
Net gain on disposal of property, plant and equipment	**261,737**	34,909
Gain on disposal of interest in a joint venture	**—**	133,403
Realised/unrealised (loss)/gain of financial instruments	**(116,775)**	16,534
Others	**7,614**	16,488
	556,634	665,223
Discontinued operations:		
Government grants	**3**	12,164
Others	**2,080**	(2,643)
	2,083	9,521
	558,717	674,744

5 LOSS BEFORE TAXATION

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

			For the year ended 31 December	
		Note	**2021**	2020
			RMB'000	RMB'000
(a)	**Finance costs:**			
	Continuing operations:			
	Interest on loans and borrowings and bonds payable		**1,254,898**	1,046,242
	Interest on lease liabilities		**89,807**	102,650
	Finance costs for consideration of business combination	(i)	**16,048**	22,219
	Other finance costs	(ii)	**23,717**	20,433
	Less: Interest capitalised*		**(82,596)**	(99,607)
			1,301,874	1,091,937
	Discontinued operations:			
	Interest on lease liabilities		**1,276**	1,899
			1,303,150	1,093,836

* The borrowing costs have been capitalised at a rate of 5.9% — 7.4% per annum (2020: 4.13% — 8.80%).

5 LOSS BEFORE TAXATION (Continued)

		Note	For the year ended 31 December 2021 RMB'000	2020 RMB'000
(b)	**Staff costs:**			
	Continuing operations:			
	Salaries, wages and other benefits	(iii)	**1,009,023**	1,293,136
	Contributions to defined contribution retirement plans		**56,251**	17,944
	Equity settled share-based transactions		**15,926**	17,310
			1,081,200	1,328,390
	Discontinued operations:			
	Salaries, wages and other benefits		**57,215**	69,101
	Contributions to defined contribution retirement plans	(iii)	**5,529**	749
			62,744	69,850
			1,143,944	1,398,240

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

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

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

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

The Company's and its subsidiaries' contributions made to the above defined contribution schemes are non-refundable and cannot be used to reduce the future or existing level of contribution of the Company and its subsidiaries should any forfeiture be resulted from the Schemes.

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

5 LOSS BEFORE TAXATION (Continued)

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

		For the year ended 31 December	
		2021	2020
		RMB'000	RMB'000
(c)	**Other items:**		
	Continuing operations:		
	Cost of inventories (note 18(b))	**19,070,743**	21,312,963
	Depreciation		
	— owned property, plant and equipment	**361,024**	371,919
	— Right-of-use assets	**379,291**	397,899
	— Investment properties	**571**	—
	Amortisation of intangible assets	**161,114**	183,897
	Operating lease charges	**8,069**	5,735
	Net foreign exchange gain	**(181,000)**	(350,442)
	Impairment losses		
	— Goodwill (note 15)	**127,055**	1,241,322
	— Intangible assets (note 14)	**189,562**	1,021,422
	— Property, plant and equipment (note 11)	**311,777**	235,628
	Auditors' remuneration	**9,800**	10,000
	Discontinued operations:		
	Cost of interests*	**63,449**	147,915
	Depreciation		
	— Owned property, plant and equipment	**—**	3,143
	— Right-of-use assets	**—**	9,290
	Amortisation of intangible assets	**—**	5,536
	Operating lease charges	**135**	320
	Net foreign exchange (gain)/loss	**(1,068)**	995
	Impairment losses		
	— Receivables from financial services	**887,854**	309,266
	Auditors' remuneration	**3,600**	3,800
	Loss in relation to loss of control in a subsidiary (note 31)	**1,200,197**	—

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

6 INCOME TAX

(a) Continuing operation

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current tax:		
Provision for income tax for the year	**113,148**	(1,548,535)
Deferred tax:		
Origination of temporary differences (note 29)	**(122,789)**	(234,422)
	(9,641)	(1,782,957)

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss before taxation	**(2,213,649)**	(10,395,426)
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**(553,412)**	(2,598,857)
Non-deductible expenses, net of non-taxable income	**191,570**	408,382
Unused tax losses not recognised	**363,536**	246,690
Share of profits recognised under the equity method	**(11,335)**	(9,269)
Effect of withholding tax	**—**	170,097
Income tax	**(9,641)**	(1,782,957)

6 INCOME TAX (Continued)

(b) Discontinued operations:

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

	For the year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Current tax:		
Provision for income tax for the year	**(52,481)**	64,434
Over-provision in respect of prior years	**(143)**	(143)
	(52,624)	64,291
Deferred tax:		
Origination of temporary differences	**(289,072)**	(55,678)
	(341,696)	8,613

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

	For the year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
(Loss)/profit before taxation	**(1,918,455)**	32,478
Notional tax on profit before taxation, calculated at PRC income tax rate of 25%	**(479,614)**	8,120
Effect of tax rate differential	**180,030**	—
Tax effect of consolidation adjustments	**(42,114)**	—
Non-deductible expenses	**145**	636
Over-provision in respect of prior years	**(143)**	(143)
Income tax	**(341,696)**	8,613

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

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

(iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25% (2020: 25%).

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

6 INCOME TAX (Continued)

(b) Discontinued operations: (Continued)

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

(iv) Under the CIT law and its relevant regulations, capital gains and dividends receivable on investment by non-PRC resident enterprises from PRC resident enterprises for earnings beginning on 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements.

7 DIRECTORS' REMUNERATION

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

Year ended 31 December 2021

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Share-based payments (viii) RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman						
Wang Mingcheng (i)	—	200	—	—	10	210
Wang Muqing(ii)	—	—	—	—	—	—
Executive directors						
Li Zhihuang (iii)	—	—	—	—	—	—
Zeng Tingyi (iv)	—	—	—	—	—	—
Wang Kunpeng (v)	—	288	432	2,236	21	2,977
Li Zhubo (vi)	—	288	432	2,032	33	2,785
Wan To (vii)	—	264	396	1,524	32	2,216
Independent non-executive directors						
Wong Tin Yau, Kelvin	270	—	—	—	—	270
Cao Tong	264	—	—	—	—	264
Wong Tantan	270	—	—	—	—	270
	804	1,040	1,260	5,792	96	8,992

7 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2020

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

Notes:

(i) On 31 August 2021, Mr. Wang Mingcheng was nominated as chairman of the Company, effective from 9 September 2021.

(ii) On 31 August 2021, Mr. Wang Muqing resigned as chairman of the Company, effective from 9 September 2021.

(iii) On 31 August 2021, Mr. Li Zhihuang was nominated as an executive director of the Company, effective from 17 September 2021.

(iv) On 31 August 2021, Mr. Zeng Tingyi was nominated as an executive director of the Company, effective from 1 September 2021.

(v) On 31 August 2021, Mr. Wang Kunpeng resigned as an executive director of the Company, effective from 17 September 2021.

(vi) On 31 August 2021, Mr. Li Zhubo resigned as an executive director of the Company, effective from 1 September 2021.

(vii) On 31 August 2021, Mr. Wan To resigned as an executive director of the Company, effective from 1 September 2021.

(viii) It represents the fair value of restricted shares granted to the directors under the Company's employee restricted shares plan. The value of these restricted shares is measured according to the Company's accounting policies for share-based payment transactions as set out in note 2(t)(ii). Details are disclosed in note 28.

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

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2020: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2020: one) individuals are as follows:

	At 31 December	
	2021 **RMB'000**	2020 RMB'000
Salaries, allowances and benefits in kind	**1,542**	398
Discretionary bonuses	**614**	595
Retirement scheme contributions	**12**	9
	2,168	1,002

The emolument of the two (2020: one) individual with the highest emoluments is within the following band:

	2021 **Number of individuals**	2020 Number of individuals
RMB1,000,001–1,500,000	**2**	1

9 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2021 was based on the loss attributable to equity shareholders of the Company of RMB2,200,181,000 (2020: RMB8,596,060,000) from continuing operations and loss attributable to equity shareholders of the Company of RMB1,421,950,000 (2020: profit of RMB16,954,000) from discontinued operations and the weighted average number of ordinary shares in issue during the year ended 31 December 2021 of 2,707,891,078 (2020: 2,562,402,360), calculated as follows:

Weighted average number of ordinary shares

	For the year ended 31 December	
	2021	2020
Issued ordinary shares at 1 January	**2,697,442,420**	2,452,220,420
Effect of shares issued for placing	**—**	110,181,940
Effect of restricted shares vested to employees	**10,448,658**	—
Weighted average number of ordinary shares at 31 December	**2,707,891,078**	2,562,402,360

The potential ordinary shares in respect of vesting of restricted shares on 12 June 2021 and the remaining unvested restricted shares pursuant to the Share Award Scheme was anti-dilutive, as they would lead to a decline in the loss per share. Therefore, diluted earnings per share are equal to basic earnings per share.

10 SEGMENT REPORTING

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

1 4S dealership business

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

2 Supply chain business

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

3 Financial services business

Financial services business mainly includes providing financial services to auto customers and dealers, which is included in the discontinued operations.

4 Comprehensive properties business

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

(a) Segment results, assets and liabilities

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

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

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

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

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

10 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

	Continuing operation		Continuing operation		Discontinued operation		Continuing operation			
	4S dealership business		Supply chain business		Financial services business		Comprehensive properties business		Total	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Revenue from external customers	**20,099,507**	15,989,081	**883,064**	891,842	**282,069**	620,505	**2,958**	–	**21,267,598**	17,501,428
Inter-segment revenue	**–**	–	**–**	–	**93,334**	188,204	**–**	–	**93,334**	188,204
Reportable segment revenue	**20,099,507**	15,989,081	**883,064**	891,842	**375,403**	808,709	**2,958**	–	**21,360,932**	17,689,632
Reportable segment (loss)/profit	**(1,279,182)**	(7,855,348)	**9,187**	4,905	**(2,320,319)**	73,971	**–**	–	**(3,590,314)**	(7,776,472)
Depreciation and amortisation for the year	**873,744**	925,143	**28,256**	28,572	**–**	17,969	**–**	–	**902,000**	971,684
Reportable segment assets	**12,340,423**	12,248,054	**553,729**	538,804	**–**	6,144,922	**612,387**	561,770	**13,506,539**	19,493,550
Additions to non-current segment assets during the year	**1,024,934**	633,479	**67,819**	123,614	**–**	651	**–**	–	**1,092,753**	757,744
Reportable segment liabilities	**(17,049,212)**	(16,738,326)	**(244,397)**	(225,710)	**–**	(2,185,823)	**(612,387)**	(561,770)	**(17,905,996)**	(19,711,629)
Investment in associates	**16,131**	15,938	**517,236**	500,949	**–**	–	**–**	–	**533,367**	516,887

(b) Reconciliations of reportable segment

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue:		
Reportable segment revenue	**21,360,932**	17,689,632
Elimination of inter-segment revenue	**(93,334)**	(188,204)
Consolidated revenue	**21,267,598**	17,501,428
Loss before taxation:		
Reportable segment loss	**(3,590,314)**	(7,776,472)
Elimination of inter-segment loss/(profit)	**385,310**	(41,493)
Unallocated head office expenses	**134,757**	144,475
Other income	**556,634**	665,223
Finance costs	**(1,301,874)**	(1,091,937)
Impairment loss of goodwill	**(127,055)**	(1,241,322)
Impairment loss of intangible assets	**(189,562)**	(1,021,422)
Consolidated loss before taxation	**(4,132,104)**	(10,362,948)

10 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment (Continued)

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Assets:		
Reportable segment assets	**13,506,539**	19,493,550
Intangible assets	**2,631,734**	2,990,933
Goodwill	**566,736**	693,791
Deferred tax assets	**616,626**	530,330
Unallocated head office assets	**8,808,151**	5,954,650
Elimination of inter-segment receivables	**—**	(1,667,301)
Consolidated total assets	**26,129,786**	27,995,953
Liabilities:		
Reportable segment liabilities	**(17,905,996)**	(19,711,629)
Income tax payables	**(414,378)**	(406,129)
Deferred tax liabilities	**(839,606)**	(946,546)
Unallocated head office liabilities	**(6,429,185)**	(3,286,050)
Elimination of inter-segment payables	**—**	1,667,301
Consolidated total liabilities	**(25,589,165)**	(22,683,053)

(c) Geographic information

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

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2020	4,195,507	107,485	594,058	679,693	396,039	2,067,859	8,040,641
Additions	–	–	9,684	201,090	14,803	404,268	629,845
Transfer among items under property, plant and equipment	502,484	781	–	–	–	(503,265)	–
Transfer to properties under development for sale (note 11(c))	–	–	–	–	–	(169,469)	(169,469)
Disposals	–	–	(3,069)	(517,019)	(8,203)	–	(528,291)
Reclassification to assets classified as held for sale (note 31)	–	(14,428)	–	–	(5,449)	–	(19,877)
At 31 December 2020, and 1 January 2021	4,697,991	93,838	600,673	363,764	397,190	1,799,393	7,952,849
Additions	–	–	111,326	348,580	6,427	195,014	661,347
Transfer among items under property, plant and equipment	116,949	210	–	–	–	(117,159)	–
Transfer to properties under development for sale (note 11(c))	–	–	–	–	–	(55,232)	(55,232)
Transfer to investment properties (note 12)	(62,940)	–	–	–	–	(53,797)	(116,737)
Disposals	(84,453)	–	(99,730)	(226,510)	(40,584)	–	(451,277)
At 31 December 2021	**4,667,547**	**94,048**	**612,269**	**485,834**	**363,033**	**1,768,219**	**7,990,950**
Accumulated depreciation:							
At 1 January 2020	591,163	90,399	263,899	202,858	283,193	–	1,431,512
Charge for the year	150,797	4,725	59,962	124,700	34,878	–	375,062
Written back on disposals	–	–	(2,209)	(165,644)	(7,619)	–	(175,472)
Reclassification to assets classified as held for sale (note 31)	–	(8,537)	–	–	(3,742)	–	(12,279)
At 31 December 2020, and 1 January 2021	741,960	86,587	321,652	161,914	306,710	–	1,618,823
Charge for the year	172,401	1,262	76,823	83,047	27,491	–	361,024
Transfer to investment properties (note 12)	(21,267)	–	–	–	–	–	(21,267)
Written back on disposals	(19,934)	–	(35,977)	(64,267)	(22,448)	–	(142,626)
At 31 December 2021	**873,160**	**87,849**	**362,498**	**180,694**	**311,753**	**–**	**1,815,954**
Accumulated impairment losses							
At 1 January 2020	–	–	–	–	–	–	–
Additions (note 11(d))	235,628	–	–	–	–	–	235,628
At 31 December 2020, and 1 January 2021	235,628	–	–	–	–	–	235,628
Additions (note 11(d))	311,777	–	–	–	–	–	311,777
Written back on disposals	(61,269)	–	–	–	–	–	(61,269)
At 31 December 2021	**486,136**	**–**	**–**	**–**	**–**	**–**	**486,136**
Net book value:							
At 31 December 2021	**3,308,251**	**6,199**	**249,771**	**305,140**	**51,280**	**1,768,219**	**5,688,860**
At 31 December 2020	3,720,403	7,251	279,021	201,850	90,480	1,799,393	6,098,398

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group's buildings are located in the PRC. The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB201,898,000 as at 31 December 2021 (2020: RMB209,086,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2021.

(b) Property, plant and equipment with carrying amount of RMB807,141,000 are pledged for bank loans (note 24) (2020: RMB717,241,000) as at 31 December 2021.

(c) To fully utilise the potential value of the land use rights held by the Group's subsidiaries engaged in 4S dealership business, the Group commenced construction of comprehensive property projects since 2019. The Group obtained pre-sale permits for two service apartments projects in December 2019 and for one service apartments projects in May 2020. During the year ended 31 December 2021, net book value of land use rights of nil (2020: RMB55,321,000) and construction in progress of RMB55,232,000 (2020: RMB169,469,000), related to such service apartments, were transferred to properties under development for sale (note 18(a)).

(d) In order to maximize the utilisation of the Group's financial resources, certain underperforming 4S stores, after the dealership rights being terminated, have been closed in 2021 or are expected to be closed in the coming future. Therefore, the carrying amount of relevant 4S stores' buildings situated on leasehold land of RMB311,777,000 have been written down to zero in 2021 (2020: RMB235,628,000).

12 INVESTMENT PROPERTIES

	2021 RMB'000
Cost:	
At 1 January	—
Transfer out from property, plant and equipment and right-of-use assets	143,539
At 31 December	143,539
Accumulated depreciation:	
At 1 January	—
Charge for the year	571
Transfer out from property, plant and equipment and right-of-use assets	27,337
At 31 December	27,908
Net book value:	
At 31 December	115,631

Investment properties comprise land use rights, buildings and construction in progress that are leased to third parties. The Group leases out investment properties under operating leases. The leases carry rentals determined based on the lease contract with third parties.

During the year ended 31 December 2021, rental income of RMB2,958,000 were recognised as "Other income" in the consolidated statement of profit or loss.

12 INVESTMENT PROPERTIES (Continued)

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	At 31 December 2021 RMB'000
Within 1 year	11,420
After 1 year but within 5 years	53,777
After 5 years	6,228
	71,425

13 RIGHT-OF-USE ASSETS

	Land use rights carried at cost (i) RMB'000	Properties and land leased for own use carried at cost (ii) RMB'000	Total RMB'000
Cost:			
At 1 January 2020	1,916,544	2,127,333	4,043,877
Additions	13,733	105,450	119,183
Disposals	—	(52,940)	(52,940)
Transfer to properties under development for sale (note 11(c))	(62,334)	—	(62,334)
Reclassification to assets classified as held for sale (note 31)	—	(36,212)	(36,212)
At 31 December 2020, and 1 January 2021	1,867,943	2,143,631	4,011,574
Additions	—	428,592	428,592
Disposals	(50,046)	(371,121)	(421,167)
Transfer to investment properties (note 12)	(26,802)	—	(26,802)
At 31 December 2021	**1,791,095**	**2,201,102**	**3,992,197**
Accumulated depreciation:			
At 1 January 2020	183,328	428,560	611,888
Charge for the year	41,668	365,521	407,189
Written back	—	(21,326)	(21,326)
Transfer to properties under development for sale (note 11(c))	(7,013)	—	(7,013)
Reclassification to assets classified as held for sale (note 31)	—	(15,576)	(15,576)
At 31 December 2020, and 1 January 2021	217,983	757,179	975,162
Charge for the year	41,106	338,185	379,291
Written back	(12,001)	(259,997)	(271,998)
Transfer to investment properties (note 12)	(6,070)	—	(6,070)
At 31 December 2021	**241,018**	**835,367**	**1,076,385**
Net book Value:			
At 31 December 2021	**1,550,077**	**1,365,735**	**2,915,812**
At 31 December 2020	1,649,960	1,386,452	3,036,412

13 RIGHT-OF-USE ASSETS (Continued)

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

(a) Continuing operations

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights(i)	**41,106**	41,668
Properties and land leased for own use(ii)	**338,185**	356,231
	379,291	397,899
Interest on lease liabilities (note 5(a))	**89,807**	102,650
Expense relating to short-term leases (note 5(c))	**8,069**	5,735
COVID-19-related rent concessions received in a form of a discount on fixed lease payments	**(554)**	(7,187)

(b) Discontinued operations

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties and land leased for own use	**—**	9,290
Interest on lease liabilities (note 5(a))	**1,276**	1,899
Expense relating to short-term leases (note 5(c))	**135**	320

During the year, additions to right-of-use assets were RMB428,592,000. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

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

(i) Land use rights

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

Land use rights with net book value of RMB829,558,000 are pledged as security for bank loans (note 24) as at 31 December 2021 (2020: RMB582,677,000).

(ii) Properties and land leased for own use

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

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

14 INTANGIBLE ASSETS

	Car dealerships & Dealership operation rights RMB'000	Favourable lease contracts RMB'000	Trademark RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
Cost:						
At 1 January 2020	4,848,553	36,904	362,732	52,943	363	5,301,495
Additions	—	—	—	8,716	—	8,716
Reclassification to assets classified as held for sale (note 31)	—	—	—	(38,189)	—	(38,189)
At 31 December 2020, and 1 January 2021	4,848,553	36,904	362,732	23,470	363	5,272,022
Additions	—	—	—	2,814	—	2,814
At 31 December 2021	**4,848,553**	**36,904**	**362,732**	**26,284**	**363**	**5,274,836**
Accumulated amortisation:						
At 1 January 2020	1,053,193	32,690	—	22,540	—	1,108,423
Additions	177,326	2,828	—	9,279	—	189,433
Reclassification to assets classified as held for sale (note 31)	—	—	—	(26,852)	—	(26,852)
At 31 December 2020, and 1 January 2021	1,230,519	35,518	—	4,967	—	1,271,004
Additions	153,460	1,369	—	6,285	—	161,114
At 31 December 2021	**1,383,979**	**36,887**	**—**	**11,252**	**—**	**1,432,118**
Accumulated impairment losses						
At 1 January 2020	—	—	—	—	—	—
Additions	905,758	—	115,664	—	—	1,021,422
At 31 December 2020, and 1 January 2021	905,758	—	115,664	—	—	1,021,422
Additions	159,599	—	29,963	—	—	189,562
At 31 December 2021	**1,065,357**	**—**	**145,627**	**—**	**—**	**1,210,984**
Net book Value:						
At 31 December 2021	**2,399,217**	**17**	**217,105**	**15,032**	**363**	**2,631,734**
At 31 December 2020	2,712,276	1,386	247,068	18,503	363	2,979,596

Intangible assets — car dealerships

The car dealerships arise from prior business combinations and relate to relationships with automakers, with an estimated useful life of 40 years. The fair value of the car dealerships as at the respective acquisition date was determined by using the multiple excess earning method.

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

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

14 INTANGIBLE ASSETS (Continued)

The outbreak of COVID-19 had a severe and direct impact on the financial performance of the Group in 2020, which led to continual decline in the Group's financial performance and increased strain over the Group's liquidity position.

As such, the Group had carried out various measures such as the reduction of new car purchases from automakers in 2020. These measures, while necessary, resulted in failure to achieve certain agreed purchase volume, failure to meet certain sales targets agreed with automakers, and failure to satisfy with certain standards on dealership operation as stipulated in dealer agreements with automakers, such as customer satisfaction ratings. As a result, the Group was alleged by automakers to have damaged their brands, and some dealership agreements have then been terminated or suspended as at 31 December 2020.

In 2021, the Group has been making improvements for the majority of the dealerships such as achieving the purchases and sales targets assigned by automakers and improving customer satisfaction ratings, and has been in active negotiation with the automakers to ease the relationship and to re-build trust, so as to recover from the adverse impacts occurred in 2020 to the most extent. As a result, certain of the previously suspended dealership agreements had been gradually resumed.

However, a few dealerships were subsequently terminated or still remained suspended due to the continual underperformance compared with the targets set by the automakers in 2021, mainly caused by unexpected situations like the insufficient supply by automakers due to the supply shortage of car chips that was not fully anticipated as of 31 December 2020, which directly led to an underperformance of new car sales volume and revenue for certain 4S dealership stores during the year ended 31 December 2021.

As such, the directors of the Group consider that there are impairment indicators for several 4S dealership stores as at 31 December 2021, which were independent cash generating units (CGUs).

Therefore, management engaged an external valuer to assist with an impairment test to determine the recoverable amount of the related CGUs as at 31 December 2021, with the result of recognition of impairment losses of goodwill and intangible assets — car dealerships of approximately RMB127 million and RMB160 million (2020: RMB1,241 million and RMB906 million), respectively.

Impairment testing of intangible assets— car dealerships and goodwill

The recoverable amount of CGUs is determined based on the higher of its fair value less costs to sell and value in use calculations according to requirements of Hong Kong Accounting Standard 36 *Impairment of Assets*, and fair values less costs to sell of the CGUs are not estimated to be materially different from their respective value in use amounts. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated by using an estimated growth rate of 3% (2020: 3%) which is consistent with the forecasts included in industry reports. The pre-tax discount rates applied to the cash flow projections beyond the one year period are with a range from 13% to 14% (2020: 16%). The carrying amount of these CGUs has been reduced to their recoverable amount, the impairment first reduced the carrying amount of goodwill allocated to the CGU, then the remaining amount of the impairment loss was allocated pro rata to other assets in the CGU, on the basis of the carrying amount of each asset in the CGU (including intangible assets), no less than the highest of its recoverable amount (if it is determinable) and zero.

14 INTANGIBLE ASSETS (Continued)

Key assumptions used in the value in use calculation

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

The key inputs and assumptions used in the impairment test for the year of 2021 and 2020 are listed as follows:

As at 31 December 2021

Inputs	2022	2023	2024~2026
Annual Revenue Growth Rate	**-1.6%~79.0%**	**3.0%~36.1%**	**3.0%~12.0%**
Gross Profit Margin	**5.3%~14.2%**	**5.9%~14.5%**	
Working Capital as a% of Revenue	**-31.0%~13.9%**	**-31.0%~13.9%**	

As at 31 December 2020

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

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

— For annual revenue growth rate:

a) For certain dealership stores whose dealership agreements had been newly terminated and would be focus only on after-sale services or self-operation, a significant reduction in estimated revenue in 2022 was expected, while for 2023 through 2026 reverting back to a single digit growth rate;

b) For other dealership stores, the estimated revenue for 2022 has been adjusted back to a normal level being commensurate with the actual revenue achieved in 2021 based on financial budgets approved by management, and for 2023 through 2026, as the growth was from a normal base, a relatively low growth rate is expected to reflect the steady future business expansion.

— Gross profit margin was mainly estimated based on the historical performance of each stores (before COVID-19 and liquidity strain) and take into consideration of mix for different revenue categories like new car sales and after-sale services and of the actual performance of 2021.

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

14 INTANGIBLE ASSETS (Continued)

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

The pre-tax discount rate applied to the impairment test had been adjusted to a range from 13% to 14% (2020: 16%) as the overall credit risk of the Group has become lower since ITG Holding became the single largest shareholder of the Company in 2021.

Among the above inputs and assumptions, the main changes compared to 31 December 2020 were the changes in revenue growth. As mentioned above, for those dealership stores whose dealership rights were newly terminated or suspended, their focuses will be on after-sale services only or self-operation, and therefore a reduction in revenue growth was forecasted for the full year of 2022; and for other stores, a rebound in revenue growth for the full year of 2022 was forecasted based on the approved budget prepared according to annual purchase quotas as agreed with automakers for 2022. Consequently, the normal base in 2022 will lead to a relatively low and steady increase in growth rate in future years. Such impacts were not fully reflected in the inputs and assumptions used in the 2020 year end assessment, as the new termination or suspension of dealership occurred in 2021 was non-adjusting subsequent events for the year ended 31 December 2020. There have been no subsequent changes in the valuation methods used compared with those adopted in the year of 2020.

Intangible assets — trademark

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

During the year ended 31 December 2021, the operating results of several 4S dealership stores under Top Globe Limited had not achieved the year-to-date 2021 financial budgets approved by management, and then certain dealership agreements within this group were terminated within the year as mentioned in the part of "Intangible assets — car dealerships" above. Management has adjusted the five-year financial budgets on the basis of its forecast, and the carrying amounts of trademark was therefore reduced by RMB29,963,000 as at 31 December 2021 (2020: RMB115,664,000).

15 GOODWILL

	RMB'000
Cost:	
At 1 January 2020, 31 December 2020 and 31 December 2021	2,006,335
Accumulated impairment losses:	
At 1 January 2020	71,222
Impairment during the year (note 14)	1,241,322
At 31 December 2020, and 1 January 2021	1,312,544
Impairment during the year (note 14)	127,055
At 31 December 2021	**1,439,599**
Carrying amount:	
At 31 December 2021	**566,736**
At 31 December 2020	693,791

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's CGUs identified according to the operating segments as follows:

	At 31 December	
	2021 RMB'000	2020 RMB'000
4S dealership business	**566,736**	693,791

16 INTEREST IN SUBSIDIARIES

As of 31 December 2021, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Continuing operations						
Big Glory International Limited (浩榮國際有限公司)	(iv)	British Virgin Islands ("**BVI**") 22 June 2006 Private limited company	US$100	100%	–	Investment holding
Top Globe Limited (同方有限公司)	(iv)	British Virgin Islands ("**BVI**") 27 August 2007 Private limited company	US$100	100%	–	Investment holding
Acme Joy Group Limited	(iv)	British Virgin Islands ("**BVI**") 28 April 2011 Limited liability company	US$50,000	–	100%	Investment holding

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chang Jun Limited (昌駿有限公司)	(iv)	British Virgin Islands ("**BVI**") 16 June 2011 Limited company	US$100	–	100%	Investment holding
Silver Journey Global Limited	(iv)	British Virgin Islands ("**BVI**") 6 July 2011 Limited liability company	US$50,000	–	100%	Investment holding
Hong Kong Nettime Investment Co., Ltd. (香港強時投資有限公司)	(iv)	British Virgin Islands ("**BVI**") 03 December 2018 Limited liability company	US$1	–	100%	Investment holding
Rising Wave Development Limited (升濤發展有限公司)	(iv)	Hong Kong 21 April 2006 Private limited company	HK$100	–	100%	Investment holding
Hong Kong Newspeed Technology Co., Ltd. (香港祥馳科技有限公司)	(iv)	Hong Kong 18 December 2018 Limited liability company	HK$1	–	100%	Investment holding
Wealth Fame Holdings Limited (佳名集團有限公司)	(iv)	Hong Kong 19 July 2007 Private limited company	HK$1	–	100%	Investment holding
Tongda Group (China) Co., Ltd. (通達集團(中國)有限公司)	(iv)	Hong Kong 10 November 2008 Limited liability company	HK$10,000	–	100%	Investment holding
Wuhan Zhengtong United Industrial Investment Group Co., Ltd. (武漢正通聯合實業投資集團有限公司)		The PRC 22 November 2002 Limited liability company	RMB1,410,000,000	–	100%	Investment holding
Shanghai Shenxie Automobile Trading Co., Ltd. (上海紳協汽車貿易有限公司)		The PRC 21 April 1999 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shanghai Yige Science & Technology Trading Co., Ltd. (上海繹格科工貿有限公司)	(ii)	The PRC 25 September 2002 Limited liability company	RMB15,000,000	–	50%	Distribution of lubricant oil
Hubei Dingjie Automobile Sales Services Co., Ltd. (湖北鼎杰汽車銷售服務有限公司)		The PRC 12 December 2002 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
Inner Mongolia Dingjie Automobile Trading Co., Ltd. (內蒙古鼎杰汽車貿易有限公司)		The PRC 23 January 2003 Limited liability company	RMB7,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hubei Bocheng Automobile Sales Services Co., Ltd. (湖北博誠汽車銷售服務有限公司)		The PRC 30 May 2003 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Wuhan Kaitai Automobile Sales Services Co., Ltd. (武漢開泰汽車銷售服務有限公司)		The PRC 20 October 2003 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Hubei Xinrui Automobile Sales Services Co., Ltd. (湖北欣瑞汽車銷售服務有限公司)		The PRC 18 March 2004 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Wuhan Baoze Automobile Sales Services Co., Ltd. (武漢寶澤汽車銷售服務有限公司)		The PRC 26 May 2004 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Inner Mongolia Dingze Automobile Sales Services Co., Ltd. (內蒙古鼎澤汽車銷售服務有限公司)		The PRC 27 October 2009 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Shantou Hongxiang Materials Co., Ltd. (汕頭市宏祥物資有限公司)		The PRC 12 July 2000 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Zhengzhou Dingwo Automobile Sales Services Co., Ltd. (鄭州鼎沃汽車銷售服務有限公司)		The PRC 3 June 2010 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
ZhengTong Automobile Investment Holding (Wuhan) Co., Ltd. (正通汽車投資控股(武漢)有限公司)	(i)	The PRC 29 March 2011 Limited liability company	RMB600,000,000	–	100%	Investment holding
Chengdu Qibao Automobile Sales Services Co., Ltd. (成都祺寶汽車銷售服務有限公司)		The PRC 13 July 2011 Limited liability company	RMB210,000,000	–	100%	Automobile dealership
Qingyuan SCAS Hezhong Automobile Sales Services Co., Ltd. (清遠南方合眾汽車銷售服務有限公司)		The PRC 31 December 2009 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Goldrich Holdings Limited (啟富集團有限公司)		Hong Kong 16 January 2014 Private limited company	HK$1	–	100%	Investment holding

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Beijing Zhengtong Baozehang Automobile Sales Services Co., Ltd. (北京正通寶澤行汽車銷售有限公司)		The PRC 7 January 2014 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Wuhan Luze Automobile Sales Services Co., Ltd. (武漢路澤汽車銷售服務有限公司)		The PRC 6 January 2014 Limited liability company	RM780,000,000	–	100%	Automobile dealership
Shenzhen Dingwo Automobile Sales Services Co., Ltd. (深圳鼎沃汽車銷售服務有限公司)		The PRC 3 September 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Yiwu Xinhui Automobile Sales Service Co., Ltd (義烏市新徽汽車銷售服務有限公司)		The PRC 17 December 2015 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Shenzhen Chance Cloud Technology Co., Ltd. (深圳強時科技有限公司)		The PRC 11 February 2019 Limited liability company	RMB10,000,000	–	100%	Investment holding
Beijing Zhengtonglingze Automobile Sales Services Co., Ltd. (北京正通凌澤汽車銷售服務有限公司)		The PRC 08 August 2019 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shanghai Qize Automobile Sales Services Co., Ltd. (上海旗澤汽車銷售服務有限公司)		The PRC 30 September 2017 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Jieyang Baotaihang Automobile Sales Services Co., Ltd. (揭陽寶泰行汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dalian Hengyuehang Automobile Sales Services Co., Ltd. (大連恒悦行汽車銷售服務有限公司)		The PRC 09 April 2018 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Foshan Baoyunhang Automobile Sales Services Co., Ltd. (佛山寶運行汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shiyan Shenxie Automobile Trading Co., Ltd. (十堰紳協汽車貿易有限公司)		The PRC 18 June 2004 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shanghai Luda Automobile Sales Services Co., Ltd. (上海陸達汽車銷售服務有限公司)		The PRC 8 November 2004 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Changsha Ruibao Automobile Sales Services Co., Ltd. (長沙瑞寶汽車銷售服務有限公司)		The PRC 21 June 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Hubei Jierui Automobile Sales Services Co., Ltd. (湖北捷瑞汽車銷售服務有限公司)		The PRC 24 June 2005 Limited liability company	RMB22,000,000	–	100%	Automobile dealership
Huhhot Qibao Automobile Sales Services Co., Ltd. (呼和浩特市祺寶汽車銷售服務有限公司)		The PRC 23 February 2006 Limited liability company	RMB18,000,000	–	100%	Automobile dealership
Yichang Baoze Automobile Sales Services Co., Ltd. (宜昌寶澤汽車銷售服務有限公司)		The PRC 13 June 2006 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Chenzhou Ruibao Automobile Sales Services Co., Ltd. (郴州瑞寶汽車銷售服務有限公司)		The PRC 6 September 2006 Limited liability company	RMB8,000,000	–	100%	Automobile dealership
Shanghai Shenxie Shentong Automobile Sales Services Co., Ltd. (上海紳協紳通汽車銷售服務有限公司)		The PRC 31 January 2007 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Nanchang Baoze Automobile Sales Services Co., Ltd. (南昌寶澤汽車銷售服務有限公司)		The PRC 2 June 2008 Limited liability company	RMB29,000,000	–	100%	Automobile dealership
Zhuhai Baoze Automobile Sales Services Co., Ltd. (珠海寶澤汽車銷售服務有限公司)		The PRC 27 June 2008 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Shanghai Aohui Automobile Sales Services Co., Ltd. (上海奧匯汽車銷售服務有限公司)		The PRC 4 December 2008 Limited liability company	RMB10,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Baoze Automobile Sales Services Co., Ltd. (廣州寶澤汽車銷售服務有限公司)		The PRC 20 April 2009 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Dongguan Jieyunhang Automobile Sales Services Co., Ltd. (東莞捷運行汽車銷售服務有限公司)		The PRC 6 July 2009 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Baotou Baoze Automobile Sales Services Co., Ltd. (包頭市寶澤汽車銷售服務有限公司)		The PRC 6 August 2009 Limited liability company	RMB26,000,000	–	100%	Automobile dealership
Beijing Baozehang Automobile Sales Services Co., Ltd. (北京寶澤行汽車銷售服務有限公司)		The PRC 16 October 2009 Limited liability company	RMB90,000,000	–	100%	Automobile dealership
Shangrao Baoze Automobile Sales Services Co., Ltd. (上饒市寶澤汽車銷售服務有限公司)		The PRC 2 November 2010 Limited liability company	RMB36,000,000	–	100%	Automobile dealership
Ganzhou Baoze Automobile Sales Services Co., Ltd. (贛州寶澤汽車銷售服務有限公司)		The PRC 3 December 2010 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Xiangyang Baoze Automobile Sales Services Co., Ltd. (襄陽寶澤汽車銷售服務有限公司)		The PRC 1 November 2010 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Xiangtan Baoze Automobile Sales Services Co., Ltd. (湘潭寶澤汽車銷售服務有限公司)		The PRC 9 November 2010 Limited liability company	RMB14,000,000	–	100%	Automobile dealership
Wuhan Shengtong Investment Management Co., Ltd. (武漢升通投資管理有限公司)		The PRC 22 April 2011 Limited liability company	RMB10,000,000	–	100%	Investment holding
Baotou Luze Automobile Sales Services Co., Ltd. (包頭市路澤汽車銷售服務有限公司)		The PRC 4 May 2011 Limited liability company	RMB33,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ganzhou Yizezhiye Co., Ltd. (贛州益澤置業有限公司)		The PRC 19 November 2010 Limited liability company	RMB10,000,000	–	100%	Real estate development
Xiangtan Yizezhiye Co., Ltd. (湘潭益澤置業有限公司)		The PRC 18 November 2010 Limited liability company	RMB10,000,000	–	100%	Real estate development
Shangrao Yizezhiye Co., Ltd. (上饒市益澤置業有限公司)		The PRC 18 November 2010 Limited liability company	RMB10,000,000	–	100%	Real estate development
Hubei Aoze Automobile Sales Services Co., Ltd. (湖北奧澤汽車銷售服務有限公司)		The PRC 25 May 2011 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Lhasa Jinsheng Automobile Trading Co., Ltd. (拉薩金勝汽貿有限公司)		The PRC 13 April 2011 Limited liability company	RMB20,000,000	–	100%	Automobile parts sales
Qingdao Huacheng Automobile Services Co., Ltd. (青島華成汽車服務有限公司)		The PRC 8 March 2001 Limited liability company	RMB8,800,000	–	100%	Automobile dealership
Shantou Lujie Automobile Sales Services Co., Ltd. (汕頭市路杰汽車銷售服務有限公司)		The PRC 2 September 2011 Limited liability company	RMB46,000,000	–	100%	Automobile dealership
Lhasa Hongjin Automobile Sales Co., Ltd. (拉薩弘進汽貿有限公司)		The PRC 12 April 2011 Limited liability company	RMB15,000,000	–	100%	Automobile parts sales
Henan Jintangsheng Automobile Co., Ltd. (河南省錦堂盛汽車有限公司)		The PRC 7 May 2008 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Guangzhou Baotaihang Automobile Sales Services Co., Ltd. (廣州寶泰行汽車銷售服務有限公司)		The PRC 18 December 2017 Limited liability company	RMB90,000,000	–	100%	Automobile dealership
Foshan Dingbaohang Automobile Sales Services Co., Ltd. (佛山鼎寶行汽車銷售服務有限公司)		The PRC 19 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Huashunbao Automobile Sales Services Co., Ltd. (深圳華順寶汽車銷售服務有限公司)		The PRC 14 September 2017 Limited liability company	RMB60,000,000	–	100%	Automobile dealership
Shenzhen Huashunbao Automobile Services Co., Ltd. (深圳華順寶汽車服務有限公司)		The PRC 15 September 2017 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Foshan Zheng Tong Zhong Rui Automobile Sales Services Co., Ltd. (佛山正通眾鋭汽車銷售服務有限公司)		The PRC 18 April 2011 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Baotou Zhongrui Automobile Sales Service Co., Ltd. (包頭眾鋭汽車銷售服務有限公司)		The PRC 21 September 2010 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
ZhengTong Automobile Services Co., Ltd. (正通汽車服務有限公司)		The PRC 1 September 2011 Limited liability company	RMB50,000,000	–	100%	Automobile parts sales
Jiangxi Deao Automobile Sales Services Co., Ltd. (江西德奧汽車銷售服務有限公司)		The PRC 17 September 2002 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Huhhot Jieyun Automobile Sales Services Co., Ltd (呼和浩特市捷運行汽車銷售服務有限公司)		The PRC 29 December 2011 Limited liability company	RMB90,000,000	–	100%	Automobile dealership
Jieyang Dingjie Automobile Sales Services Co., Ltd. (揭陽鼎杰汽車銷售服務有限公司)		The PRC 19 July 2011 Limited liability company	RMB31,000,000	–	100%	Automobile dealership
Shenzhen Roadmate Technology Co., Ltd. (深圳路美特科技有限公司)	(iii)	The PRC 15 March 2004 Limited liability company	US$2,100,000	–	100%	Investment holding
Shenzhen SCAS Investment Group Co., Ltd. (深圳市中汽南方投資集團有限公司)		The PRC 21 May 2001 Limited liability company	RMB50,000,000	–	100%	Investment holding
Shenzhen Yama Automobile Trading Co., Ltd. (深圳野馬汽車貿易有限公司)		The PRC 15 June 1993 Limited liability company	RMB15,000,000	–	100%	Investment holding

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen SCAS Electric Machinery Co., Ltd. (深圳市中汽南方機電設備有限公司)		The PRC 25 November 1996 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen SCAS Automobile Maintenance Co., Ltd. (深圳市中汽南方汽車維修有限公司)		The PRC 14 August 2000 Limited liability company	RMB5,000,000	–	100%	Provision of Automobile Maintenance services
Guangdong SCAS Automobile Sales Services Co., Ltd. (廣東中汽南方汽車銷售服務有限公司)		The PRC 21 July 2004 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dongguan SCAS Automobile Sales Services Co., Ltd. (東莞中汽南方汽車銷售服務有限公司)		The PRC 30 July 2004 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Zhongshan SCAS Automobile Sales Services Co., Ltd. (中山中汽南方汽車銷售服務有限公司)		The PRC 29 April 2011 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Zhuhai SCAS Automobile Sales Services Co., Ltd. (珠海中汽南方汽車銷售服務有限公司)		The PRC 10 March 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Dalian Jieyuehang Real Estate Development Co., Ltd. (大連捷悦行房地產開發有限公司)		The PRC 28 March 2018 Limited liability company	RMB100,000,000	–	100%	Property management
Chengdu Hengyuehang Automobile Sales Service Co., Ltd (成都恒悦行汽車銷售服務有限公司)		The PRC 26 December 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen Baotaihang Automobile Sales Services Co., Ltd. (深圳寶泰行汽車銷售服務有限公司)		The PRC 15 September 2017 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Hunan SCAS Automobile Sales Services Co., Ltd. (湖南中汽南方汽車銷售服務有限公司)		The PRC 26 May 2005 Limited liability company	RMB10,000,000	–	90%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hainan SCAS Automobile Sales Services Co., Ltd. (海南中汽南方汽車銷售服務有限公司)		The PRC 23 May 2008 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Fujian SCAS Automobile Sales Services Co., Ltd. (福建中汽南方汽車銷售服務有限公司)		The PRC 29 April 2005 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Beijing SCAS North China Automobile Services Co., Ltd. (北京中汽南方華北汽車服務有限公司)		The PRC 2 July 2001 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Beijing BWWR Automobile Sales Services Co., Ltd. (北京百旺沃瑞汽車銷售服務有限公司)		The PRC 27 March 2008 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Beijing Dewanlong Trading Co., Ltd. (北京德萬隆經貿有限公司)		The PRC 9 September 1999 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Beijing SCAS Zhongguan Automobile Sales Co., Ltd. (北京中汽南方中關汽車銷售有限公司)		The PRC 19 March 2010 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Tianjin SCAS Automobile Sales Services Co., Ltd. (天津中汽南方汽車銷售服務有限公司)		The PRC 21 May 2004 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Tianjin Automobile Industry SCAS Sales Co., Ltd. (天津汽車工業銷售深圳南方有限公司)		The PRC 28 November 1995 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengxing Automobile Sales Services Co., Ltd. (深圳市南方騰星汽車銷售服務有限公司)		The PRC 15 May 2006 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen SCAS Infiniti Automobile Sales Services Co., Ltd. (深圳市南方英菲尼迪汽車銷售服務有限公司)		The PRC 19 October 2006 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Shenzhen SCAS Changfu Automobile Sales Co., Ltd. (深圳市中汽南方長福汽車銷售有限公司)		The PRC 10 December 2004 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tengtian Automobile Sales Services Co., Ltd. (深圳市南方騰田汽車銷售服務有限公司)		The PRC 24 March 2006 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Shenzhen SCAS Tenglong Automobile Sales Services Co., Ltd. (深圳市南方騰龍汽車銷售服務有限公司)		The PRC 5 December 2005 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Shenzhen SCAS Toyota Automobile Sales Services Co., Ltd. (深圳南方豐田汽車銷售服務有限公司)		The PRC 9 April 2002 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhen Qianhaichichang International Trading Co., Ltd. (深圳前海馳暢國際貿易有限公司)		The PRC 09 May 2018 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Dongguan Zhengtongyijie second-hand Automobile Technology Co., Ltd. (東莞正通易捷二手汽車銷售有限公司)		The PRC 11 October 2018 Limited liability company	RMB1,000,000	–	100%	Automobile dealership
Qingyuan SCAS Toyota Automobile Sales Services Co., Ltd. (清遠南方豐田汽車銷售服務有限公司)		The PRC 17 October 2008 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Baotou Lizhongyou Materials Co., Ltd. (包頭市利中友物資有限公司)		The PRC 6 November 2003 Limited liability company	RMB1,000,000	–	100%	Automobile parts sales
Changchun Shengze Jietong Transportation Co., Ltd. (長春圣澤捷通物流有限公司)		The PRC 24 October 2008 Limited liability company	RM30,000,000	–	100%	Provision of auto-mobile related logistic services

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wuhan Yuntong Investment Management Co., Ltd. (武漢運通行投資管理有限公司)		The PRC 1 March 2012 Limited liability company	RMB10,000,000	—	100%	Investment holding
Dongguan Liaobu SCAS Automobile Sales Services Co., Ltd. (東莞寮步中汽南方汽車銷售服務有限公司)		The PRC 15 May 2012 Limited liability company	RMB15,000,000	—	100%	Automobile dealership
Guangdong SCAS Shengwo Automobile Sales Services Co., Ltd. (廣東中汽南方勝沃汽車銷售服務有限公司)		The PRC 11 June 2012 Limited liability company	RMB50,000,000	—	100%	Automobile dealership
Wuhan Baozehang Automobile Maintenance Co., Ltd. (武漢寶澤行汽車維修服務有限公司)		The PRC 12 June 2012 Limited liability company	RMB20,000,000	—	100%	Provision of Automobile Maintenance Services
Jingdezhen Shengtong Trading Co., Ltd. (景德鎮升通貿易有限公司)		The PRC 20 June 2012 Limited liability company	RMB10,000,000	—	100%	Automobile parts sales
Zhuhai SCAS Jielu Automobile Sales Services Co., Ltd. (珠海中汽南方捷路汽車銷售服務有限公司)		The PRC 21 June 2012 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Hunan SCAS Xingsha Automobile Sales Services Co., Ltd. (湖南中汽南方星沙汽車銷售服務有限公司)		The PRC 27 June 2012 Limited liability company	RMB20,000,000	—	100%	Automobile dealership
Dongguan Zhengtong Kaidi Automobile Sales Services Co., Ltd. (東莞正通凱迪汽車銷售服務有限公司)		The PRC 29 October 2012 Limited liability company	RMB30,000,000	—	100%	Automobile dealership
Jiangxi Zhengtong Zetian Automobile Sales Services Co., Ltd. (江西正通澤田汽車銷售服務有限公司)		The PRC 19 November 2012 Limited liability company	RMB10,000,000	—	100%	Automobile dealership
Shanghai Qibao Automobile Sales Services Co., Ltd. (上海祺寶汽車銷售服務有限公司)		The PRC 6 June 2013 Limited liability company	RMB47,000,000	—	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhanjiang Zhengtong Kaidi Automobile Sales Services Co., Ltd. (湛江正通凱迪汽車銷售服務有限公司)		The PRC 15 April 2013 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Shenzhen Zhengyuan Automobile Technology Co., Ltd. (深圳正源汽車科技有限公司)		The PRC 25 December 2017 Limited liability company	RMB500,000,000	80%	–	Financial services
Shenzhen Chixing Automobile Sales Services Co., Ltd. (深圳馳星汽車銷售服務有限公司)		The PRC 07 November 2018 Limited liability company	RMB15,000,000	–	100%	Automobile dealership
Wuhan Zhengtong Yuechi Automobile Sales Services Co., Ltd. (武漢正通悦馳汽車銷售服務有限公司)		The PRC 14 May 2013 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Shantou Baoze Automobile Sales Services Co., Ltd. (汕頭市寶澤汽車銷售服務有限公司)		The PRC 2 September 2013 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Jingmen Baoze Automobile Sales Services Co., Ltd. (荊門寶澤汽車銷售服務有限公司)		The PRC 11 October 2013 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Weihai Luze Automobile Sales Services Co., Ltd. (威海路澤汽車銷售服務有限公司)		The PRC 31 October 2013 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Baotou Baozehang Automobile Maintenance Services Co., Ltd. (包頭寶澤行汽車維修服務有限公司)		The PRC 18 December 2013 Limited liability company	RMB40,000,000	–	100%	Provision of automobile maintenance services
Shantoushi Luze Automobile Sales Services Co., Ltd. (汕頭市路澤汽車銷售服務有限公司)		The PRC 20 November 2013 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Shenzhenshi Qianhaizhengtong Logistic Equipment Services Co., Ltd. (深圳市前海正通物流設備服務有限責任公司)	(i)	The PRC 24 May 2013 Limited liability company	US$5,000,000	–	100%	Provision of auto-mobile related logistic services

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Changsha Ruize Real Estate Development Co., Ltd. (長沙瑞澤房地產開發有限公司)		The PRC 4 March 2013 Limited liability company	RMB20,000,000	–	100%	Property management
Shantoushi Ruize Real Estate Development Co., Ltd. (汕頭市瑞澤房地產開發有限公司)		The PRC 14 August 2013 Limited liability company	RMB160,000,000	–	100%	Property management
Dingze Insurance Agency Co., Ltd. (鼎澤保險代理有限公司)		The PRC 16 September 2013 Limited liability company	RMB50,000,000	–	100%	Insurance agency Services
Wuhan Jiewo Advisory Services Limited (武漢捷沃諮詢服務有限公司)		The PRC 6 August 2013 Limited liability company	RMB1,000,000	–	100%	Consulting services
Sky Wonder Limited (天悦有限公司)		Hong Kong 14 March 2014 Private limited company	HK$1	–	100%	Investment holding
Shenzhenshi Zhuoruixiang Information Advisory Co., Ltd. (深圳市卓瑞翔信息諮詢有限公司)		The PRC 31 December 2013 Limited liability company	RMB32,000,000	–	100%	Consulting services
ChengTong Developments Limited (成通發展有限公司)		British Virgin Islands ("**BVI**") 1 April 2014 Limited company	US$1	–	100%	Investment holding
Landtime International Limited (裕泰國際有限公司)		Hong Kong 7 April 2014 Private limited company	US$1	–	100%	Investment holding
Wuhan Jieyuehang Supply Chain Co., Ltd. (武漢捷悦行供應鏈有限公司)		The PRC 17 July 2017 Limited liability company	RMB60,000,000	–	100%	Provision of auto-mobile related logistic services
Shanghai Taishijie Automobile Sales Services Co., Ltd. (上海泰士杰汽車銷售有限公司)		The PRC 23 February 2004 Limited liability company	RMB48,800,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Yiwu Dongtai Health Food Co., Ltd. (義烏東太保健食品有限公司)		The PRC 19 June 2003 Limited liability company	RMB5,000,000	–	100%	Automobile trading agency
Shangraoshi Luze Automobile Sales Services Co., Ltd. (上饒市路澤汽車銷售服務有限公司)		The PRC 17 February 2014 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Langfangshi Luze Automobile Sales Services Co., Ltd. (廊坊市路澤汽車銷售服務有限公司)		The PRC 23 May 2014 Limited liability company	RMB55,000,000	–	100%	Automobile dealership
Yichun Baoze Automobile Sales Services Co., Ltd. (宜春寶澤汽車銷售服務有限公司)		The PRC 6 March 2014 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Qingdao Aoze Automobile Sales Services Co., Ltd. (青島奧澤汽車銷售服務有限公司)		The PRC 9 May 2014 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Shengzhou Aoze Automobile Sales Services Co., Ltd. (嵊州奧澤汽車銷售服務有限公司)		The PRC 30 May 2014 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Dongguan Zhengtong Kaize Automobile Sales Services Co., Ltd. (東莞正通凱澤汽車銷售服務有限公司)		The PRC 17 February 2014 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Shanghai Chichang Trading Co., Ltd. (上海馳暢貿易有限公司)	(i)	The PRC 24 July 2014 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Beijing Zhengtong Baoze Automobile Sales Services Co., Ltd. (北京正通寶澤汽車銷售服務有限公司)		The PRC 14 July 2014 Limited liability company	RMB50,000,000	–	100%	Provision of Automobile Maintenance services
Loudi Dingwo Automobile Sales Services Co., Ltd. (婁底鼎沃汽車銷售服務有限公司)		The PRC 10 July 2014 Limited liability company	RMB5,000,000	–	100%	Automobile dealership
Shenzhen Aoze Automobile Sales Services Co., Ltd. (深圳奧澤汽車銷售服務有限公司)		The PRC 2 July 2014 Limited liability company	RMB60,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dongguan Aoze Automobile Sales Services Co., Ltd. (東莞奧澤汽車銷售服務有限公司)		The PRC 21 July 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Foshan Aoze Automobile Sales Services Co., Ltd. (佛山奧澤汽車銷售服務有限公司)		The PRC 5 September 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Zhengzhou Aoze Automobile Sales Services Co., Ltd. (鄭州奧澤汽車銷售服務有限公司)		The PRC 25 July 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Baoding Aoze Automobile Sales Services Co., Ltd. (保定奧澤汽車銷售服務有限公司)		The PRC 18 September 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Fuzhou Dingwo Automobile Sales Services Co., Ltd. (福州鼎沃汽車銷售服務有限公司)		The PRC 19 August 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Chengdu Dingbaohang Second Hand Automobile Sales Services Co., Ltd. (成都鼎寶行二手車銷售服務有限公司)		The PRC 12 June 2016 Limited liability company	RMB10,000,000	–	100%	Automobile trading agency
Yongkang Guobang Automobile Sales Co., Ltd. (永康市國邦汽車銷售有限公司)		The PRC 8 August 2012 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Jieyang Luze Automobile Sales Services Co., Ltd. (揭陽路澤汽車銷售服務有限公司)		The PRC 14 August 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Shenzhen Luze Automobile Sales Services Co., Ltd. (深圳路澤汽車銷售服務有限公司)		The PRC 15 August 2014 Limited liability company	RMB10,000,000	–	100%	Automobile dealership
Yichang Baozehang Automobile Sales Services Co., Ltd. (宜昌寶澤行汽車銷售服務有限公司)		The PRC 22 August 2014 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Shenzhenshi SCAS Huawo Automobile Sales Services Co., Ltd. (深圳市中汽南方華沃汽車銷售服務有限公司)		The PRC 11 June 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shenzhen Hengyiyingtong Investment Management Co., Ltd. (深圳恒毅盈通投資管理有限公司)		The PRC 3 April 2014 Limited liability company	RMB100,000,000	–	100%	Investment holding
Shenzhenshi Huianqi Investment Advisory Co., Ltd. (深圳市匯安啟投資咨詢有限公司)		The PRC 13 May 2014 Limited liability company	HK$500,000	–	100%	Consulting services
Shenzhen Baoze Automobile Sales Services Co., Ltd. (深圳寶澤汽車銷售服務有限公司)		The PRC 31 March 2015 Limited liability company	RMB44,000,000	–	100%	Automobile dealership
Beijing Zhengtong Dingwo Automobile Sales Services Co., Ltd. (北京正通鼎沃汽車銷售服務有限公司)		The PRC 30 January 2015 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Hengyang Luze Automobile Sales Services Co., Ltd. (衡陽路澤汽車銷售服務有限公司)		The PRC 2 July 2014 Limited liability company	RMB50,000,000	–	100%	Automobile dealership
Huhhot Yingfei Automobile Sales Services Co., Ltd. (呼和浩特市英菲汽車銷售服務有限公司)		The PRC 27 May 2015 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Beijing Hengyiyingtong Advertising Media Co., Ltd. (北京恒毅盈通廣告傳媒有限公司)		The PRC 21 May 2015 Limited liability company	RMB5,000,000	–	100%	Consulting services
Shanghai Zhengtong Dingze Financial Leasing Co., Ltd. (上海正通鼎澤融資租賃有限公司)		The PRC 29 July 2014 Limited liability company	US$100,000,000	–	100%	Financial services
Shengze Jietong Supply Chain Co., Ltd. (聖澤捷通供應鏈有限公司)		The PRC 15 January 2016 Limited liability company	RMB200,000,000	–	100%	Provision of auto-mobile related logistic services
Tianjin Chichang International Trading Co., Ltd. (天津馳暢國際貿易有限公司)		The PRC 11 June 2015 Limited liability company	RMB100,000,000	–	100%	Automobile parts sales
Yunnan Chixing Automobile Sales Services Co., Ltd. (雲南馳星汽車銷售服務有限公司)		The PRC 25 May 2016 Limited liability company	RMB200,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hubei Changze Automobile Sales Services Co., Ltd. (湖北長澤汽車銷售服務有限公司)		The PRC 20 September 2017 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Beijing Zhengtong Tengxing Automobile Sales Services Co., Ltd. (北京正通騰星汽車銷售服務有限公司)		The PRC 12 December 2016 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Beijing Baoze Exhibition Co., Ltd. (北京寶澤會展有限公司)		The PRC 16 March 2016 Limited liability company	RMB10,000,000	–	100%	Consulting services
Suzhou Anzhixing Automobile Sales Services Co., Ltd. (宿州安之星汽車銷售服務有限公司)		The PRC 16 July 2014 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Guangzhoushi Hengyuehang Automobile Sales Services Co., Ltd. (廣州市恒悅行汽車銷售服務有限公司)		The PRC 21 June 2016 Limited liability company	RMB100,000,000	–	100%	Automobile dealership
Qingyuan Aoze Automobile Sales Services Co., Ltd. (清遠奧澤汽車銷售服務有限公司)		The PRC 10 August 2016 Limited liability company	RMB30,000,000	–	100%	Automobile dealership
Shenzhen Hengshuo Advisory Services Co., Ltd. (深圳恒爍咨詢服務有限公司)		The PRC 17 August 2016 Limited liability company	RMB1,000,000	–	100%	Consulting services
Foshan Tengxing Automobile Sales Services Co., Ltd. (佛山騰星汽車銷售服務有限公司)		The PRC 17 August 2016 Limited liability company	RMB40,000,000	–	100%	Automobile dealership
Shantou Hengshuo Services Co., Ltd. (汕頭市恒爍商務咨詢服務有限公司)		The PRC 7 September 2016 Limited liability company	RMB1,000,000	–	100%	Consulting services
Nanjing Qi'ao Automobile Sales Services Co., Ltd. (南京祺奧汽車銷售服務有限公司)		The PRC 3 May 2017 Limited liability company	RMB10,000,000	–	100%	Automobile dealership

16 INTEREST IN SUBSIDIARIES (Continued)

	Note	Place and date of incorporation/establishment	Registered/issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhuhai Zhengtong Tengxing Automobile Sales Services Co., Ltd. (珠海正通騰星汽車銷售服務有限公司)		The PRC 6 March 2017 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Chongqing Qibao Automobile Sales Services Co., Ltd. (重慶祺寶汽車銷售服務有限公司)		The PRC 14 June 2016 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Wuhan Tengxing Automobile Sales Services Co., Ltd. (武漢騰星汽車銷售服務有限公司)		The PRC 1 August 2017 Limited liability company	RMB20,000,000	–	100%	Automobile dealership
Zhuhai Zhengtong Tengxing Automobile Sales Services Co., Ltd. (珠海正通騰星汽車銷售服務有限公司)		The PRC 6 March 2017 Limited liability company	RMB70,000,000	–	100%	Automobile dealership
Chongqing Qibao Automobile Sales Services Co., Ltd. (重慶祺寶汽車銷售服務有限公司)		The PRC 14 June 2016 Limited liability company	RMB80,000,000	–	100%	Automobile dealership
Wuhan Tengxing Automobile Sales Services Co., Ltd. (武漢騰星汽車銷售服務有限公司)		The PRC 1 August 2017 Limited liability company	RMB20,000,000	–	100%	Automobile dealership

Notes:

(i) These entities are incorporated in the PRC as wholly foreign-owned enterprises by Rising Wave Development Limited.

(ii) This entity is considered a subsidiary of the Group because the Group has rights to variable returns from its involvement with the entity and has the ability to affect those returns by virtue of an agreement signed with another equity shareholder which holds 50% interest in this entity, that results in the Group has the power to appoint the sole director of the entity.

(iii) This entity is incorporated in the PRC as a wholly foreign-owned enterprise by Wealth Fame Holdings Limited.

(iv) Except for Big Glory International Limited, Rising Wave Development Limited, Tongda Group (China) Co., Ltd., Silver Journey Global Limited, Acme Joy Group Limited, Chang Jun Limited, Top Globe Limited, Wealth Fame Holdings Limited, Hong Kong Nettime Investment Co., Ltd., and Hong Kong Newspeed Technology Co., Ltd., the English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

The directors are of the view that the Group had no individually material non-controlling interest as at 31 December 2021.

17 INTEREST IN ASSOCIATES

The following list contains only the particulars of material associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Dongfeng Logistic (Wuhan) Co., Ltd.	Incorporated	PRC	115,440,000	14.43%	—	14.43%	Logistic

Dongfeng Logistic (Wuhan) Co., Ltd. ("Wuhan Dongfeng") is an unlisted corporate entity in which the Group had 14.43% ownership interest and classified as interest in an associate as at 31 December 2021.

Associate are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Wuhan Dongfeng, a material associate of the Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2021 RMB'000	2020 RMB'000
Gross amounts of Wuhan Dongfeng		
Current assets	**3,290,101**	3,360,338
Non-current assets	**2,484,100**	2,613,680
Current liabilities	**(2,098,569)**	(2,385,819)
Non-current liabilities	**(91,183)**	(116,619)
Equity	**(3,584,449)**	(3,471,580)
Revenue	**(5,304,961)**	(4,634,807)
Profit from continuing operations	**(312,862)**	(324,965)
Dividend received from the associate	**28,860**	—
Reconciled to the Group's interests in Wuhan Dongfeng		
Gross amounts of net assets of Wuhan Dongfeng	**3,584,449**	3,471,580
Group's effective interest	**14.43%**	14.43%
Group's share of net assets of Wuhan Dongfeng	**517,236**	500,949
Carrying amount in the consolidated financial statements	**517,236**	500,949

17 INTEREST IN ASSOCIATES (Continued)

Information of another associate that are not individually material:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amount of individually immaterial associate in the consolidated financial statements	**16,131**	15,938
Amounts of the Group's share of the associate		
Profit from continuing operations	**1,210**	2,951
Total comprehensive income	**1,210**	2,951

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
4S dealership business		
Motor vehicles	**1,796,851**	967,392
Automobile spare parts	**216,724**	256,610
Others	**43,917**	41,459
	2,057,492	1,265,461
Comprehensive properties business		
Properties under development for sale	**591,539**	536,307
	2,649,031	1,801,768

Inventories with carrying amount of RMB565,866,000 have been pledged as security for the bills payable as at 31 December 2021 (2020: RMB161,994,000).

Inventories with carrying amount of RMB901,237,000 have been pledged as security for loans and borrowings from banks and other financial institutions (note 24) as at 31 December 2021 (2020: RMB775,833,000).

18 INVENTORIES (Continued)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

		For the year ended 31 December	
	Note	**2021**	2020
		RMB'000	RMB'000
Carrying amount of inventories sold		**18,975,817**	16,894,387
Write down of inventories		**54,352**	101,190
Reversal of write-down of inventories	(i)	**(8,270)**	(664)
Re-assessment of rebate receivables	(ii)	**48,844**	4,318,050
		19,070,743	21,312,963

(i) The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain motor vehicles as a result of a change in consumer preferences.

(ii) Rebate receivables in prior years were accrued based the terms of the underlying vendor rebate policies and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria such as customer satisfactory results, store demonstration requirements, etc., as set out in the respective vendor rebate policies.

As disclosed in note 14, a few dealership agreements were terminated during the year ended 31 December 2021 due to the continual underperformance compared with the targets set by automakers. Accordingly, these automakers have alleged that the Group failed to make improvement against the damage the Group brought to their brands and clawed back the Group's prior years' rebate entitlements. The Group has therefore reassessed the recoverability of the rebate receivables, and a reduction of rebate receivable (VAT exclusive) by RMB48,844,000 was recognised in profit or loss for the year ended 31 December 2021 (2020: A reduction of RMB4,318,050,000).

19 TRADE AND BILLS RECEIVABLES

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**1,004,158**	1,053,682
Bills receivable	**908**	655
	1,005,066	1,054,337

All of the trade and bills receivables are expected to be recovered within one year. Details of the Group's credit policy are set out in note 32(a).

None of the trade and bills receivables are pledged against bank loans as at 31 December 2021 (see note 24) (2020: RMB17,073,000).

19 TRADE AND BILLS RECEIVABLES (Continued)

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date, is as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**976,505**	1,013,109
More than 3 months but within 1 year	**7,565**	21,962
Over 1 year	**20,996**	19,266
	1,005,066	1,054,337

Details on the Group's credit policy are set out in note 32(a).

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		At 31 December	
	Note	**2021**	2020
		RMB'000	RMB'000
Prepayments		**583,669**	763,067
Deposits		**475,735**	510,213
Other receivables	(ii)	**3,235,069**	3,100,586
		4,294,473	4,373,866

(i) All of the prepayments, deposits and other receivables are expected to be recovered within one year.

(ii) For the reason disclosed in note 18(b)(ii), a reduction of RMB55,194,000 (VAT inclusive) has been made against rebate receivable, which was included in other receivables, during the year ended 31 December 2021 (2020: RMB4,879,397,000 (VAT inclusive)).

21 OTHER FINANCIAL ASSETS

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current		
Financial assets carried at FVPL	**122,589**	250,000
Non-Current		
Financial assets carried at FVPL	**—**	35,000
	122,589	285,000

Other financial assets mainly included investment in wealth management products purchased from Western Trust Co., Ltd.

During the year, the Group has redeemed part of these wealth management products with a proceed of RMB41.6 million. An unrealised loss for the investment of RMB120.8 million was recognised as a loss in other income for the year ended 31 December 2021.

22 PLEDGED BANK DEPOSITS

		At 31 December	
Guarantee deposits in respect of:	Note	**2021 RMB'000**	2020 RMB'000
Restricted guarantee deposits in respect of:			
Bank loans (note 24)	(i)	**1,075,695**	448,014
Bills payable (note 26)	(i)	**1,620,765**	523,728
Others		**—**	17,969
		2,696,460	989,711

(i) The bank deposits pledged for banks loans and bills payables will be released upon the settlement of relevant bank loans and bills payable.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December	
	2021 RMB'000	2020 RMB'000
Deposits with banks within 3 months of maturity	**2,051**	163,415
Cash at banks and on hand	**206,720**	231,704
Cash and cash equivalents in the consolidated statement of financial position	**208,771**	395,119
Cash and cash equivalents included in a disposal group classified as assets held for sale	**—**	95,421
Cash and cash equivalents in the consolidated statement of cash flow	**208,771**	490,540

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	For the year ended 31 December 2021 RMB'000	2020 RMB'000
Loss for the year		**(3,780,767)**	(8,588,604)
Add back: Income tax		**(351,337)**	(1,774,344)
Adjustments for:			
— Depreciation of owned property, plant and equipment	5(c)	**361,024**	375,062
— Depreciation of right-of-use assets	5(c)	**379,291**	407,189
— Amortisation of investment properties	5(c)	**571**	—
— Amortisation of intangible assets	5(c)	**161,114**	189,433
— Net gain on disposal of property, plant and equipment	4	**(261,737)**	(34,909)
— Net loss on disposal of right-of-use assets		**32,909**	—
— Finance costs	5(a)	**1,303,150**	1,093,836
— Share of profit of associates and a joint venture		**(45,340)**	(37,077)
— Gain on disposal of interest in a joint venture	4	**—**	(133,403)
— Interest income from bank deposits	4	**(14,126)**	(33,051)
— Equity settled share-based transactions	28	**15,926**	17,310
— Impairment losses of receivables from financial services	5(c)	**887,854**	309,266
— Write down of inventories	18(b)	**46,082**	100,526
— Realised/unrealised loss/(gain) of financial instruments	4	**116,775**	(16,534)
— Foreign exchange gain		**(177,245)**	(353,293)
— Impairment of goodwill	15	**127,055**	1,241,322
— Impairment of intangible assets	14	**189,562**	1,021,422
— Impairment of property, plant and equipment	11	**311,777**	235,628
— Loss in relation to loss of control in a subsidiary (note 31)	5(c)	**1,200,197**	—
Cash generated from/(used in) operations		**502,735**	(5,980,221)
Changes in working capital, include reclassification to held for sale:			
— (Increase)/decrease in inventories		**(838,113)**	1,805,594
— Decrease in trade and bills receivables		**49,271**	380,491
— Decrease in prepayments, deposits and other receivables		**1,714**	5,861,990
— (Increase)/decrease in pledged bank deposits		**(1,079,068)**	259,087
— Increase/(decrease) in trade and other payables		**1,596,255**	(1,918,398)
— Decrease in receivables from financial services		**2,098,132**	4,070,892
— Decrease in loans and borrowings for financial services		**(2,022,776)**	(3,959,361)
Cash generated from operations		**308,150**	520,074
Income tax paid		**(152,518)**	(173,844)
Net cash generated from operating activities		**155,632**	346,230

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank loans and borrowings RMB'000 (note 24)	Bonds payable RMB'000 (note 27)	Interest payables RMB'000 (i)	Derivative financial instruments: Capped cross currency swap RMB'000 (note 32(e))	Lease liabilities RMB'000 (note 25)	Total RMB'000
At 31 December 2020, and 1 January 2021	11,556,203	1,417,105	48,237	32,383	1,690,832	14,744,760
Changes from financing cash flows:						
Proceeds from loans and borrowings	21,830,870	–	–	–	–	21,830,870
Repayment of loans and borrowings	(18,372,326)	(1,025,291)	–	–	–	(19,397,617)
Capital element of finance lease rentals paid	–	–	–	–	(466,113)	(466,113)
Interest element of finance lease rentals paid	–	–	–	–	(89,807)	(89,807)
Interest paid	–	(161,632)	(1,130,969)	(36,439)	–	(1,329,040)
Total changes from financing cash flows	3,458,544	(1,186,923)	(1,130,969)	(36,439)	(555,920)	548,293
Exchange adjustments	(158,807)	(26,550)	–	–	–	(185,357)
Changes in fair value	–	–	–	4,056	–	4,056
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	370,352	370,352
Interest expenses	–	162,304	1,049,763	–	89,807	1,301,874
Capitalised borrowing costs (note 5(a))	–	–	82,596	–	–	82,596
Disposal of right-of-use assets	–	–	–	–	(116,260)	(116,260)
Impacts arising from loss of control in a subsidiary	1,440,044	–	–	–	–	1,440,044
Total other changes	1,440,044	162,304	1,132,359	–	343,899	3,078,606
At 31 December 2021	16,295,984	365,936	49,627	–	1,478,811	18,190,358

(i) Interest payables is recorded in trade and other payables.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and borrowings for non-financial services RMB'000 (note 24)	Bonds payable RMB'000 (note 27)	Interest payables RMB'000 (i)	Derivative financial instruments: Capped cross currency swap RMB'000 (note 32(e))	Lease liabilities RMB'000	Accrued listing expenses of a subsidiary RMB'000	Total RMB'000
At 31 December 2019, and 1 January 2020	13,287,103	298,535	56,930	85,575	1,882,202	32,962	15,643,307
Changes from financing cash flows:							
Proceeds from loans and borrowings	15,429,185	1,266,070	–	–	–	–	16,695,255
Repayment of loans and borrowings	(16,857,976)	(89,169)	–	7,482	–	–	(16,939,663)
Capital element of finance lease rentals paid	–	–	–	–	(238,559)	–	(238,559)
Interest element of finance lease rentals paid	–	–	–	–	(104,548)	–	(104,548)
Interest paid	–	(158,893)	(915,865)	(71,293)	–	–	(1,146,051)
Payments for listing expenses of a subsidiary	–	–	–	–	–	(5,185)	(5,185)
Total changes from financing cash flows	(1,428,791)	1,018,008	(915,865)	(63,811)	(343,107)	(5,185)	(1,738,751)
Exchange adjustments	(302,109)	(58,942)	–	(5,915)	–	(1,645)	(368,611)
Changes in fair value	–	–	–	16,534	–	–	16,534
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	105,450	–	105,450
Interest expenses (note 5(a))	–	159,504	807,565	–	104,548	–	1,071,617
Capitalised borrowing costs (note 5(a))	–	–	99,607	–	–	–	99,607
Disposal of right of use assets	–	–	–	–	(34,889)	–	(34,889)
Reclassification to liabilities held for sale	–	–	–	–	(23,372)	(26,132)	(49,504)
Total other changes	–	159,504	907,172	–	151,737	(26,132)	1,192,281
At 31 December 2020	11,556,203	1,417,105	48,237	32,383	1,690,832	–	14,744,760

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	**8,069**	5,735
Within investing cash flows	**—**	13,733
Within financing cash flows	**566,986**	343,107
	575,055	362,575

These amounts relate to the following:

	2021 RMB'000	2020 RMB'000
Lease rentals paid	**575,055**	348,842
Purchase of land use rights	**—**	13,733
	575,055	362,575

24 LOANS AND BORROWINGS

The analysis of the carrying amount of loans and borrowings is as follows:

	Note	At 31 December 2021 RMB'000	2020 RMB'000
Current			
Unsecured bank loans	(i)	**436,000**	982,838
Current portion of unsecured long-term bank loans	(i)	**1,853,990**	2,603,060
Unsecured short-term commercial paper	(ii)	**—**	150,000
Unsecured interest-bearing borrowings due to other financial institution	(iii)	**1,440,044**	—
Unsecured interest-bearing borrowings due to related parties (note 35)		**5,766,123**	—
Secured bank loans	(iv)	**2,865,997**	1,987,343
Current portion of secured long-term bank loans	(iv)	**192,691**	234,437
Secured interest-bearing borrowings due to other financial institutions	(v)	**2,221,682**	4,164,561
Sub-total		**14,776,527**	10,122,239
Non-current			
Unsecured bank loans	(vi)	**1,187,538**	1,041,574
Secured bank loans	(vii)	**331,919**	392,390
Sub-total		**1,519,457**	1,433,964
Total		**16,295,984**	11,556,203

(i) Current unsecured bank loans and current portion of unsecured long-term bank loans carried interest at annual rates ranging from 5.00% to 9.50% as at 31 December 2021 (2020: from 4.68% to 12.00%).

(ii) The Group had repaid one batch of one year short-term commercial papers in National Association of Financial Market Institutional Investors in 2021 with the amount of RMB150 million. This short-term commercial paper bears interest rate of 7.00%.

(iii) Unsecured interest-bearing borrowings due to other financial institution represents the loans and borrowings due to Shanghai Dongzheng Automotive Finance Co., Ltd. (note 31) carried interest at annual rate of 6.50% as at 31 December 2021.

(iv) Current secured bank loans and current portion of secured long-term bank loans carried interest at annual rates ranging from 1.10% to 9.50% as at 31 December 2021 (2020: from 4.35% to 10.50%).

(v) Secured borrowings due to other parties mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 5.96% to 15.00% as at 31 December 2021 (2020: from 5.96% to 12.00%).

(vi) The non-current unsecured bank loans bearing interest rate from 4.0738% to 4.1591% per annum as at 31 December 2021 (2020: 3.15% to 5.225%) will mature on 6 June 2023 and 12 January 2024, respectively.

24 LOANS AND BORROWINGS (Continued)

(vii) The non-current secured loans bearing interest rate from 3.00% to 8.40% per annum as at 31 December 2021 (2020: 3.00% to 8.40%) will mature on 20 April 2023, 27 March 2023, 26 June 2023 and 8 April 2024, respectively.

As at 31 December 2021, the following assets of the Group had been pledged, together with certain intra-group guarantees, to secure for the Group's banking facilities totaling RMB17,895,433,000 (2020: RMB10,470,559,000).

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Inventories	**901,237**	775,833
Pledged bank deposits	**1,075,695**	448,014
Property, plant and equipment	**807,141**	717,241
Right-of-use assets — land use rights	**829,558**	582,677
Trade and bills receivables	**—**	17,073
Equity of subsidiaries	**277,600**	1,939,516
Time deposits	**231,800**	290,915
Total	**4,123,031**	4,771,269

As of 31 December 2021, the above banking facilities were utilised to the extent of RMB10,771,597,000, and RMB2,143,005,000 out of the remaining available facilities can be drawn down at the Group's discretion without designated purposes.

Certain borrowings from other parties were borrowed with pledge of equity in certain subsidiaries of the Group, with pledge value capped to the borrowing amount of approximately RMB277,600,000 as at 31 December 2021 (2020: RMB1,939,516,000), with pledge value capped to the borrowing amount.

Certain banking facilities of the Group's subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 31 December 2021, none of the covenants relating to drawn down facilities had been breached (2020: None).

(viii) As of 31 December 2021, unsecured loans and borrowings amounting to RMB5,759,587,000 were intra-group guaranteed (2020: RMB5,051,877,000).

As of 31 December 2021, secured loans and borrowings amounting to RMB4,282,722,000 were intra-group guaranteed (2020: RMB2,527,911,000).

25 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year	**309,477**	529,620
After 1 year but within 2 years	**296,633**	270,698
After 2 years but within 5 years	**548,428**	495,135
After 5 years	**324,273**	395,379
	1,169,334	1,161,212
	1,478,811	1,690,832

26 TRADE AND OTHER PAYABLES

	Note	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Current			
Trade payables		**1,102,712**	1,029,801
Bills payable	(i)	**2,829,084**	699,320
		3,931,796	1,729,121
Contract liabilities	(ii)	**1,150,320**	916,287
Other payables and accruals		**891,626**	1,528,557
Payables due to related parties	35(c)	**938**	23,343
		5,974,680	4,197,308
Non-current			
Long-term payables		**219,770**	251,656
		6,194,450	4,448,964

26 TRADE AND OTHER PAYABLES (Continued)

(i) Bills payable of RMB1,620,765,000 as at 31 December 2021 (2020: RMB523,728,000) were secured by pledged bank deposits (see note 22).

Bills payable of RMB2,578,301,000 as at 31 December 2021 (2020: RMB175,592,000) were secured by inventories.

As of the end of reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Within 3 months	**3,715,365**	1,530,030
Over 3 months but within 6 months	**211,543**	190,570
Over 6 months but within 12 months	**4,888**	8,521
	3,931,796	1,729,121

(ii) The amount of revenue recognised in the year that was included in the contract liabilities balance at the beginning of the year was RMB916,287,000 (2020: RMB914,527,000).

27 BONDS PAYABLE

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Bonds payable:		
Current	**365,936**	—
Non-current	**—**	1,417,105
	365,936	1,417,105
Details of the bonds payable are as follows:		
Principal amount	**1,488,497**	1,488,497
Bonds issue costs	**(21,944)**	(21,944)
Proceeds received	**1,466,553**	1,466,553
Accumulated amortised amounts of discount on issue and issue costs	**18,892**	9,494
Exchange differences	**(81,724)**	(58,942)
Early repayments	**(1,037,785)**	—
As at 31 December	**365,936**	1,417,105

On 24 March 2017, the Group issued corporate bonds with an aggregate principal amount of RMB300 million (the "**PRC Bonds**"). The PRC bonds bear interest from 24 March 2017 (inclusive) at the initial rate of 6% per annum and were issued at their principal amount. Interest on the PRC Bonds is payable annually in arrears. The PRC bonds have been listed on Shenzhen Stock Exchange and was matured and fully repaid on 24 March 2022. From 25 March 2020 (inclusive), the PRC Bonds coupon rate had been adjusted to 7.5% per annum due to the re-sale of the bonds put back by certain investors.

On 16 January 2020, the Group issued first batch of senior notes with an aggregate principal amount of USD (United States Dollar) 160 million (the "**First Batch of USD Bonds**"). The First batch of USD bonds bear interest from 16 January 2020 (inclusive) at the rate of 12.0% per annum and were issued at their principal amount. On 11 February 2020, the Group issued second batch of senior notes with an aggregate principal amount of USD13 million (the "**Second Batch of USD Bonds**", together with the First Batch of USD Bonds, the "**USD Bonds**"), consolidated and formed a single class with the First Batch of USD bonds. The Second Batch of USD bonds bear interest from 16 January 2020 (inclusive) at the rate of 12.0% per annum and were issued at 99.98% of their principal amount. Interest on the USD Bonds is payable semi-annually in arrears. The USD bonds have been listed on Hong Kong Stock Exchange, and was mature on 16 January 2022. On 24 November 2021, the Group repaid the bonds of USD162 million in advance.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the restricted shares award scheme ("**Share Award Scheme**") on 12 June 2020 ("**Grant Date**"), 47,100,000 restricted shares of the Company ("**Restricted Shares**") were approved for granting to core employees of the Group. The fair value of the Restricted Shares granted under the respective grant dates is RMB1.13 per share, as determined based on the average market price at the Grant Date and the subscription price is nil.

The Restricted Shares are subject to various lock-up period (The "**Lock-Up period**") of 1 year, 2 years, 3 years and 4 years, respectively, immediately from the Grant Date. During the Lock-Up Period, these shares are not transferrable, nor subject to any guarantee or indemnity.

Subject to fulfilment of all service and performance conditions under the Share Award Scheme which include participants' individual performance appraisal (referred to as "**vesting conditions**"), the restriction over the Restricted Shares will be removed after the expiry of the corresponding lock-up period for each tranche and the participants will be fully entitled to these incentive shares. If the vesting conditions are not fulfilled and hence the Restricted Shares cannot be unlocked, all the unvested or outstanding Restricted Shares not yet vested shall be immediately forfeited.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) The terms and conditions of the grants are as follows:

	Number of restricted shares	Vesting conditions
Restricted shares granted to employee work less than 5 years		
— on 12 June 2020	5,580,000	Two years from the date of grant
— on 12 June 2020	5,580,000	Three years from the date of grant
— on 12 June 2020	5,580,000	Four years from the date of grant
Restricted shares granted to employee work more than 5 years, within 10 years		
— on 12 June 2020	5,320,000	One year from the date of grant
— on 12 June 2020	5,320,000	Two years from the date of grant
— on 12 June 2020	5,320,000	Three years from the date of grant
Restricted shares granted to employee work more than 10 years		
— on 12 June 2020	14,400,000	One year from the date of grant
Total restricted shares granted	47,100,000	

(b) The number and weighted average exercise prices of restricted shares are as follows:

	2021		2020	
	Weighted average exercise price	**Number of restricted shares '000**	Weighted average exercise price	Number of restricted shares '000
Outstanding at the beginning of the year	**RMB0**	**41,160,000**	—	—
Exercised during the year	**RMB0**	**(19,480,000)**	—	—
Granted during the year	**RMB0**	**—**	RMB0	47,100,000
Forfeited during the year	**RMB0**	**(4,200,000)**	RMB0	(5,940,000)
Outstanding at the end of the year	**RMB0**	**17,480,000**	RMB0	41,160,000

Total expenses of RMB15,926,000 were recognised as personnel expenses during the year ended 31 December 2021 (2020: RMB17,310,000).

29 DEFERRED TAX ASSETS AND LIABILITIES

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

	Fair value adjustment arising from business combination RMB'000	Depreciation allowances in excess of depreciation charges RMB'000	Future benefits of tax losses RMB'000	Fair value change of financial instruments RMB'000	Deferred revenue and rebate receivable RMB'000	Inventory provision, and impairment of property, plant and machinery RMB'000	Credit loss allowance on receivables from financial services RMB'000	Withholding taxes RMB'000	Capitalisation of interest RMB'000	Charge of right-of-use assets RMB'000	Total RMB'000
Deferred tax assets/(liabilities) arising from:											
At 1 January 2020	(951,904)	(5,216)	224,141	–	9,533	–	24,819	–	(70,616)	62,927	(706,316)
Credited/(charged) to profit or loss (note 6(a))	271,561	1,764	790,316	–	(601,594)	27,490	3,855	(170,097)	(23,813)	(9,382)	290,100
Reclassification to assets held for sale	–	–	–	–	(58,199)	–	(28,674)	–	–	(675)	(87,548)
At 31 December 2020, and 1 January 2021	(680,343)	(3,452)	1,014,457	–	(650,260)	27,490	–	(170,097)	(94,429)	52,870	(503,764)
Credited/(charged) to profit or loss (note 6(a))	78,687	20	107,969	30,208	(31,464)	2,928	–	136,746	(20,075)	(24,235)	280,784
At 31 December 2021	**(601,656)**	**(3,432)**	**1,122,426**	**30,208**	**(681,724)**	**30,418**	**–**	**(33,351)**	**(114,504)**	**28,635**	**(222,980)**

	At 31 December	
	2021 RMB'000	2020 RMB'000
Representing:		
Net deferred tax assets	**616,626**	442,782
Net deferred tax liabilities	**(839,606)**	(946,546)
	(222,980)	(503,764)

Deferred tax liabilities not recognised:

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2021 in respect of undistributed earnings of RMB5,188,257,000 (2020 RMB4,182,728,000) as the Company controls the dividend policy of the subsidiaries and it has determined that these profit will not be distributable in the foreseeable future.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company				
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2020	209,150	6,112,674	77,893	(4,105,241)	2,294,476
Loss and total comprehensive income for the year	—	—	—	(2,426,160)	(2,426,160)
Issue of ordinary shares by placement	22,115	214,735	—	—	236,850
Equity settled share-based transactions	—	—	17,310	—	17,310
Balance at 31 December 2020, and 1 January 2021	231,265	6,327,409	95,203	(6,531,401)	122,476
Loss and total comprehensive income for the year	—	—	—	(538,493)	(538,493)
Issues of ordinary shares for Share Award Scheme	3,938	—	(3,938)	—	—
Equity settled share-based transactions	—	19,740	(3,814)	—	15,926
Balance at 31 December 2021	**235,203**	**6,347,149**	**87,451**	**(7,069,894)**	**(400,091)**

(b) Dividends

(i) No final dividend was proposed or paid after the end of reporting periods of year ended 31 December 2021 and 2020.

(ii) No dividend was proposed in respect of the previous financial years, approved and paid during the year ended 31 December 2021 and 2020.

(iii) Other dividends

During the year ended 31 December 2021, none of the subsidiaries of the Group has declared or paid any dividends in cash to non-controlling shareholders (2020: RMB7,725,000).

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

Movements in the authorised share capital of the Company during the year are as follows:

	2021		2020	
	Number of shares (thousand)	Amount HK$('000)	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, authorised:				
Ordinary shares of HK$0.10 each	20,000,000	2,000,000	20,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1 January	2,697,442	269,744	2,452,220	245,222
Issue of ordinary shares by placement (i)	—	—	245,222	24,522
Issue of ordinary shares for equity settled share-based transactions (note 28)	47,100	4,710	—	—
At 31 December	2,744,542	274,454	2,697,442	269,744
RMB equivalent ('000)		235,203		231,265

(i) Pursuant to a share placing agreement dated 15 July 2020, the Company completed a share placing by issuing 245,222,000 ordinary shares at a price of HK$1.09 per share on 20 July 2020. Consequently, HKD (Hong Kong Dollar) 24,522,200 (equivalent to RMB22,115,000) and HKD238,105,000 (equivalent to RMB214,735,000) were recorded in share capital and share premium, respectively.

(d) Nature and purpose of reserves

(i) PRC statutory reserve

PRC Statutory reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserve were approved by the respective board of directors' meetings.

For the entity concerned, statutory reserve can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(ii) Exchange reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(y).

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) General reserve

Pursuant to the relevant notices issued by regulatory bodies, certain subsidiary in the financial services segment in the Mainland China are required to set aside a general reserve to cover potential losses.

(e) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as interest-bearing loans and borrowings, obligations under finance leases, bills payable, bonds payable and unaccrued proposed dividends less cash and cash equivalents, time deposits and pledged bank deposits, and capital is defined as the total equity less unaccrued proposed dividends.

The adjusted net debt-to-capital ratios at 31 December 2021 and 31 December 2020 were as follows:

		At 31 December	
	Note	**2021**	2020
		RMB'000	RMB'000
Loans and borrowings	24	**16,295,984**	11,556,203
Bonds payable	27	**365,936**	1,417,105
Bills payable	26	**2,829,084**	699,320
Lease liabilities	25	**1,478,811**	1,690,832
Total borrowings		**20,969,815**	15,363,460
Less: Pledged bank deposits	22	**(2,696,460)**	(989,711)
Time deposits		**(413,841)**	(443,180)
Cash and cash equivalents	23	**(208,771)**	(395,119)
Adjusted net debt		**17,650,743**	13,535,450
Total equity		**540,621**	5,312,900
Adjusted net debt-to-capital ratio		**32.65**	2.55

The Group is subject to capital requirements imposed by certain banks.

31 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

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

In response to the CBIRC Decision, the Company had committed to sell its entire interests in Dongzheng which constituted the Group's financial services segment. It had engaged a financial adviser to assist in the disposal (the "**Potential Disposal**") and had been actively identifying potential purchasers with an objective of achieving a completed sale within 2021, which helped the Company obtain a reasonable extension beyond the original due date of 19 January 2021 for the completion of the Potential Disposal. Accordingly, the interests in Dongzheng have been presented as a disposal group held for sale as at 31 December 2020 and the related activities as discontinued operations since then.

During 2021, although the Company had tried to achieve the Potential Disposal and kept periodic communication with CBIRC, no binding sales and purchase agreements had been entered into with any potential purchasers. Towards the end of 2021, Shanghai Financial Court of the People's Republic of China (the "**Shanghai Financial Court**") has accepted the application by the CBIRC and ruled to approve on January 2022 the compulsory liquidation of the Company's interests in Dongzheng by way of auction (the "**Liquidation Order**").

On 29 January 2022, the Company received two rulings on administrative proceedings and a notice of property preservation against the Company issued by the Shanghai Financial Court (collectively, the "**Rulings**").

In view of the aforementioned developments in particular the auction application that occurred in December 2021 and the subsequent confirming evidence by way of the Rulings issued on 29 January 2022, the Company has concluded that at the end of 2021 there was a significant change in circumstances around how power can be exercised over Dongzheng and that the Company lost control over Dongzheng at that time. Consequently, from then the Company has ceased to consolidate the assets, liabilities and activities of Dongzheng and has recognised its interests in Dongzheng as a financial asset at fair value through profit or loss and, accordingly, the assets and liabilities in the disposal group held for sale at 31 December 2020 has become one single financial asset held for sale at 31 December 2021. In accordance with the valuation report issued by an external valuer on 24 March 2022, the fair value of the equity interests held by the Company in Dongzheng as whole at the date of loss of control was RMB1,400,714,000. Accordingly, upon the loss of control the Company has recognised a remeasurement loss of RMB1,200,197,000 being the difference between the fair value of the overall interest and the Group's share of the carrying amounts of the underlying assets and liabilities of Dongzheng.

31 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

(Continued)

(i) Analysis of profit for the year from Dongzheng

The results of the discontinued operations of Dongzheng for the period up to the date of loss of control and the results for the preceding year are as follows:

	Note	For the period up to the date of loss of control RMB'000	For the year ended 31 December 2020 RMB'000
Revenue		375,403	808,709
Elimination of inter-segment revenue		(93,334)	(188,204)
External revenue	3	282,069	620,505
Cost		(1,380,732)	(630,414)
Other revenue		2,083	9,521
Administrative expenses		(99,046)	(111,946)
Finance costs (note 5(a))		(1,276)	(1,899)
Add back: Change in expected credit loss on inter-segment receivables and other inter-segment expenses		478,644	146,711
Results from operating activities		(718,258)	32,478
Income tax		221,676	(8,613)
Results from operating activities, net of tax		(496,582)	23,865
Fair value remeasurement loss		(1,200,197)	—
Income tax		120,020	—
Fair value remeasurement loss upon loss of control, net of tax		(1,080,177)	—
(Loss)/profit for the year from discontinued operations, net of tax		(1,576,759)	23,865

Immediately before the loss of control by the Company and as at 31 December 2020, the major classes of assets and liabilities of Dongzheng are as follow:

	At the date of loss of control RMB'000	As at 31 December 2020 RMB'000
Property, plant and equipment	7,867	7,598
Right-of-use assets	20,636	20,636
Intangible assets	12,060	11,337
Receivables from financial services	1,403,898	4,389,884
Deferred tax assets	324,755	87,548
Prepayments, deposits and other receivables	26,340	34,758
Cash and cash equivalents	255,890	95,421
Assets	2,051,446	4,647,182
Add: inter-segment receivables (after expected credit loss)	1,343,505	1,621,580
Dongzheng reportable assets	3,394,951	6,268,762
Loans and borrowings	—	(2,033,911)
Trade and other payables	(111,289)	(127,608)
Lease liabilities	(13,582)	(23,372)
Income tax payables	(26,398)	(18,379)
Liabilities	(151,269)	(2,203,270)
Add: inter-segment payables	(36)	(932)
Dongzheng reportable liabilities	(151,305)	(2,204,202)

31 DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

(i) Analysis of profit for the year from Dongzheng (Continued)

The above loss of control over Dongzheng had the following effect on the Group's assets and liabilities upon the date when control was lost:

	At the date of loss of control RMB'000
Net assets of Dongzheng immediately before loss of control after consolidation adjustments	
Assets	2,051,446
Liabilities	(151,269)
	1,900,177
De-consolidation adjustments upon loss of control:	
Loans and borrowings due to Dongzheng	1,440,044
Payables due to Dongzheng	274,705
Receivables due from Dongzheng	(36)
Non-controlling interests	(1,013,979)
Fair value remeasurement loss upon loss of control	(1,200,197)
Fair value of interest in Dongzheng immediately after loss of control	1,400,714

Cash flows from discontinued operations for the period up to the date of loss of control and the preceding year are summarised as follows:

	For the period up to the date of loss of control RMB'000	For the year ended 31 December 2020 RMB'000
Cash flows generated from/(used in) operating activities	**177,474**	(8,098)
Cash flows used in investing activities	**(1,439)**	(1,832)
Cash flows used in financing activities	**(11,066)**	(15,984)
Net cash inflow/(outflow)	**164,969**	(25,914)

An analysis of the net outflow of cash and cash equivalents as at the date of the loss of control in Dongzheng is as follows:

Cash considerations	—
Less: Cash and cash equivalent held by Dongzheng	(255,890)
Net outflow of cash and cash equivalents as at the date of the loss of control in Dongzheng	(255,890)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits, time deposits, trade and bills receivables, deposits and other receivables and long-term receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, pledged bank deposits and time deposits is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

Trade receivables

Credit risk in respect of trade and bills receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent receivables from individual customers, who obtain mortgages from their financial institutions and used the drawn-down mortgage principal to settle the Group's trade receivables within one month when the mortgages were granted by their financial institutions, and warranty receivables from automobile manufacturers. For the receivables from automobile manufacturers, risk of default is considered low, as these are companies with good credit rating. Based on past experience, the Group was of the opinion that no provision for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. Normally, the Group does not obtain collateral from customers.

At 31 December 2021, 1.33% (2020: 4.74%) and 0.76% (2020: 1.72%) of the total trade and bills receivables were due from the Group's five largest customers and the largest single customer respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Based on historical loss ratios, The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 for trade receivables as at 31 December 2021.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Other receivables

Credit risk in respect of other receivables is limited since the counterparties are of good reputation and their receivables are settled on a regular basis.

The Group measures loss allowances for other receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed there is no significant loss allowance recognised in accordance with HKFRS 9 for other receivables as at 31 December 2021.

Long-term receivables

Credit risk in respect of long-term receivables is limited since the counterparties are mainly certain landlords and their receivables are settled on a regular basis.

The Group measures loss allowances for deposits and long-term receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Note 2(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities (other than financial guarantees), which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2021					At 31 December 2020				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Loans and borrowings	**15,232,831**	**1,588,420**	**—**	**16,821,251**	**16,295,894**	10,976,009	2,918,311	—	13,894,320	11,556,203
Lease liabilities	**372,157**	**1,129,605**	**643,928**	**2,145,690**	**1,478,811**	551,288	932,743	637,701	2,121,732	1,690,832
Bonds payable	**374,286**	**—**	**—**	**374,286**	**365,936**	163,956	1,443,876	—	1,607,832	1,417,105
Trade and other payables	**5,974,680**	**284,000**	**71,000**	**6,329,680**	**6,196,457**	4,197,308	284,000	142,000	4,623,308	4,448,964
Total liquidity exposure other than the financial guarantees issued	**21,953,954**	**3,002,025**	**714,928**	**25,670,907**	**24,337,188**	15,888,561	5,578,930	779,701	22,247,192	19,113,104

Financial guarantees issued

In March 2016, Wuhan Zhengtong United Industrial Investment Group Co., Ltd. ("**Wuhan Zhengtong**"), an indirect wholly owned subsidiary of the Company, had entered into an undertaking (the "**2016 Undertaking**") to provide financial guarantees for Beijing Guangze Real Estate Development Co., Ltd. ("**Beijing Guangze**")'s obligations to 1). pay the redemption price for the equity investment made by Ningbo Yuchen Fengze Equity Investment Partnership (Limited Partnership) ("**Yuchen Fengze**") in Beijing Zunbaocheng Real Estate Co., Ltd. ("**Beijing Zunbaocheng**") and Beijing Baoze Automobile Technology Development Co., Ltd. ("**Beijing Baoze**") ("**Equity Investment Redemption Obligation**"); and 2). repay the outstanding loan balance owed by Beijing Guangze to Yuchen Fengze ("**Unsettled Loan Balance**"). In March 2020, Wuhan Zhengtong renewed the 2016 Undertaking as certain shortfall agreements ("**2020 Shortfall Agreements**") to further provide financial guarantees for the Equity Investment Redemption Obligation and the Unsettled Loan Balance.

Beijing Guangze is a majority-controlled company held indirectly by a family member of Mr. Wang Muqing, a former executive director of the Company, who has resigned on 10 January 2022. Beijing Guangze holds 8.6758% and 4.3478% equity interest in Beijing Zunbaocheng and Beijing Baoze, respectively.

Other than by the financial guarantees provided by Wuhan Zhengtong as mentioned above, the Equity Investment Redemption Obligation and Unsettled Loan Balance were also secured by, among other things, certain land use rights and properties located in Beijing, belonging to Beijing Zunbaocheng and Beijing Baoze (the "**Pledged Assets**") since 2016.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

Financial guarantees issued (Continued)

On 17 December 2021, the Company was notified that a court judgement had been granted by the Ningbo Intermediate People's Court in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong.

On 28 December 2021, the Company was notified that another court judgement had been granted in favour of Yuchen Fengze and against (among others) Beijing Guangze, Beijing Zunbaocheng, Beijing Baoze and Wuhan Zhengtong by the Yangzhou Intermediate People's Court (together with the aforementioned court judgement being notified on 17 December 2021, as "**First Instance Judgement**").

Pursuant to the First Instance Judgement, Beijing Guangze shall:

— pay to Yuchen Fengze a principal amount of RMB420 million together with interest, comprising, among others, the redemption price for the equity investment made by Yuchen Fengze in Beijing Zunbaocheng and Beijing Baoze. Wuhan Zhengtong was held jointly and severally liable for the same amount;

— pay to Yuchen Fengze approximately RMB1.41 billion (comprising the loan principal of RMB1.35 billion, accrued interest, default interest and compound interest) and late payment interest, the actual amount of which will increase with time and relevant costs. Wuhan Zhengtong was held jointly and severally liable for the same amount.

The First Instance Judgement is not yet effective, and Wuhan Zhengtong has already filed an appeal against it through Zhejiang Higher People's Court and Jiangsu Higher People's Court, respectively. Zhejiang Higher People's Court have proceeded the initial court hearing in February 2022. The appeals were still ongoing as of the date of approval of these financial statements.

According to the PRC legal opinion issued by an external legal advisor, the Group is only obliged to pay the shortfall based on the 2016 Undertaking and the 2020 Shortfall Agreements, if any, after Beijing Guangze fails to fulfill its obligation including liquidating the Pledged Assets to repay the liabilities. And even if Wuhan Zhengtong is jointly and severally liable for the obligation, it has the legal right to be reimbursed for the payment it made from the proceeds of sales for the Pledged Assets, which could be enforced for sale according to relevant PRC laws and regulations.

Accordingly, cash shortfalls for the Group are the expected payments to reimburse Yuchen Fengze for a credit loss that it incurs less any amounts that the Group expects to receive from Beijing Guangze including the proceeds obtained from the sales of the Pledged Assets.

The maximum amount guaranteed by Wuhan Zhengtong with the 2016 Undertaking during the year from 2016 to 2019 was RMB1.80 billion. The maximum amount guaranteed by Wuhan Zhengtong with the 2020 Shortfall Agreements as at 31 December 2021 was RMB1.83 billion (2020: RMB1.77 billion). Both the Equity Investment Redemption Obligation and the Unsettled Loan Balance were collateralized by the Pledged Assets.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

Financial guarantees issued (Continued)

The fair value of the Pledged Assets and the estimated net realisable amount calculated as fair value less cost to sell as at 31 December 2021 were RMB2.88 billion and RMB2.01 billion, respectively, according to the valuation reports issued by an external valuer on 24 March 2022.

The initial fair value of the financial guarantees upon the initial recognition in 2016 was immaterial, which was measured for the future net cash outflow based on the credit spread (after considering macroeconomic and industry factors) of Beijing Guangze, the maximum exposure and value of the Pledged Assets according to the valuation report issued by an external valuer, as well as a discount factor. Subsequently, the financial guarantee contract was measured at the higher of the initial recognised amount (which was assessed to be immaterial in 2016), minus accumulated amortisation (which was nil accordingly), and the expected credit loss allowance. As at 31 December 2016 to 2021, the expected credit loss allowances for the financial guarantees, based on the Group's expected cash outflows less the expected recoveries from Beijing Guangze and the Pledged Assets, were assessed to be immaterial based on the value of the Pledged Assets, and other factors such as the volatility of the value, and disposal expenses, of the Pledged Assets.

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, time deposits, pledged bank deposits, interest-bearing borrowings and lease liabilities are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank are with floating or fixed interest rates ranging from 0.05% to 2.75% per annum as at 31 December 2021 (2020: 0.01% to 2.10%). Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 1.35% to 3.10% per annum as at 31 December 2021 (2020: 1.50% to 2.75%).

The Group's interest-bearing borrowings and interest rates as at 31 December 2021 are as follows:

	Interest rate	**At 31 December 2021 RMB'000**
Fixed rate		
— borrowings	**1.10%~15.00%**	**11,975,982**
— lease liabilities	**6.25%**	**1,478,811**
Variable rate		
— borrowings	**3.60%~8.80%**	**4,685,938**
31 December 2021		**18,140,731**

	Interest rate	At 31 December 2020 RMB'000
Fixed rate		
— borrowings	3.00%~12.00%	7,345,816
— lease liabilities	5.23%~6.80%	1,690,832
Variable rate		
— borrowings	3.15%~9.80%	5,627,492
31 December 2020		14,664,140

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at 31 December 2021, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB138,429,000 (2020: RMB111,581,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2020.

(d) Foreign currency risk

The Group is exposed to currency risk primarily through borrowings and cash balances that are dominated in a foreign currency. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of reporting period.

	2021			2020		
	United Sates Dollars RMB'000	**Euro RMB'000**	**Hong Kong Dollars RMB'000**	United Sates Dollars RMB'000	Euro RMB'000	Hong Kong Dollars RMB'000
Prepayments, deposits and other receivables, net of trade and other payables	**8,694**	**(11)**	**(1,050)**	(73,412)	—	(518,161)
Cash and cash equivalents	**42,577**	**78**	**5,035**	39,981	87	10,617
Loans and borrowings	**(5,384,320)**	**—**	**(583,685)**	(3,934,685)	—	—
Bonds payable	**(67,582)**	**—**	**—**	(1,128,808)	—	—
Net exposure	**(5,400,631)**	**67**	**(579,700)**	(5,096,924)	87	(507,544)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2021		2020	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits RMB'000
United States Dollars	**5%**	**(260,237)**	5%	(252,519)
	(5)%	**260,237**	(5)%	252,519
Euro	**5%**	**3**	5%	4
	(5)%	**(3)**	(5)%	(4)
Hong Kong Dollars	**5%**	**(29,003)**	5%	(33,185)
	(5)%	**29,003**	(5)%	33,185

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the profit after tax and retained profit of each entity of the Group measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2020.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The fair value of the Group's financial instruments are categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value measurement*. The level, into which a fair value measurement is classified, is determined with the reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

— Level 2 valuations: Fair values measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data at not available.

— Level 3 valuations: Fair values measured using significant unobservable inputs.

The following table presents the Group's assets/(liabilities) that are measured at fair value.

		Fair value measurement as at 31 December 2021 categorised into				Fair value measurement as at 31 December 2020 categorised into		
	Fair value at 31 December 2021 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 December 2020 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements								
Assets:								
Wealth management products (note (ii))	122,589	—	—	122,589	285,000	—	—	285,000
Asset held for sale (note 31)	1,400,714	—	—	1,400,714	—	—	—	—
	1,523,303	—	—	1,523,303	285,000	—	—	285,000
Liabilities:								
Derivative financial instruments:								
— Capped cross currency swap (note (i))	—	—	—	—	(32,383)	—	(32,383)	—

During the years ended 31 December 2020 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Notes:

(i) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the capped cross currency swap is determined by discounted-cash flow method and Black-Scholes model. The discount rate used is the rate of market yield for financial instruments with substantially identical contract terms and characteristics.

(ii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of wealth management products is determined with reference to the net assets value report of the wealth management products as provided by the fund manager (2020: discounted cash flow valuation model).

The fair value of asset held for sale is determined using the quoted price of the listed equity instruments of Dongzheng adjusted for lack of marketability and control premium.

Below is a summary of significant unobservable inputs to the valuation of the financial instruments together with a analysis for the relationship of unobservable inputs to the fair value measurements at the end of reporting period:

31 December 2021

Assets	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to the input
Wealth management products	Net assets value	Net assets value of the wealth management products	The fair value changes as the net assets value of the wealth management products changes
Asset held for sale (note 31)	Market approach	Discounts for lack of marketability Control premium	The fair value changes as the discounts for lack of marketability and control premium changes

31 December 2020

Assets	Valuation techniques	Significant unobservable inputs	Range	Relationship of unobservable inputs to the input
Wealth management products	Discounted cash flow method	Interest return rate	6.5% to 6.9%	0.50% increase/ (decrease) in interest return rate would result in increase/ (decrease) in fair value by RMB1,091,000

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Notes: (Continued)

(ii) Valuation techniques and inputs used in Level 3 fair value measurements (Continued)

The movements during the year in the balance of these Level 3 fair value measurements was as follows:

	2021 RMB'000	2020 RMB'000
Wealth management products:		
At 1 January	285,000	285,000
Redemption of investment	(41,580)	—
Fair value change	(120,831)	—
At 31 December	122,589	285,000
Asset held for sale:		
At 1 January	—	—
Addition due to loss of control over Dongzheng (note 31)	1,400,714	—
At 31 December	1,400,714	—
Total (loss)/gains for the year included in profit or loss for assets held at the end of the year	(120,831)	17,750

Any gain or loss arising from the remeasurement of the wealth management products are presented in the "Other income" line item in the consolidated statement of profit or loss.

33 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	At 31 December	
	2021 RMB'000	2020 RMB'000
Contracted for	1,238,065	1,172,305

34 CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities other than the financial guarantee issued as disclosed in note 32(b).

35 MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
ITG Holding 廈門國貿控股集團有限公司	Controlling Shareholder since 17 September 2021
ITG Holding Investment (HK) Limited ("**ITG HK**") 國貿控股投資(香港)有限公司	Controlled by Controlling Shareholder
Xiamen Xindeco Ltd. ("**Xindeco**") 廈門信達股份有限公司	Controlled by Controlling Shareholder
Tianxiada Fiance Leasing (Xiamen) Co., Ltd. ("**Tianxiada**") 天下達融資租賃(廈門)有限公司	Controlled by Controlling Shareholder
Wang Muqing and Wang Muqing's family member 王木清及王木清家屬	Controlling Shareholder before 17 September 2021 and non-controlling shareholder since 17 September 2021
Beijing Guangze 北京廣澤房地產開發有限公司	Controlled by Wang Muqing's family members
Hubei Xike Industry Co., Ltd. ("**Hubei Xike**") 湖北熙可實業有限公司	Controlled by Wang Muqing's family members
Beijing Baoze 北京寶澤汽車科技發展有限公司	Controlled by Beijing Guangze
Inner Mongolia Shengze Dingjie Automobile Trading Co., Ltd. ("**Inner Mongolia Dingjie Automobile Trading**") 內蒙古聖澤鼎傑汽車貿易有限公司	Controlled by Beijing Guangze
Changsha Shengze Ruibao Electronics Trading Co., Ltd. ("**Changsha Shengze**") 長沙聖澤瑞寶電子產品貿易有限公司	Controlled by Beijing Guangze
Wuhan Shengze Jieyun Trading Co., Ltd. ("**Wuhan Shengze Jieyun**") 武漢聖澤捷運貿易有限公司	Controlled by Beijing Guangze
Wuhan Shengze Jiezhong Logistics Co., Ltd. ("**Wuhan Shengze Jiezhong**") 武漢聖澤捷眾物流有限公司	Controlled by Beijing Guangze
Wuhan Jiangrong Investment Co., Ltd. ("**Wuhan Investment**") 武漢江融投資有限公司	Controlled by Beijing Guangze

Note: The English translation of the company names is for reference only. The official names of the companies established in the PRC are in Chinese.

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Property development related services:		
Receipt and payment on behalf of the Group:		
Beijing Guangze	**—**	116,108
Management services:		
Beijing Guangze	**—**	5,805
	—	121,913
Property management expense:		
Beijing Baoze Technology	**6,316**	6,316
Interest-bearing borrowings proceeds from related parties, net off repayment:		
ITG Holding	**4,299,625**	—
Tianxiada	**300,000**	—
ITG HK	**1,166,498**	—
	5,766,123	—

As of 31 December 2021, the Group have obtained financial guarantees from ITG Holding for banking facilities and bank loans and borrowings of RMB790 million.

(b) Rental services

Based on HKFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the arrangement in connection with its use of land use rights and buildings had resulted in recognition of a lease liability with the balance of RMB265,547,000 (2020: RMB135,513,000) and a right-of-use asset with the balance of RMB324,821,000 (2020: RMB114,163,000) as at 31 December 2021. In addition, the Group recorded depreciation of right-of-use asset of RMB114,163,000 (2020: RMB114,163,000) and interest expense of RMB2,624,000 (2020: RMB12,747,000) in its consolidated statement of profit or loss for the year ended 31 December 2021.

The total amounts of lease payments incurred by the Group under the lease arrangement with related parties for the year ended 31 December 2021 were RMB112,057,000 (2020: RMB112,057,000). The related prepayments to related parties as at 31 December 2021 amounted to RMB59,274,000 (2020: the payable due to related parties of RMB4,051,000).

35 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other payables due to related parties:		
Beijing Guangze	**—**	23,343
Xindeco	**938**	—
	938	23,343
Interest-bearing borrowings due to related parties:		
ITG Holding	**4,299,625**	—
Tianxiada	**300,000**	—
ITG HK	**1,166,498**	—
	5,766,123	—

(d) Key management personnel remuneration

Key management personnel remuneration is disclosed in note 7 and note 8.

(e) Other connected transactions

Wuhan Zhengtong, the indirect wholly owned subsidiary of the Company had entered into the 2016 Undertaking and 2020 Shortfall Agreements (collectively, "**Shortfall Agreements**") in favour of Beijing Guangze, a company indirectly controlled by family member of Mr. Wang Muqing. Wang Muqing and Wang Muqing's family member had been the controlling shareholder of the Group when the Shortfall Agreements were entered into until 31 August 2021, and a related party of the Group after 31 August 2021 up to date.

On the basis of a valuation report issued by an external valuer, the directors consider the fair value of the Shortfall Agreements at initial recognition was not material, and the expected credit loss allowances as at 31 December 2016 to 2021 were assessed to be immaterial as well.

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rental expenses and property development related services above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Continuing Connected Transactions of the Reports of the directors.

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	At 31 December	
	2021	2020
Non-current assets		
Property, plant and equipment	**6,477**	7,300
Right-of-use assets	**3,135**	7,343
Interest in subsidiaries	**3,408,194**	5,966,530
	3,417,806	5,981,173
Current assets		
Prepayments, deposits and other receivables	**37,106**	38,477
Asset held for sale	**1,400,714**	—
Cash and cash equivalents	**40,832**	37,863
	1,478,652	76,340
Current liabilities		
Loans and borrowings	**3,890,321**	2,454,239
Trade and other payables	**30,979**	139,465
Lease liabilities	**3,167**	4,471
Bonds payable	**66,118**	
	3,990,585	2,598,175
Net current liabilities	**(2,511,933)**	(2,521,835)
Total assets less current liabilities	**905,873**	3,459,338
Non-current liabilities		
Loans and borrowings	**1,305,964**	2,183,512
Bonds payable	**—**	1,117,958
Lease liabilities	**—**	3,009
Other financial liabilities	**—**	32,383
	1,305,964	3,336,862
NET (DEFICITS)/ASSETS	**(400,091)**	122,476
Equity		
Share capital	**235,203**	231,265
Reserves	**(635,294)**	(108,789)
TOTAL (DEFICITS)/EQUITY	**(400,091)**	122,476

37 ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the ultimate controlling party of the Group to be ITG Holding, which is incorporated in the PRC.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any, in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is re considered periodically to take into account all changes in tax legislation.

(c) Provision for inventories

The Group reviews the carrying amounts of the inventories at the respective balance sheet dates to determine whether the inventories are carried at lower of cost and net realisable value. Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's net asset value.

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

The Group determines whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculations are disclosed in notes 14 and 15.

(e) Accrual of vendor rebate

The Group manually calculates rebates and recognises them to the extent that the management estimates it is probable that the associated conditions will be met and the amount can be estimated reliably.

Specific factors management considered included the recent historical sales volume patterns, the rebate rates applied, overriding and ongoing performance metrics and any other available information concerning the credit worthiness of suppliers.

(f) Useful lives of intangible assets

The intangible assets are depreciated on a straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market condition.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(g) Held for sale and discontinued operations

(i) Non-current assets held for sale

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

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

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

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

(ii) Discontinued operations

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

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

40 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Mingcheng *(Chairman)*
(appointed on 1 September 2021)
Mr. Li Zhihuang *(appointed on 17 September 2021)*
Mr. Zeng Tingyi *(appointed on 1 September 2021)*
Mr. Wang Muqing *(resigned on 10 January 2022)*
Mr. Wang Kunpeng *(resigned on 17 September 2021)*
Mr. Li Zhubo *(resigned on 1 September 2021)*
Mr. Wan To *(resigned on 1 September 2021)*

Independent Non-executive Directors

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

REGISTERED OFFICE

Cricket Square
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Grand Cayman, KY1-1111
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WEBSITE ADDRESS

www.zhengtongauto.com

COMPANY SECRETARY

Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Mr. Wang Mingcheng
Mr. Zeng Tingyi

AUDIT COMMITTEE

Dr. Wong Tin Yau, Kelvin *(Chairman)*
Dr. Cao Tong
Ms. Wong Tan Tan

NOMINATION COMMITTEE

Mr. Wang Mingcheng *(Chairman)*
Dr. Cao Tong
Ms. Wong Tan Tan

REMUNERATION COMMITTEE

Dr. Cao Tong *(Chairman)*
Mr. Li Zhihuang
Dr. Wong Tin Yau, Kelvin

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited,
Wuhan Branch
China Construction Bank Co., Ltd., Hubei Branch
Bank of Communications Co., Ltd., Hubei Branch
Industrial Bank Co., Ltd., Wuhan Branch
China CITIC Bank Corporation Limited, Wuhan Branch
China Zheshang Bank Co., Ltd., Wuhan Branch
China Guangfa Bank Co., Ltd., Shanghai Branch
Ping An Bank Company Limited, Shanghai Branch
The Bank of East Asia (China) Limited

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

HONG KONG LEGAL COUNSEL

Reed Smith Richards Butler LLP

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

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