BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

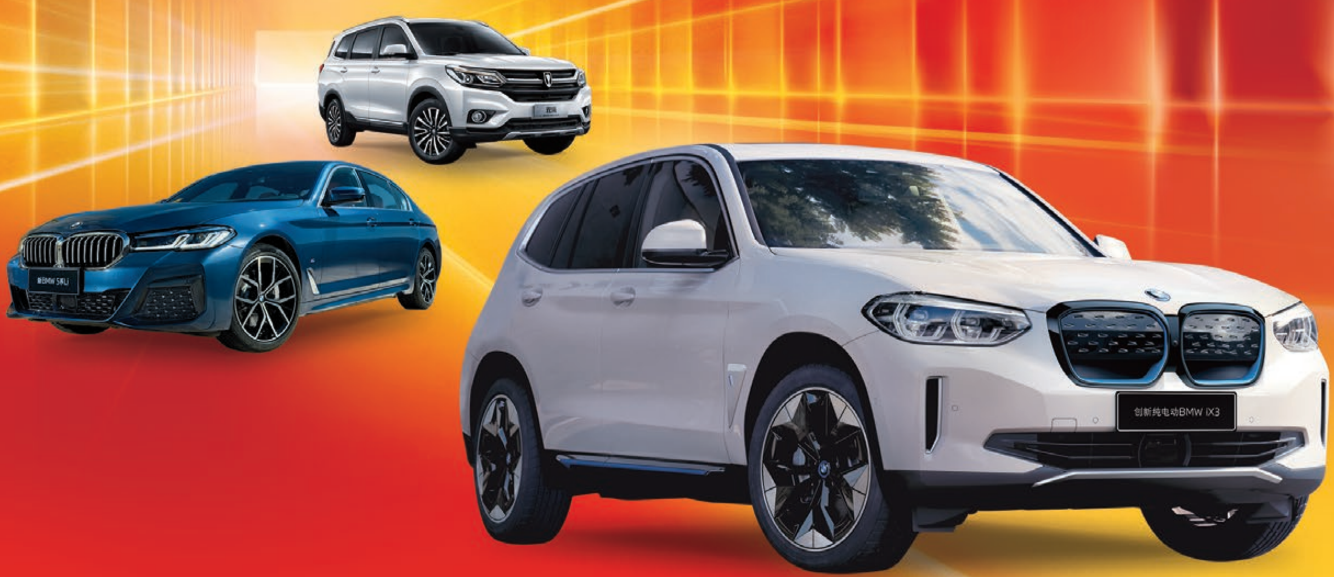
(Incorporated in Bermuda with limited liability)

Stock Code : 1114

Brilliance Auto

华 晨 汽 车

Annual Report 2020



**for identification purposes only*

Contents

Corporate Information
(as at 29th July, 2022)

BOARD OF DIRECTORS

Mr. Wu Xiao An
(also known as Mr. Ng Siu On) *(chairman)*
Mr. Shen Tie Dong *(chief executive officer)*
Mr. Zhang Wei
Mr. Sun Baowei
Mr. Song Jian*
Mr. Jiang Bo*
Mr. Dong Yang*

* *independent non-executive director*

AUTHORISED REPRESENTATIVE

Mr. Wu Xiao An

COMPANY SECRETARY

Ms. Lam Yee Wah Eva

REGISTERED OFFICE

Victoria Place
5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 1602–05
Chater House
8 Connaught Road Central
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited,
Hong Kong Branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISORS TO THE COMPANY

Appleby
Lau, Horton & Wise LLP

INVESTOR RELATIONS

Weber Shandwick
38th Floor, PCCW Tower
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

The main board of The Stock Exchange of Hong Kong Limited: 1114

Five Year Financial Summary

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

(Amounts in thousands except for earnings per share)

	Year Ended and as at 31st December,				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Statement of Profit or Loss Data:					
Revenue	**3,123,210**	3,861,949	4,377,263	5,304,723	5,125,118
(Loss) Profit before Income Tax Expense	**(828,590)**	6,196,989	5,359,046	3,899,766	3,424,537
Income Tax Expense	**(128,956)**	(215,454)	(64,552)	(33,953)	(35,933)
(Loss) Profit for the Year	**(957,546)**	5,981,535	5,294,494	3,865,813	3,388,604
Attributable to:					
Equity Holders of the Company	**11,219**	6,667,240	5,820,909	4,376,120	3,682,074
Non-controlling Interests	**(968,765)**	(685,705)	(526,415)	(510,307)	(293,470)
	(957,546)	5,981,535	5,294,494	3,865,813	3,388,604
Basic Earnings per Share	**RMB0.00222**	RMB1.32148	RMB1.15374	RMB0.86776	RMB0.73103
Diluted Earnings per Share	**RMB0.00222**	RMB1.32148	RMB1.15374	RMB0.86738	RMB0.72987
Statement of Financial Position Data:					
Non-current Assets	**36,627,367**	30,355,523	32,818,148	28,824,292	24,033,672
Current Assets	**11,347,346**	19,019,014	9,281,708	9,031,839	7,009,340
Current Liabilities	**(14,079,401)**	(14,805,123)	(10,131,964)	(10,964,975)	(8,322,660)
Non-current Liabilities	**(538,182)**	(189,429)	(143,070)	(190,949)	(121,829)
Non-controlling Interests	**(71,349)**	(549,919)	(745,078)	(177,256)	1,125,334
Shareholders' Equity	**33,285,781**	33,830,066	31,079,744	26,522,951	23,723,857

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I hereby present the annual results of Brilliance China Automotive Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31st December, 2020.

China's economy roared back quickly from a pivotal contraction in the early months of 2020 and expanded by 2.3% for the full year, possibly rendered it the only major world economy to have recorded growth during the pandemic-ravaged year. According to the China Association of Automobile Manufacturers, total Chinese vehicle sales decreased slightly by 1.9% to 25.3 million units in 2020. Of this figure, passenger vehicle sales accounted for 20.2 million units, a drop of 6.0% from the previous year. Nonetheless, premium passenger vehicle sales had once again defy downward market trend and registered unit sales growth of approximately 12% during the year. As for the year 2021, China's gross domestic product (the "**GDP**") grew by 8.1% while new vehicle sales increased by 3.8% year-over-year to 26.3 million units, marking the first full-year increase in four years. Out of this figure, passenger vehicle sales accounted for 21.5 million units, an increase of 6.4% from the prior year, while premium passenger vehicle sales rose by 7.3%. The remarkable performance of premium passenger vehicle was driven by new product launches and an unremitting demand for premium autos by Chinese consumers.

During these turbulent periods, BMW Brilliance Automotive Ltd. ("**BBA**") continued to deliver outstanding results in both record sales volumes and profits for both 2020 and 2021. The early months of 2020 were hard hit by the coronavirus pandemic with forced shutdown of dealerships which essentially suspended BBA's deliveries. In spite of the adversity, the joint venture took swift actions to stabilize the supply chain, manage its sales network, and closely monitor cashflow. Sales rebounded quickly in April, and by working together in close cooperation throughout the entire value chain, BBA was able to produce and deliver the required volumes to meet customers' needs. At the same time, the company also managed to adhere to the scheduled timelines for its production capacity expansions (including the construction of its third production plant and the extension of the existing Dadong, Tiexi and battery facilities) which is crucial for ensuring the planned launches of new models in the coming years. BBA dealer network nationwide also reached 579 and 605 full service 4S/5S shops as at 31st December, 2020 and 31st December, 2021, respectively.

The new 5-series facelift model introduced in September 2020 with a new aesthetic design, innovative digital technology, superior premium features and thrilling dynamics further enhanced the model's attractiveness to Chinese consumers. BBA is also committed to be a leader in premium e-mobility in China, and is working with BMW to explore new technologies and accelerate sustainability throughout the entire new energy vehicles ("**NEV**") value chain. By the end of 2020, the BMW public charging network already comprised over 300,000 charging pillars across China. In November 2020, the very first pure electric model of BBA, the iX3, made its debut. The iX3 is the first EV product that is produced by BBA for China and for the world. Together with the opening of the new High Voltage Battery Center II, BBA has started a new chapter of electrification in China. BBA has also completed the installation of the latest digital functions in its production plants in the second half of 2021 in preparation for the production of new BMW models in 2022 and beyond.

In 2020, to advance BBA's digitalization prowess, Ling Yue Digital Information Technology Co., Ltd. ("**LingYue**"), the wholly owned subsidiary of BBA responsible for the digitalization of BBA's business operations, established a new branch dedicated to the built-up of China-specific software development competencies within the BBA group of companies. This new branch will enable fast allocation of resources to build solutions leveraging on leading new technologies and to comply with Chinese regulations, as well as extending BBA's IT footprint in China.

BBA's sales activities also continue to be supported by the BMW auto finance company, as well as Herald International Financial Leasing Co. Ltd.

As for our minibus and light commercial vehicle ("**LCV**") business under Renault Brilliance Jinbei Automotive Company Limited ("**RBJAC**"), this joint venture has been hard hit by the coronavirus pandemic resulting in a decrease in sales volume during 2020. A new strategic plan "Transformation" was launched in the second half of 2020 to reduce fixed costs, improve organization efficiency and accelerate development of a new product line-up including electrification. In spite of the reduction of fixed costs by 35% in 2020 and the launch of the first LCV product "Haise King", the business of RBJAC still faced a lot of challenges in a highly competitive market. RBJAC applied to Intermediate People's Court of Shenyang City, Liaoning Province（遼寧省瀋陽市中級人民法院）(the "**Shenyang Intermediate People's Court**") on 30th December, 2021 for a restructuring. RBJAC is still undergoing the restructuring.

Brilliance – BEA Auto Finance Co., Ltd. ("**BBAFC**"), our auto finance subsidiary in China, was able to grow both its revenue and profit in 2020. This was largely a result of active engagement with its key cooperation partners, namely Jaguar Land Rover (JLR), Tesla and BMW, which resulted in positive new business growth and expansion under difficult and trying times. Through pro-active utilization of an effective and robust communication strategy, BBAFC was able to manage the impact arising from the restructuring of Huachen Automotive Group Holdings Company Limited ("**Huachen**") and built new business co-operations. BBAFC also diversifies its funding source through various forms of lending programs with both local and global banking partners. Stringent risk management also continues to play an integral role in ensuring the long-term sustainability of BBAFC.

Ningbo Yumin Machinery Industrial Co., Ltd. ("**Ningbo Yumin**") and Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**") are both wholly-owned and principal subsidiaries of the Company engaging in the manufacturing and sales of automobile components.

Ningbo Yumin is principally engaged in the manufacture of sunroof guide rails and other lightweight steel components for various vehicle models of, amongst others, BMW, Benz, Audi, Volkswagen, General Motors, Volvo, Ford, Peugeot Citroën, Great Wall, Changan, SAIC, NIO and Li Auto. In 2020, Ningbo Yumin managed to enter into cooperation with the world's four largest sunroof manufacturers. In 2021, Ningbo Yumin recorded stable growth in business expansion and operating results. According to the 2021 Market Share and Ranking of Sunroof Aluminium Guide Rails for Passenger Vehicles (Zhong Qi Xie Han Zi [2022] No. 331) (《2021年乘用車鋁製天窗導軌市場佔有率及排名證明》), Ningbo Yumin ranked first in China and third globally in terms of market share. In the next two to three years, it will continue to enhance its principal businesses and speed up the expansion into self-manufacture and processing of upstream and downstream industry chain. Moreover, in view of the current rapid development in lightweight product for new energy vehicles, Ningbo Yumin has expanded into the business of related lightweight aluminum alloy components.

Mianyang Ruian is mainly engaged in the research and development ("**R&D**") as well as manufacture of camshafts for petrol vehicle engines. In 2020, it participated in the new product development of a total of 20 projects for a number of companies, including FAW Group, Geely Automobile and Aerospace Mitsubishi. In terms of product development, the camshaft series with variable valve lift, for which Mianyang Ruian has complete and independent intellectual property rights, have commenced mass production. The 2-step variable valve lifting technology is top-notch in the country. In 2021, Mianyang Ruian continued to enhance its R&D efforts in range-extended hybrid, plug-in hybrid and other vehicles, and the L9 range-extended hybrid vehicles equipped with the products of Mianyang Ruian have been launched on the market. In addition, the camshafts for the Nordthor Power DHE-15 plug-in hybrid vehicles of Geely Automobile went into mass production in 2021 and will be launched to overseas markets together with Geely's new energy vehicles this year.

In March 2021, the Company was informed by the auditors of the existence of certain unauthorised guarantees and legal proceedings relating to such guarantees. As a result, the Company has not been able to publish the final results for the year ended 31st December, 2020 by the timeline stipulated in the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and trading of the shares of the Company was suspended with effect from 31st March, 2021. The Stock Exchange has imposed certain resumption guidance for the resumption of trading of the shares of the Company. The Company has to fulfill the resumption guidance to the satisfaction of the Stock Exchange and resume trading of the shares by 30th September, 2022. The Company is currently working closely with its advisers to fulfill the resumption guidance and to achieve resumption of trading of the shares as early as possible. Updates on the progress of the fulfillment of the resumption guidance and actions taken by the Company to fulfill the resumption guidance have been set out in the quarterly update announcements published by the Company.

Amidst the challenges brought forth by the pandemic and the suspension of trading of the shares of the Company, the safety and welfare of all our employees is paramount, while at the same time we are working hard to maintain our business operations. With proper steering and swift response to market developments, we are hopeful that our group companies will be able to navigate the uncertainties before us, and that the Company's overall performance will be further improved over time.

Last but not least, I would like to express my sincere appreciation to our shareholders, business partners, management team and employees for their continued support and dedication to the Group.

Wu Xiao An
(also known as Ng Siu On)
Chairman
29th July, 2022

Report of Directors

The directors of the Company present this report together with the audited financial statements of the Group for the year ended 31st December, 2020.

PRINCIPAL ACTIVITIES

The Company is a holding company. The Group is principally engaged in the manufacture and sale of minibuses, multi-purpose vehicles ("**MPVs**") and automotive components, and the provision of auto financing service in the People's Republic of China (the "**PRC**") through its subsidiaries and major joint venture. RBJAC (formerly known as Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**")) is the Company's major operating subsidiary in the PRC, whose equity interests are beneficially owned as to 51% by the Company. BBA, the Company's major joint venture, engages in the manufacture and sale of BMW vehicles in the PRC. BBAFC, the Company's 55% owned subsidiary, engages in the provision of auto financing service to customers and dealers in the PRC. The principal activities of the Company's subsidiaries are set out in note 40 to the financial statements.

Prior to May 1998, the Company's sole operating asset was its interests in RBJAC. As a result, the Company's historical results of operations had been primarily driven by the sales price, sales volume and cost of production of RBJAC's minibuses. With a view to maintain quality, ensure a stable supply of certain key components and develop new businesses and products, the Company has acquired interests in various suppliers of components and established joint ventures in the PRC since May 1998. With additional investments and joint ventures, the Company's income base has since been broadened and its financial performance has been diversified from that of RBJAC. On 30th December, 2021, RBJAC has lodged an application for a restructuring with the Shenyang Intermediate People's Court (the "**RBJAC Restructuring**"). A meeting of the creditors of RBJAC was held on 20th May, 2022 whereby a plan for the restructuring was approved by the creditors of RBJAC. The formal plan for the RBJAC Restructuring is still being formulated.

In May 1998, the Company acquired indirect interests in two automotive components suppliers in the PRC: a 51% equity interest in Ningbo Yumin, which primarily engaged in the production of automobile window molding, stripping and other auto components; and a 50% equity interest in Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**"), which primarily engaged in the development, manufacturing and sale of light-duty gasoline and diesel engines for use in passenger vehicles and LCVs. In October 1998, June 2000 and July 2000, the Company established Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**"), Ningbo Brilliance Ruixing Auto Components Co., Ltd. ("**Ningbo Ruixing**") and Mianyang Ruian, respectively, as its wholly owned subsidiaries to centralise and consolidate the sourcing of auto parts and components for RBJAC. In 2001, in order to maintain their eligibility for preferential tax treatment from the PRC government, all three companies began manufacturing automotive components as well. Subsequently in 2004, the Company acquired the remaining 49% equity interest in Ningbo Yumin which became a wholly owned subsidiary of the Company on 25th November, 2004.

In December 2000, the Company acquired a 50% equity interest in Shenyang Xinguang Brilliance Automobile Engine Co., Ltd., a sino-foreign equity joint venture primarily engaged in the manufacture of gasoline engines for use in passenger vehicles. In December 2001, the Company acquired a 100% equity interest in Shenyang Brilliance Dongxing Automotive Component Co., Ltd. ("**Dongxing Automotive**"), a foreign-invested manufacturer of automotive components in the PRC.

On 18th April, 2002, Shenyang Brilliance Jindong Development Co., Ltd. ("**Shenyang Jindong**") was established for the purpose of trading automotive components in the PRC. Currently, it is indirectly beneficially owned as to 100% by the Company.

In May 2002, RBJAC (formerly Shenyang Automotive) obtained the approval from the Chinese government to produce and sell Zhonghua sedans in the PRC. The Zhonghua sedans were launched in August 2002. The Zhonghua sedan business was disposed of to Huachen in December 2009.

On 27th March, 2003, the Company, through its indirect subsidiary, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"), entered into a joint venture contract with BMW Holding B.V. to produce and sell BMW-designed and branded sedans in the PRC. As at the date of this report, the registered capital and total investment cost of the joint venture, BBA, is Euro 150 million and Euro 450 million, respectively; and the Company's effective interests in BBA is 25%. The locally produced BMW sedans were formally launched in the PRC in the fourth quarter of 2003. BBA commenced production and sale of BMW sport activity vehicles in the PRC in early 2012.

As at the date of this report, BBA is holding interests in two auto finance companies, namely BMW Automotive Finance (China) Co., Ltd. and Herald International Financial Leasing Co., Ltd., as well as a data processing & software application services company namely Ling Yue. BBA is holding 42%, 42% and 100% in these companies, respectively.

In June 2003, the Company established Shenyang ChenFa Automobile Component Co., Ltd. ("**Shenyang ChenFa**"), a wholly foreign-owned enterprise in the PRC, for the development, manufacture and sale of engine components in China. In December 2011, the Company completed the disposal of 75% equity interests in Shenyang ChenFa to an independent third party. Currently, Shenyang ChenFa is directly held as to 25% by the Company.

On 16th April, 2004, Shanghai Hidea Auto Design Co., Ltd. ("**Shanghai Hidea**") was established for the design of automobiles. Currently, Shanghai Hidea is beneficially owned as to 100% by the Company.

On 13th December, 2004, the Company, together with RBJAC (formerly Shenyang Automotive), established Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Brilliance Power**") which principally engages in the manufacture and sale of power trains in China. In October 2009, RBJAC agreed to transfer its entire interests in Brilliance Power to Huachen. As a result, the Company's beneficial interests in Brilliance Power decreased from 75.01% to 49%. On 2nd June, 2022, Huachen and a number of its related companies including Brilliance Power have presented a restructuring plan (the "**Restructuring Plan**") to the Shenyang Intermediate People's Court and requested for convening a creditors' meeting to vote on the Restructuring Plan. On 21st July, 2022, the Board was informed that the creditors of Huachen did not approve the Restructuring Plan.

On 13th March, 2013, the shares of Xinchen China Power Holdings Limited ("**Power Xinchen**") were listed on the main board of the Stock Exchange with 313,400,000 new shares subscribed by the public at an offer price of HK$2.23 per share. Subsequently, as a result of the partial exercise of an over-allotment option to issue an addition 33,808,000 shares of Power Xinchen in April 2013, the indirect shareholding of the Company in Power Xinchen decreased from 42.54% to 31.07%. Currently, the Company is indirectly holding 31.20% equity interest in Power Xinchen, while Power Xinchen is in turns indirectly holding the entire equity interest of Mianyang Xinchen.

On 7th April, 2015, BBAFC, the Company's auto finance joint venture in China together with Bank of East Asia and CaixaBank, S.A., received final approval to commence business in the PRC. BBAFC is a multi-brand service provider, and is owned as to 55% by the Company, 22.5% by Bank of East Asia and 22.5% by CaixaBank. In addition to supporting our major shareholder Huachen group and RBJAC's sales of their sport utility vehicles, sedans, minibuses and MPVs, BBAFC has continued to grow its businesses with Jaguar Land Rover, Tesla and other multi-brands.

REVENUE AND CONTRIBUTION

The Group's revenue and contribution to result from operations for the year ended 31st December, 2020, analysed by product category, are as follows:

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	**2,554,363**	**188,271,383**	**581,566**	**(188,284,102)**	**3,123,210**
Segment results	**(10,623,432)**	**27,036,338**	**73,695**	**(27,024,889)**	**(10,538,288)**
Unallocated costs net of unallocated income					**(83,890)**
Interest income					**185,058**
Finance costs					**(135,465)**
Share of results of:					
Joint ventures	**–**	**10,091,949**	**–**	**–**	**10,091,949**
Associates	**(347,954)**	**–**	**–**	**–**	**(347,954)**
Loss before income tax expense					**(828,590)**

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2020 are set out in the financial statements of the Group on pages 100 and 101.

BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Company's subsidiaries are the manufacture and sale of minibuses, MPVs and automotive components, and the provision of auto financing service in the PRC. In year 2020, RBJAC (formerly known as Shenyang Automotive) was the Company's major operating subsidiary in the PRC, which contributed about 52% of the revenue of the Group in 2020.

Business discussion and analysis

The consolidated revenue of the Group (which comprised primarily net sales derived from the businesses operated by our major operating subsidiaries including RBJAC, Xing Yuan Dong, BBAFC, Ningbo Yumin and Mianyang Ruian) for the year ended 31st December, 2020 was RMB3,123.2 million, representing a decrease of 19.1% from the RMB3,861.9 million generated during the year ended 31st December, 2019. The decrease in revenue was mainly due to a drop in the sales volumes of minibuses and MPVs during the period, the effect of which was partially offset by the increase in revenue generated from the provision of auto financing services.

RBJAC sold 26,184 vehicles in 2020, which was 34.9% lower than the 40,197 vehicles sold in 2019. Of the minibuses sold, 24,461 units were Haise minibuses, representing a 32.4% decrease from the 36,210 units sold in 2019. The units of Granse MPV sold also decreased by 38.5% from 2,803 units in 2019 to 1,723 units in 2020. The decreases in the sales volumes of Haise and Granse were mainly due to an aging product line and the pandemic-induced lockdown during the first quarter of the year which had adversely affected the sale of RBJAC's products through dealerships. On the other hand, revenue of BBAFC increased by 20.9% from RMB470.5 million in 2019 to RMB568.8 million in 2020 due to contribution of auto financing income from a significant increase in new auto financing contracts signed up in the second half of 2019.

Cost of sales decreased by 18.0% from RMB3,787.6 million in 2019 to RMB3,104.6 million in 2020. Although the magnitude of decrease in cost of sales is similar to the decrease in revenues for the year, the overall gross profit margin of the Group declined from 1.9% in 2019 to 0.6% in 2020, as the ratio of the higher gross margin auto finance revenue as a percentage of total revenue is lower in 2020 than in 2019.

Other income increased by 0.9% from RMB159.1 million in 2019 to RMB160.6 million in 2020. Although the sale of scrap materials significantly decreased in 2020 as a result of reduced overall vehicle sales volumes, a sum due to Huachen in the amount of RMB80 million was recorded as other income for the year to offset the impact of ECL allowance recorded from the loss of the Group's short-term deposits which were pledged to secure loans to Huachen.

Interest income increased by 82.5% from RMB101.4 million in 2019 to RMB185.1 million in 2020 due to interest income generated from the additional paid-up capital contributed by the non-controlling interest of RBJAC, and from dividends received towards the end of 2019 which generated full-year interest income in 2020. In addition, there was also an increase in interest income from advances to third parties and affiliated companies.

Selling expenses decreased by 40.6% from RMB376.9 million in 2019 to RMB223.8 million in 2020. As a result, selling expenses as a percentage of revenue has fallen from 9.8% in 2019 to 7.2% in 2020. The lower selling expense ratio in 2020 was driven mainly by the decrease in advertising and transportation expenses due to reduced business activity and lower sales of minibuses.

General and administrative expenses (excluding net ECL allowance on loans and receivables and loss on unauthorised guarantees) increased by 90.8% from RMB1,153.4 million in 2019 to RMB2,201.1 million in 2020, primarily due to the recognition of impairment losses on intangible assets and property, plant and equipment of RMB357.1 million and RMB573.0 million respectively during the year.

Net ECL allowance on loans and receivables recognised in 2020 amounted to RMB6,459.4 million, an increase of 52.2 times from RMB121.4 million (as restated) in 2019. In addition, the Group also recognised loss on unauthorised guarantees in the amount of RMB1,917.1 million in 2020, being the estimated loss arising from the unauthorised guarantees given to certain banks to secure loans to Huachen.

Finance costs increased by 41.9% from RMB95.5 million in 2019 to RMB135.5 million in 2020 due to the increase in average interest rates on bank borrowings during the course of the year.

Net profits contributed to the Group by BBA increased by 32.3% from RMB7,626.0 million in 2019 to RMB10,091.9 million in 2020. The BMW joint venture achieved sales of 605,050 BMW vehicles in 2020, an increase of 10.8% as compared to 545,919 units sold in 2019. The sales volumes of the BWM models produced and sold by BBA were as follows:

BMW Models	2020	2019	% Change
1-series	38,695	44,965	–13.9%
2-series	15	3,680	–99.6%
3-series	154,350	109,199	41.3%
5-series	158,957	163,521	–2.8%
X1	93,176	97,375	–4.3%
X2	25,672	5,600	358.4%
X3	134,185	121,579	10.4%
Total	605,050	545,919	10.8%

The Group's share of results of associates recorded a loss of RMB348.0 million in 2020 compared to a loss of RMB16.8 million in 2019. This was primarily attributable to weakened market demand for motor engines and other automobile parts during the year.

The Group's loss before income tax expense amounted to RMB828.6 million in 2020, as compared to profit before income tax expense of RMB6,197.0 million (as restated) in 2019. Income tax expense decreased by 40.1% from RMB215.5 million in 2019 to RMB129.0 million in 2020, primarily due to a decrease in the PRC dividend withholding tax charged as a result of decrease in dividends distributed by a subsidiary of the Company during the year.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB11.2 million for the year 2020, representing a decrease of 99.8% from the RMB6,667.2 million (as restated) realised in 2019. Basic earnings per share in 2020 amounted to RMB0.00222, compared to RMB1.32148 (as restated) in 2019. In addition, return on capital employed (as defined by the EBITDA ÷ average capital employed) for 2020 was –0.7%, compared to 20.2% (as restated) for 2019.

Financial highlights

Certain financial key performance indicators are provided in the sub-section headed "Business discussion and analysis" above and the section headed "Management's Discussion & Analysis".

Principal risks and uncertainties facing the Group

During 2020, we identified the following main risks and uncertainties which the Group was exposed to:

1. Capital expenditure requirements

Automobile manufacturing is a capital intensive business with frequent product updates to keep abreast of customer demands and to maintain competitive edge. In response to market demand, RBJAC needs to constantly undertake new R&D projects to expand its product portfolio and upgrade its products, which might require extra capital expenditures and funding in the future.

2. Relatively high corporate gearing ratio

RBJAC has a relatively high gearing ratio, which may affect its ability to obtain funding in the banking sector to a certain extent. It intends to work on various fronts to lower its gearing ratio and improve its financing capability, such as by cutting product costs and boosting sales and profitability.

3. Market risks

For 2020, China recorded a 2.3% growth in GDP, representing a decrease of 3.8 percentage points against the previous year. The macro-economy was on the decline, same as in 2019, and the market has been sluggish due to the heavy blow dealt by the pandemic and the complexities in the business environment at home and abroad. In 2020, 25.311 million vehicles were sold in China, which represented a year-on-year decrease of 1.9%. The combined effect of the floundering market and the pandemic led to an all-time low of the Chinese automobile market in 2020.

4. Regulatory risk

In June 2020, the Ministry of Industry and Information Technology (the "**MIIT**") issued the Decision on Amending the Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》), which, amongst other things, clarifies the requirements for the proportion of new energy vehicle points for 2021 to 2023, introduces new measures to promote energy saving for traditional passenger vehicles, extends the definition of an associated company and offers accounting concessions for vehicle models featuring energy saving and emission reduction. Meanwhile, the outbreak of novel coronavirus (COVID-19) pandemic in 2020 caused delays in the R&D as well as the launch of new models of energy-saving and new energy vehicles. The drop in average fuel consumption of fuel vehicles was notably lower than the normal rate. Total production and sales of new energy vehicles fell short of expectations despite rapid recovery. In early February 2021, the MIIT issued the Notice on Matters Related to the Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises for 2020(《關於2020年度乘用車企業平均燃料消耗量和新能源汽車積分管理有關事項的通知》), which introduces various measures to ensure the stable operation of the credit market (積分市場) and the quality development of the industry. The measures for the parallel administration of the two credit systems will have an enormous impact on the product planning of all players.

Moreover, the Ministry of Public Security issued the Regulations of the Ministry of Public Security on the Seating Arrangement of Minibuses and Small Coaches (《公安部規範麵包車小型普通客車座椅佈置法規》) in December 2018 with an aim to prevent minibuses (麵包車) and small coaches (小微型普通客車) from having excessive cargo space due to unreasonable seating arrangement. Safety risks associated with these vehicles, such as mixed transport of passenger and cargo and overloading, shall be eliminated at the early stages of design and manufacturing so as to ensure the safety of passengers. The Ministry of Public Security has imposed more stringent and detailed requirements on the type of seats, seating arrangement, the fitting of seat belts and other aspects and will carry out specific examination during vehicle registration. The regulation has a relatively significant impact on the models and market of light passenger vehicles (輕型客車).

5. Effect of the Covid-19 pandemic

2020 has been a challenging year for the automotive industry as a result of the COVID-19 outbreak which resulted in both reduced car sales as well as increased credit risks from the global economic slow-down. Nevertheless, the Group managed to maintain its sustainable growth through the effective implementation of a series of precautionary actions to overcome or mitigate these challenges.

RBJAC

Impacted by the outbreak of the COVID-19 pandemic around the end of December 2019, the automobile market in the PRC shrank by 1.9% in 2020. The COVID-19 pandemic dealt a relatively severe blow to the production, operation and vehicle sales of RBJAC. To combat the impact of the pandemic, RBJAC established an emergency response task force headed by the president and implemented a series of proactive measures aiming at mitigating such impact.

To safeguard the supply of parts and components for its production, overcome the difficulties in securing personal protective equipment, parts and components, and ensure the normal operation of its production, RBJAC maintained close communication with municipal and district governments with the aim of enlisting their vital support in terms of the use of roads and logistic storage space as well as the resumption of continuous parts and components supply.

RBJAC also adjusted its annual sales target in a timely manner with the aim of providing staunch support and assistance to the dealers during a hard time. To reduce the stress on the channels and restore the confidence of the partners, a number of measures have been swiftly rolled out, such as cancelling the dealer management assessments in February and March, paying bonuses under such management assessments in full, coaching dealers in online marketing during the extraordinary time, and collaborating with the dealers on the introduction of "five-guarantee" after-sales service policy. At the same time, it aggressively boosted the sales of vehicles for pandemic control. As a result, a total of 1,456 ambulances were sold during the year, representing a year-on-year increase of 34%.

Based on the current situation, the pandemic in the PRC is gradually under control. In 2021, the automobile market is poised for expansion as the economy will resume normal growth, domestic consumption will continue to rebound, and market confidence will be revived.

BBAFC

BBAFC completed a precautionary assessment of the potential impacts on the business and implemented the necessary actions with an aim to reduce risks and the impact of the epidemic, including but not limited to diversifying of the co-operation brands to minimise the negative impacts from the reduced car sales as well as manage the concentration risks from being too heavily reliant on certain specific brands, and refocusing the future strategy towards the high potential NEV brands so as to ensure the sustainable growth. BBAFC also revisited its annual targets to reasonably adjust the figures to more appropriate levels, and pro-actively changed the strategic direction of the business by restructuring of the BBAFC growth strategy through retail only initiatives by reducing the wholesale business to avoid any additional contingent risks.

BBAFC has implemented innovative "on-line" and digital solutions to support its sales partners and dealer networks, through the facilitation of an innovative and sustainable customer finance journey, during the pandemic. This solution supports remote contracting with customers and also enhances collection activities in order to maximise individual loan recoveries.

Due to the sudden outbreak of COVID-19, combined with Huachen's restructuring in 2020, BBAFC has implemented various measures to improve the liquidity status and to support continued business growth. BBAFC maintained close communications with bank lenders to be able to roll-over the maturing loans in time, and this provided BBAFC with sufficient liquidity to ensure punctual upcoming bank loan repayments. In addition, BBAFC hired an external financial advisor to ensure the transparency of its daily operations and to prove its capability to repay bank loan to all lenders.

BBAFC also took various measures to optimise the operational costs by effectively improving the efficiency of its staff. This was supported by the introduction of new digital solutions for the entire customer financing journey and the online dealer training system, as well as other continued process enhancements and improvements. BBAFC has strictly controlled business travels during the COVID-19 pandemic, not only to manage the operational costs, but also to strictly prevent the further spread of the epidemic.

As a result of these rapid and effective actions, the impact of COVID-19 on BBAFC's business growth was marginal. This was also well-supported by the fast recovery of the local Chinese economy since the second half of 2020, and the strong sales momentum of BBAFC's key brand co-operation partners. Despite COVID-19, BBAFC has maintained its profit growth in 2020 by delivering profit before tax which is 80% higher than that of 2019. BBAFC recorded a higher rate of non-performing loans in 2020 than the rate of 0.14% in 2019. Nevertheless, this rate is well below the market average and still at a very healthy level.

The Company will continue to monitor the situation and evaluate the impact of COVID-19 on the Group's operations.

In addition to those mentioned above, there may be other risks and uncertainties which are unknown to the Group or which may not be material at present but may become material in the future.

Likely future development of the Group's business

In response to a changing market environment for automobiles and intensifying competition, the Group will be customer-focused and market–oriented, and strive to develop products that meet customer demand and are competitive in the automobile market.

1. Steady development of the automobile market supported by favourable and stable prospects of the macro-economy in the long run

China experienced a strong economic rebound as evidenced by a GDP of over RMB100 trillion for the first time and a growth rate of 2.3% in 2020. From the perspective of economic structure, the Chinese economy will shift from investment-driven to consumption-driven. However, with the development strategy in respect of talent, technologies and domestic consumption, coupled with consumption upgrade and urbanisation, the domestic economy is expected to maintain steady development despite lower GDP growth rates.

2. Year-on-year increase in market share of wide-body minibuses

As a result of the issuance of the Circular on Strengthening the Production and Registration Management of Minibuses and Motorcycles (《關於加強小微型麵包車、摩托車生產和登記管理工作的通知》) (MIIT Lianchanye [2014] No. 453) by the MIIT, the sales of narrow-body minibuses which mainly use technology from Japan have plunged since 2016. With a slowdown in the decline, market share of such has stabilised. Benefitting from the changes in customer demand, wide-body minibuses with functional advantages saw a notable growth in market share and will become an important market segment for future growth. The development of centralised urban logistics platforms have limited the scope for self-employed individuals to operate and led to the drop in demand for vans for self-use. In addition, the tightening of national regulations has promoted the market of box trucks for special purposes.

3. Brand upgrade

In 2020, Renault group announced its global strategy with a focus on LCV and electric vehicles in the Chinese market. As an important driver of the LCV business, RBJAC is able to reap the benefits from the support of Renault. The new RBJAC R&D Centre, which has commenced operation, will cooperate with the Renault Design Centre Shanghai in R&D and design. During the COVID-19 pandemic in 2020, the Jinbei brand has showcased its strengths and commitments as the "national brand for commercial vehicles"（國民商用車）by taking a leading and exemplary role in the fight against the pandemic. It promptly manufactured 30 negative pressure ambulances to support frontline medical workers in safeguarding the health and safety of both healthcare professionals and patients. It also delivered aid to countries hard hit by the virus by donating protective gears to Chile, Peru and other countries where its business partners are located. Such efforts have been widely acclaimed by the state and the customers of the receiving countries. In terms of product, Jinbei Haise King（金杯海獅王）, the first offering of joint venture LCV of RBJAC, was launched, featuring multiple purposes and redefining LCV. With regard to innovative cooperation, RBJAC entered into strategic cooperation with GOGOX（快狗打車）, Chi-tu Yang-che（赤兔養車）and other ride-hailing platforms to foster a new scene of LCV. Through an all-round pre-sale, sale and post-sale transformation and upgrade, RBJAC endeavours to refine LCV user experience with more efficient, reliable and diversified services. Looking forward, RBJAC will continue to keep track of industry developments, pay attention to real scenarios in which users drive, deliver human-oriented designs, offer diversified and customised vehicle solutions, and focus its efforts on developing commercial vehicles that can change the life and business of the people.

Important events affecting the Group that have occurred since the end of the financial year

Save as disclosed below, to the knowledge of the directors of the Company, there is no other important event affecting the Group since the end of the financial year and up to the date of this report:

a) Restructuring of Huachen

On 15th November, 2020, the Board was informed by Huachen, the controlling shareholder of the Company, that Huachen had received a written notice from the Shenyang Intermediate People's Court that Gezhi Automobile Technology Co., Ltd.*（格致汽車科技股份有限公司）has filed an application to the Shenyang Intermediate People's Court for restructuring of Huachen (the "**Huachen Restructuring**"). On 2nd June, 2022, Huachen and a number of its related companies have presented the Restructuring Plan to the Shenyang Intermediate People's Court and requested for convening a creditors' meeting to vote on the Restructuring Plan. Pursuant to the Restructuring Plan, it is proposed that to facilitate the Huachen Restructuring, among others, the Company shall transfer the 49% equity interest held by the Company in Brilliance Power to Huachen at nil consideration. On 21st July, 2022, the Board was informed that the creditors of Huachen did not approve the Restructuring Plan. As the Restructuring Plan remained subject to the approval of the creditors of Huachen and by the Shenyang Intermediate People's Court, the possible disposal of the 49% equity interest in Brilliance Power to Huachen will only materialise following the approval of the Restructuring Plan by the creditors of Huachen and by the Shenyang Intermediate People's Court. For further details, please refer to the Company's announcements dated 15th November, 2020, 20th November, 2020 and 21st June, 2022. The Company will continue to closely monitor the development of the Huachen Restructuring and actively cooperate with the subsequent restructuring procedures imposed by the Shenyang Intermediate People's Court and will keep the shareholders of the Company and the public informed of any major developments in relation to the Huachen Restructuring by issuing further announcement(s) as and when appropriate.

b) Suspension of trading in the shares of the Company on the Stock Exchange

(i) Trading in the shares of the Company on the Stock Exchange has been suspended since 31st March, 2021, and remains suspended as at the date of this report.

(ii) On 23rd April, 2021, RSM Consulting (Hong Kong) Limited ("**RSM**"), an independent third party investigator, was engaged to conduct an independent investigation (the "**Independent Investigation**") into the guarantees provided by SJAI, an indirect wholly-owned subsidiary of the Company, in favour of a number of banks in the PRC to secure loans to Huachen in the accumulated sum of RMB5,898,000,000 (the "**Unauthorised Guarantees**") and deposit pledges provided by SJAI to banks in the PRC as security for the issue of bank acceptance notes (also referred to as bank guaranteed notes in the consolidated financial statement issued by the auditors of the Company in this report) to Huachen and as security for bank financing to Brilliance Power and/or Shenyang Huayixin Automobile Sales Co., Ltd. ("**Huayixin**"), in the accumulated sum of RMB4,005,900,000 (the "**Deposit Pledges**") and produce a report of findings on the Independent Investigation to the independent board committee of the Company comprising of all independent non-executive directors of the Company (the "**Independent Board Committee**"). RSM issued a report on the Independent Investigation on 12th November, 2021. Details of the key findings of the Independent Investigation are set out in the Company's announcement dated 16th November, 2021.

(iii) On 27th May, 2021, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange may cancel the Company's listing under Rule 6.01A(1) of the Listing Rules if the Company fails to remedy the issues causing its trading suspension, fulfil the resumption guidance, and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 30th September, 2022. In such case, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. For further details, please refer to the Company's announcement dated 31st May, 2021.

(iv) On 9th February, 2022, the Company received additional resumption guidance from the Stock Exchange. For further details, please refer to the Company's announcement dated 14th February, 2022.

(v) On 15th March, 2022, RSM Corporate Advisory (Hong Kong) Limited ("**RSMCA**"), an independent third party investigator, was engaged to conduct an independent forensic investigation with a view to identifying all unauthorised financial assistance made by the Group since 2019 (the "**Independent Forensic Investigation**") and produce a report of findings on the Independent Forensic Investigation to the Independent Board Committee.

c) Restructuring of RBJAC

On 30th December, 2021, RBJAC, a sino-foreign equity joint venture established in the PRC which is effectively owned as to 51% by the Company and 49% by Renault SAS, has lodged an application for the RBJAC Restructuring with the Shenyang Intermediate People's Court. A meeting of the creditors of RBJAC was held on 20th May, 2022 whereby a plan for the RBJAC Restructuring was approved by the creditors of RBJAC. As the formal plan for the RBJAC Restructuring is still being formulated, an application was made by RBJAC to the Shenyang Intermediate People's Court on 4th July, 2022 for the postponement of the submission of the plan for the RBJAC Restructuring till 12th October, 2022. For further details, please refer to the Company's announcements dated 30th December, 2021, 12th January, 2022 and 24th May, 2022. The Company will continue to closely monitor the development of the RBJAC Restructuring and actively cooperate with the subsequent restructuring procedures imposed by the Shenyang Intermediate People's Court and will keep the shareholders of the Company and the public informed of any major developments in relation to the RBJAC Restructuring by issuing further announcement(s) as and when appropriate.

d) Disposal of 25% equity interest in BBA by SJAI

On 11th February, 2022, BBA has received the new business license from the Shenyang Dadong Administration for Market Supervision, effective as of 11th February, 2022, evidencing BMW Holding B.V. ("**BMW**") as holder of 25% equity interest in BBA originally held by SJAI. On 18th February, 2022, completion of the disposal of the said 25% equity interest in BBA by SJAI to BMW (the "**Disposal**") had taken place. The total amount of the consideration in the sum of RMB27,941,146,575.34 has been received by SJAI on 18th February, 2022. Following completion of the Disposal, the Company continues to indirectly hold 25% equity interest in BBA, which is an associate of the Company, and its financial results will continue to be equity accounted for in the financial statements of the Group. For further details, please refer to the Company's announcement dated 11th February, 2022.

e) Litigations against the Group

(i) 中國光大銀行股份有限公司瀋陽分行 (China Everbright Bank Co., Ltd. (Shenyang Branch)*) ("**China Everbright Bank**") has brought a claim against SJAI in the sum of approximately RMB1,818 million (inclusive of interests accrued, legal costs and other costs and expenses) (the "**CEB RMB1,818 million Proceeding**"). The CEB RMB1,818 million Proceeding was heard by the Shenyang Intermediate People's Court on 17th June, 2021. On 3rd December, 2021, the Shenyang Intermediate People's Court issued its judgment in relation to the CEB RMB1,818 million Proceeding (the "**CEB RMB1,818 million Proceeding Trial Judgment**"). The CEB RMB1,818 million Proceeding Trial Judgment stipulates that SJAI shall (i) repay China Everbright Bank 50% of the principal of the loan together with interest in the amount of RMB1,817,198,869.16; and (ii) be liable for 50% of the case acceptance fee. China Everbright Bank has filed an appeal to the Liaoning High People's Court (遼寧省高級人民法院) in relation to the CEB RMB1,818 million Proceeding Trial Judgment.

(ii) China Everbright Bank has brought a claim against SJAI and 華晨汽車(鐵嶺)專用車有限公司(Huachen Automotive (Tieling) Special Purpose Vehicle Co., Ltd.*) ("**Huachen Tieling**"), an associate of Huachen, in the sum of approximately RMB30 million (inclusive of interests accrued, legal costs and other costs and expenses) (the "**CEB RMB30 million Proceeding**"). The CEB RMB30 million Proceeding was heard by the Shenyang Intermediate People's Court on 15th July, 2021. On 11th March, 2022, the Shenyang Intermediate People's Court issued its judgment in relation to the CEB RMB30 million Proceeding (the "**CEB RMB30 million Proceeding Trial Judgment**"). The CEB RMB30 million Proceeding Trial Judgment stipulates that (1) Huachen Tieling shall (i) repay China Everbright Bank the principal of the loan in the amount of RMB29,543,496.84, interest accrued up to the date of repayment (as of 19th April, 2021, the total accrued interest amounted to RMB488,132.43) calculated in accordance with the terms of the loan agreement and legal fees of China Everbright Bank in the amount of RMB100,000 (together the "**CEB RMB30 million Repayment Order**"); and (ii) be liable for the case acceptance fee, and 50% of the preservation fee; and (2) SJAI shall be liable for (i) 50% of such amount of the CEB RMB30 million Repayment Order which cannot be discharged by Huachen Tieling; (ii) up to 50% of the case acceptance fee subject to the extent discharged by Huachen Tieling; and (iii) 50% of the preservation fee. At the request of China Everbright Bank, the Shenyang Intermediate People's Court had also simultaneously issued a court order on 11th March, 2022 for the seizure of assets of Huachen Tieling and SJAI with the aggregate value of RMB30,131,629.27 (the "**CEB RMB30 million Seizure Order**") as preservation for the CEB RMB30 million Repayment Order.

(iii) China Everbright Bank has brought a claim against SJAI in the sum of approximately RMB156 million (inclusive of interests accrued, legal costs and other costs and expenses) (the "**CEB RMB156 million Proceeding**"). The CEB RMB156 million Proceeding was heard by the Shenyang Intermediate People's Court on 27th August, 2021. On 8th December, 2021, the Shenyang Intermediate People's Court issued its judgment in relation to the CEB RMB156 million Proceeding (the "**CEB RMB156 million Proceeding Trial Judgment**"). The CEB RMB156 million Proceeding Trial Judgment stipulates that SJAI shall (i) repay China Everbright Bank 50% of the principal of the loan together with interest in the amount of RMB155,602,540.41; and (ii) be liable for 50% of the case acceptance fee. China Everbright Bank has filed an appeal to the Liaoning High People's Court in relation to the CEB RMB156 million Proceeding Trial Judgment.

(iv) China Everbright Bank has brought a claim against SJAI in the sum of approximately RMB208 million (inclusive of interests accrued, legal costs and other costs and expenses) (the "**CEB RMB208 million Proceeding**"). The CEB RMB208 million Proceeding was heard by the Shenyang Intermediate People's Court on 8th October, 2021. On 28th February, 2022, the Shenyang Intermediate People's Court issued its judgment in relation to the CEB RMB208 million Proceeding (the "**CEB RMB208 million Proceeding Trial Judgment**"). The CEB RMB208 million Proceeding Trial Judgment stipulates that SJAI shall (i) repay China Everbright Bank 50% of the principal of the loan together with interest in the amount of RMB205,901,500.01; and (ii) be liable for 50% of the case acceptance fee, and the preservation fee in the amount of RMB5,000.

(v) China Everbright Bank has brought a claim against SJAI in the sum of approximately RMB490 million (the "**CEB RMB490 million Proceeding**"). The CEB RMB490 million Proceeding was heard by the Shenyang Intermediate People's Court on 22nd July, 2021. On 25th November, 2021, the Shenyang Intermediate People's Court issued its judgment in relation to the CEB RMB490 million Proceeding (the "**CEB RMB490 million Proceeding Trial Judgment**"). The CEB RMB490 million Proceeding Trial Judgment stipulates that (1) according to the CEB RMB490 million Proceeding Trial Judgment, the subject loan under the CEB RMB490 million Proceeding was drawn by the defendant, as borrower (the "**CEB RMB490 million Proceeding Defendant**"), which was a group company of Huachen at the material time, and which shall (i) repay China Everbright Bank the principal of the loan in the amount of RMB493,272,918.78, interest accrued up to the date of repayment (as of 5th July, 2020, the total accrued interest amounted to RMB1,218,669.92) calculated in accordance with the terms of the loan agreement and legal fees of China Everbright Bank in the amount of RMB90,000 (together the "**RMB490 million Repayment Order**"); and (ii) be liable for the case acceptance fee and the preservation fee; and (2) SJAI shall be liable for (i) 50% of such amount of the RMB490 million Repayment Order which cannot be discharged by the CEB RMB490 million Proceeding Defendant; (ii) up to 50% of the case acceptance fee subject to the extent discharged by the CEB RMB490 million Proceeding Defendant and a group company of Huachen as guarantor; and (iii) the preservation fee. China Everbright Bank has filed an appeal to the Liaoning High People's Court in relation to the CEB RMB490 million Proceeding Trial Judgment.

(vi) At the request of China Everbright Bank, a court order has been issued by the Shenyang Intermediate People's Court to freeze deposits of SJAI deposited with Industrial Bank Co., Ltd. Shenyang Branch (興業銀行股份有限公司瀋陽分行) ("**Industrial Bank**") in the aggregate amount of RMB2,212,646,915.77 (collectively, the "**CEB Freezing Orders**") in relation to the CEB RMB1,818 million Proceeding Trial Judgment, the CEB RMB156 million Proceeding Trial Judgment, the CEB RMB208 million Proceeding Trial Judgment and the CEB RMB30 million Proceeding Trial Judgment. As a result of the CEB Freezing Orders, an aggregate amount of RMB2,212,646,915.77 had been frozen by Industrial Bank for a period of 12 months (with commencement dates ranging from 25th February, 2022, 4th March, 2022 and 17th March, 2022) or until the respective CEB Freezing Orders have been discharged.

(vii) 哈爾濱銀行股份有限公司瀋陽分行 (Harbin Bank Co., Ltd. (Shenyang Branch)*) ("**Harbin Bank**") has brought a claim against SJAI in the sum of RMB300 million (the "**Harbin Bank RMB300 million Proceeding**"). The Harbin Bank RMB300 million Proceeding was heard by the Shenyang Intermediate People's Court on 26th April, 2021. On 25th November, 2021, the Shenyang Intermediate People's Court issued its judgment in relation to the Harbin Bank RMB300 million Proceeding (the "**Harbin Bank RMB300 million Proceeding Trial Judgment**"). The Harbin Bank RMB300 million Proceeding Trial Judgment stipulates that (1) Huachen shall (i) repay Harbin Bank the RMB300 million loan (the "**RMB300 million Repayment Order**"); and (ii) be liable for the case acceptance fee and the preservation fee; and (2) SJAI shall be liable for (i) 50% of such amount of the RMB300 million Repayment Order which cannot be discharged by Huachen; (ii) up to 50% of the case acceptance fee subject to the extent discharged by Huachen and the two group companies of Huachen as guarantors; and (iii) the preservation fee. Harbin Bank has filed an appeal to the Liaoning High People's Court in relation to the Harbin Bank RMB300 million Proceeding Trial Judgment. At the request of Harbin Bank, a court order has been issued by the Shenyang Intermediate People's Court to freeze bank deposits of SJAI deposited with Shengjing Bank Co., Ltd. in the amount of approximately RMB301 million or assets of equivalent value.

(viii) 中國進出口銀行遼寧省分行 (The Export-Import Bank of China (Liaoning Province Branch)*) ("**Export-Import Bank**") has brought a claim against SJAI in the sum of approximately RMB612 million (the "**EIB Proceeding**"). The EIB Proceeding was heard by the Shenyang Intermediate People's Court on 26th July, 2021. On 7th December, 2021, the Shenyang Intermediate People's Court issued its judgment in relation to the EIB Proceeding (the "**EIB Proceeding Trial Judgment**"). The EIB Proceeding Trial Judgment stipulates that SJAI shall (i) repay Export-Import Bank 50% of the principal of the loan together with interest in the amount of RMB612,435,515.74; and (ii) be liable for 50% of the case acceptance fee. Export-Import Bank has filed an appeal to the Liaoning High People's Court in relation to the EIB Proceeding Trial Judgment. At the request of Export-Import Bank, a court order has been issued by the Shenyang Intermediate People's Court to freeze deposits of SJAI deposited with Industrial Bank in the aggregate amount of RMB612,429,822.69 (the "**Export-Import Bank Freezing Order**"). As a result of the Export-Import Bank Freezing Order, an amount of RMB612,429,822.69 had been frozen by Industrial Bank from 1st July, 2022 for a period of 12 months or until the Export-Import Freezing Order has been discharged.

(ix) 華夏銀行股份有限公司瀋陽和平支行 (Huaxia Bank Co., Ltd. (Shenyang Heping Branch)*)) ("**Huaxia Bank**") has brought a claim against SJAI in the sum of approximately RMB69 million (inclusive of interests accrued, legal costs and other costs and expenses) (the "**Huaxia Bank RMB69 million Proceeding**"). The Huaxia Bank RMB69 million Proceeding was heard by the Shenyang Intermediate People's Court on 4th March, 2022. At the request of Huaxia Bank, a court order has been issued by the Shenyang Intermediate People's Court to freeze deposits of SJAI deposited with Industrial Bank in the aggregate amount of RMB199,619,271.44 (the "**Huaxia Bank Freezing Order**"). As a result of the Huaxia Bank Freezing Order, an amount of RMB199,619,271.44 had been frozen by Industrial Bank from 22nd February, 2022 for a period of 12 months or until the Huaxia Bank Freezing Order has been discharged.

(x) Huaxia Bank has brought a claim against SJAI in the sum of approximately RMB130 million (inclusive of interests accrued, legal costs and other costs and expenses) (the "**Huaxia Bank RMB130 million Proceeding**"). The Huaxia Bank RMB130 million Proceeding was heard by the Shenyang Intermediate People's Court on 19th July, 2022.

For further details on the above litigations, please refer to the announcements issued by the Company dated 14th April, 2021, 10th June, 2021, 30th September, 2021, 15th December, 2021, 30th December, 2021, 14th February, 2022, 4th March, 2022, 30th March, 2022, 28th April, 2022 and 30th June, 2022. The Company will inform the shareholders and potential investors of the Company of material progress of the legal proceedings when appropriate.

Other disclosures

Pursuant to the requirements under paragraph 28 of Appendix 16 to the Listing Rules, the Company's discussion on three aspects, namely "Environmental policies and performance", "Compliance with laws and regulations" and "Relationship with stakeholders and its importance" is set out below.

Environmental policies and performance

Against the backdrop of severe global warming, the society requires enterprises to conserve energy and reduce emission, and the public have gradually improved their knowledge and understanding towards energy saving and environmental protection. The Company is concerned about the impacts caused by the manufacturing industry to the environment. RBJAC has consistently complied with applicable national and local laws, regulations, standards and relevant requirements, including the Environmental Protection Law of the People's Republic of China《(中華人民共和國環境保護法》) to establish its environmental protection management system. Following the general objective to "protect the environment, prevent pollution, comply with laws and regulations, and persist with improvement"(保護環境、防治污染、遵紀守法、持續改進), RBJAC has reinforced its target responsibility system(目標責任制)in respect of environmental protection based on the principle that "the person in charge bears the responsibility"(誰主管、誰負責). It established and implemented the environmental management system certification(環境管理體系認證)in accordance with GB/T24001-2016 Environmental Management Systems – Requirements with Guidance for Use(《環境管理體系要求及使用指南》). In 2020, the registration of the certification was maintained upon surveillance audit.

Every year, RBJAC appoints qualified monitoring institutions to monitor its sewage, exhaust gas and boundary noise. All of the monitoring indicators in 2020 met the requirements of the national and local standards on the discharge of pollutants, including the Integrated Wastewater Discharge Standard (《污水綜合排放標準》), the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》). In 2020, RBJAC has achieved the target of zero environmental pollution incident and met the pollutant emission standards. The construction projects of RBJAC strictly conform to the "three-stage simultaneous" requirement, according to which environmental protection facilities shall be designed, constructed and inspected simultaneously with main construction structures (「防治污染的設施必須與主體工程同時設計、同時施工和同時驗收」的環境三同時制度). In 2020, the Product Upgrade Development Project (《產品升級建設項目》) of RBJAC has completed environmental assessment and is being implemented. RBJAC carried out energy conservation, consumption reduction and cost cutting initiatives and enhanced energy conservation establishments and systems in accordance with the energy conservation plans of municipal and district governments as well as the economic indicators of the Group. It also established an energy cost optimisation taskforce (能源成本優化專項小組) to devise a future energy conversation plan by thoroughly analysing the electricity and gas consumption patterns of the production system. The taskforce also formulated improvement measures such as centralising production, optimising production schedule and repair of leakage and loss. As for the administrative branch, RBJAC has also formed an energy-saving management taskforce (行政節能管理小組) to conserve energy by optimising office air-conditioning, lighting and water consumption as well as grouping together all employees working overtime.

In 2020, RBJAC was not engaged in any environmental breaches and did not have any complaints from the public or disputes concerning environmental pollution.

Compliance with the relevant laws and regulations that have a significant impact on the Group

The Company is an exempted company incorporated in Bermuda with limited liability, and registered as a non-Hong Kong company under the Hong Kong Companies Ordinance. The shares of the Company are traded on the main board of the Stock Exchange. The Company continues to review its current systems and procedures, emphasizes and strives to comply with the Companies Law of Bermuda, the Listing Rules, the Securities and Futures Ordinance (the "**SFO**"), applicable Hong Kong Companies Ordinance, and other relevant laws and regulations which have a material effect on the Company. The Company endeavors to safeguard its shareholders' interests, enhance corporate governance and strengthen the functions of the Board.

Laws and regulations which have a significant impact on the operating subsidiaries of the Group include but are not limited to the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Regulations of the People's Republic of China on Company Registration (《中華人民共和國公司登記管理條例》), Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》, Civil Code of the People's Republic of China (《中華人民共和國民法典》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Regulation on the Administration on Recall of Defective Auto Products (《缺陷汽車產品召回管理條例》), the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理、更換、退貨責任規定》), the Measures for the Administration of Automobile Sales (《汽車銷售管理辦法》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》), Patent Law of the People's Republic of China (《中華人民共和國專利法》), and Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》). In particular, the Regulation on the Administration on Recall of Defective Auto Products, the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products and the Measures for the Administration of Automobile Sales have increased the responsibility of automobile manufacturers in respect of product and after-sales service quality, as well as the cost and investment of after-sales service.

The operation of RBJAC has always worked to comply with national and local laws and regulations. It upholds honesty and integrity, and performs its social responsibility.

RBJAC has always been committed to governance via system (以制度管權) and continuously improving and strengthening the probity and integrity of the employees and management of the company.

The Company and its staff have exercised their best endeavours to strictly follow the applicable rules, regulations, laws and industry standard. The directors of the Company are not aware of any breach of laws or regulations which have a significant impact on the Group, nor are they aware of any litigation or cases of corruption, bribery, extortion, fraud and money laundering involving the Group in 2020.

Relationship with stakeholders and its importance

Stakeholder involvement is an integral part of the Company's development. The Company strives to maintain communications with its stakeholders, including investors, customers, employees and suppliers. The Company also engages its stakeholders to develop mutually beneficial relationships, seeks their suggestions on the Company's business and views on its work plans, and promotes sustainable development of the market, workplace, community and environment.

Key stakeholders	Importance
Investors	One of the Company's objectives is to create value for investors. The Company is committed to enhancing its operational efficiency and providing reasonable, sustainable and stable returns on investments. Regular meetings are held with investors to communicate corporate updates and to understand their opinions with the aim of improving the Company's operating performance.
Customers	The Company strives to satisfy market demand in terms of product design and quality, and pursues technological innovation, in a bid to maintain a stable supply of high-quality products to customers. RBJAC's key customers comprise 105 sales services companies registered and operated in mainland China including Beijing Xinlibao Economy & Trade Co., Ltd.（北京鑫利寶經貿有限公司）and Beijing Sanjiang Huida Automobile Sales & Service Co., Ltd.（北京三江慧達汽車銷售服務有限公司）, which have extensive experience in the distribution of branded vehicles. They have maintained complete car purchasing and distribution relationship with RBJAC after over a decade of buying and selling JinBei's vehicles. The credit terms offered by RBJAC to its key customers are consistent with those available to other customers. No provision is needed as the trade receivables from these key customers will be collected gradually after the end of each financial year. RBJAC relies on these key customers to sell its products. To mitigate the fluctuation in demand caused by the distribution capacity of downstream customers, it reviews its product portfolio from time to time to ensure compliance with customers' requirements. It also conducts its own product promotion campaigns, actively participates in the management of 4S stores, and monitors downstream distribution channels. A customer satisfaction database has been established with the use of customer satisfaction surveys to collect the customers' opinion and devise improvement measures in respect of any deficiencies in order to boost product quality and customer satisfaction.
Employees	Employees are an important cornerstone for corporate development. The Group places high priority on occupational health and safety, and strives to create an attractive working environment to motivate and retain talents, so as to enhance the sustainability of the Group.
Suppliers	Suppliers are fundamental to the production processes of the Group. In the principles of mutual benefit, risk sharing and co-development, the Group seeks to foster a win-win partnership with its suppliers. It intends to enter into solid strategic cooperation with partners with strong technology development ability, fast response, stability and consistency in design and production quality, high level of project management, cost competitiveness and interest in cooperation. In 2020, the Group established good relations with suppliers on the basis of the win-win principle and extended full cooperation with them through new project development. Such efforts have, on the one hand, allowed the Group to gain access to the technology of some of the suppliers in its global alliance system, and, on the other hand, ensured the sustainability of the supply chain of the existing system through localisation.

In 2020, the Company was engaged in positive and candid communication with its shareholders and investors through various channels, including general meetings, product launch events, and analyst and investor meetings. Such communication enabled the investors and customers to further understand the operation and development of the Company, and provided the investors with a platform to express their views to the management of the Company.

RBJAC holds annual conventions, board meetings, and economic and management meetings on a regular basis to discuss how to respond to the views and demands of the stakeholders. By collecting relevant research data through market channels, RBJAC has built its database on customer satisfaction for the collection of customer feedbacks, aiming to further improve product quality and customer satisfaction in general. RBJAC provides its staff with suggestion mailboxes, through which staff members can raise their suggestions on corporate development and job functions. Staff members whose suggestions are accepted will be rewarded. RBJAC convenes regular meetings with its suppliers and dealers to discuss and proactively address recent issues in order to solidify a harmonious relationship with them.

CASH FLOW POSITION

The cash flow position of the Group for the year ended 31st December, 2020 is set out and analysed in the consolidated statement of cash flows on page 106 and in note 36 to the financial statements.

DIVIDENDS

On 13th July, 2020, the Board declared (a) a special dividend of HK$0.30 per ordinary share of the Company; and (b) a dividend of HK$0.11 per ordinary share of the Company in relation to the financial year 2020 (collectively, the "**Dividends**"), to the shareholders of the Company whose names appear on the register of members of the Company as at 27th July, 2020 (2019 special dividend: HK$0.74, and 2019 dividend: HK$0.11). The Dividends were paid on 6th August, 2020.

The directors of the Company did not recommend any dividend payment at the Board meeting held on 29th July, 2022 in respect of the Group's 2020 annual results.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 3.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31st December, 2020 are set out in notes 34 and 39, respectively to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group for the year ended 31st December, 2020 are set out in note 14 to the financial statements.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Particulars of the subsidiaries, joint ventures and associates are set out in notes 40, 16 and 17, respectively to the financial statements.

SHARE CAPITAL

Details of the Company's share capital as of 31st December, 2020 are set out in note 33 to the financial statements.

SHARE OPTIONS

2018 share option scheme

To provide appropriate incentives or rewards to eligible persons for their contributions or potential contributions to the Group or any entity in which the Group holds any equity interest (the "**Invested Entity**"), the Board considers that it is in the interests of the Company to adopt a new share option scheme.

At the annual general meeting held on 4th June, 2019, shareholders of the Company adopted a share option scheme (the "**Share Option Scheme**").

The Share Option Scheme came into effect on 5th June, 2019 (the "**Scheme Effective Date**") and will remain in force for a period of 10 years till 4th June, 2029 (inclusive). The period during which an option may be exercised will be determined by the directors of the Company at their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant. A consideration of HK$1 is payable on acceptance of the offer of grant of a share option.

The maximum number of shares which may be issued pursuant to the Share Option Scheme and any other option schemes (if any) is 504,526,938 shares, representing approximately 10% of the total number of issued shares as at the date of this annual report. The total number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of share options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such participant and his or her close associates (or his or her associates if the participant is a connected person) abstaining from voting.

As at 31st December, 2020, there was no outstanding share option under the Share Option Scheme.

For the period commencing from the Scheme Effective Date to 31st December, 2020:

(a) no share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled;

(b) no share options under the Share Option Scheme have been granted to any associates of the directors, chief executive or substantial shareholders of the Company;

(c) there is no participant with options granted in excess of the individual limit; and

(d) no share options under the Share Option Scheme have been granted to any supplier of goods or services to any member of the Group or any Invested Entity.

As no share options have been granted by the Company under the Share Option Scheme from the Scheme Effective Date up to 31st December, 2020, no expenses were recognised by the Group for the period under review (2019: nil).

DIRECTORS

The directors of the Company who held office during the year ended 31st December, 2020 and up to the date of this report (i.e. 29th July, 2022) are:

Executive directors:

Mr. Wu Xiao An *(chairman of the Board)*
Mr. Yan Bingzhe *(chief executive officer) (resigned on 12th August, 2021)*
Mr. Shen Tie Dong *(appointed on 12th August, 2021)*
Mr. Qian Zuming *(chief financial officer) (resigned on 29th July, 2020)*
Mr. Zhang Wei
Mr. Sun Baowei *(appointed on 29th July, 2020)*
Ms. Ma Nina *(appointed on 29th July, 2020 and resigned on 5th November, 2021)*

Independent non-executive directors:

Mr. Xu Bingjin *(passed away on 25th February, 2021)*
Mr. Song Jian
Mr. Jiang Bo
Mr. Dong Yang *(appointed on 21st May, 2021)*

Taking into account the composition of the Board as at the date of this report, and pursuant to bye-law 99 and the code provision B.2.2 of Appendix 14 to the Listing Rules, Mr. Wu Xiao An will retire by rotation at the forthcoming annual general meeting of the Company (the "**2022 AGM**"). In addition, Mr. Shen Tie Dong, Mr. Sun Baowei and Mr. Dong Yang will hold office until the 2022 AGM pursuant to bye-law 102(B).

Each of Mr. Wu Xiao An, Mr. Shen Tie Dong, Mr. Sun Baowei and Mr. Dong Yang, being eligible, will offer himself for re-election and the Board has recommended them for election at the 2022 AGM.

Biographical details of the directors standing for re-election at the 2022 AGM are set out in the circular to be sent to the shareholders of the Company.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company since the date of the 2020 interim report up to the date of this report (i.e. 29th July, 2022) is set out below:

(1) Mr. Shen Tie Dong, a director of 海通證券股份有限公司(Haitong Securities Co., Ltd.) (stock code: 600837), a company listed on The Shanghai Stock Exchange, resigned from the company in August 2020.

(2) Mr. Zhang Wei, a director of 遼寧申華控股股份有限公司Liaoning Shenhua Holdings Co., Ltd. ("**Shenhua Holdings**", formerly "Shanghai Shenhua Holdings Co., Ltd.") (stock code: 600653), a company listed on The Shanghai Stock Exchange, resigned from the company in June 2020.

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

As at 31st December, 2020, so far as is known to the directors or chief executives of the Company, the following persons other than a director or chief executive of the Company had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

	Number and class of shares held/ Approximate shareholding percentage *(Note 1)*					
Name of shareholders	**Long position**	**%**	**Short position**	**%**	**Lending pool**	**%**
Baillie Gifford & Co *(Note 2)*	505,060,000 ordinary	10.01	–	–	–	–
Citigroup Inc. *(Note 3)*	301,876,120 ordinary	5.98	1,270,940	0.02	297,100,185	5.88
Huachen *(Note 4)*	1,535,074,988 ordinary	30.43	–	–	–	–
J.P. Morgan Chase & Co. *(Note 5)*	252,737,413 ordinary	5.00	15,894,015	0.31	210,968,380	4.18
Liaoning Provincial Transportation Investment Group Co. Ltd. ("**LPTI**") *(Note 6)*	600,000,000 ordinary	11.89	–	–	–	–
Liaoning Transportation Investment Co., Ltd. ("**LTI**") *(Note 6)*	600,000,000 ordinary	11.89	–	–	–	–
Liaoning Xinrui Automotive Industry Development Co., Ltd. ("**Liaoning Xinrui**") *(Note 4)*	1,535,074,988 ordinary	30.43	–	–	–	–

Notes:

(1) The percentage of shareholding is calculated on the basis of 5,045,269,388 shares in issue of the Company as at 31st December, 2020.

(2) The 505,060,000 shares in long position were held as to 100,236,000 shares in the capacity as investment manager and as to 404,824,000 shares as corporate interest.

(3) The 301,876,120 shares in long position were held as to 2,307,497 shares as security interest, as to 2,468,438 shares as corporate interest and as to 297,100,185 shares in the capacity as approved lending agent. The 1,270,940 shares in short position were held as corporate interest.

(4) According to the disclosure of interest notice filed by Huachen on 5th November, 2020, Liaoning Xinrui held direct interest in 1,535,074,988 shares and is a wholly-owned subsidiary of Huachen. Therefore, Huachen is deemed to be interested in the interest of Liaoning Xinrui in the Company by virtue of the SFO. The 1,535,074,988 shares in long position were held by Huachen in the capacity as corporate interest, and by Liaoning Xinrui in the capacity as beneficial owner.

(5) The 252,737,413 shares in long position were held as to 25,285,893 shares as corporate interest, as to 16,474,000 shares in the capacity as investment manager, as to 9,140 shares as security interest, and as to 210,968,380 shares in the capacity as approved lending agent. The 15,894,015 shares in short position were held as corporate interest.

(6) According to the disclosure of interest notice filed by LPTI on 9th July, 2020, LTI held direct interest in 600,000,000 shares and is owned as to 83.68% by LPTI. Therefore, LPTI is deemed to be interested in the interest of LTI in the Company by virtue of the SFO. The 600,000,000 shares in long position were held by LPTI in the capacity as corporate interest, and by LTI in the capacity as beneficial owner.

Save as disclosed herein, as at 31st December, 2020, there was no other person so far as is known to the directors or chief executives of the Company, other than a director or chief executive of the Company, as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 31st December, 2020, the interests and short positions of each director, chief executive and their respective close associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, are set out below:

The Company

		Number and class of shares held/ Approximate shareholding percentage *(Note)*				Number of share options granted (Percentage of the Company's issued share capital)
Name of director/ chief executives	**Type of interests**	**Long position**	**%**	**Short position**	**%**	
Mr. Wu Xiao An	Personal	6,200,000 ordinary	0.12	–	–	–

Note: The percentage of shareholding is calculated on the basis of 5,045,269,388 shares in issue as at 31st December, 2020.

Associated Corporation of the Company

			Number and class of shares held/ Approximate shareholding percentage *(Note 1)*			
Name of director/ chief executives	**Name of associated corporations**	**Type of interests**	**Long position**	**%**	**Short position**	**%**
Mr. Wu Xiao An	Power Xinchen	Trustee and interest in a controlled corporation *(Note 2)*	33,993,385 ordinary	2.65	–	–
		Beneficial owner (in shares) *(Note 3)*	8,320,041 ordinary	0.65	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 1,282,211,794 shares in issue of Power Xinchen as at 31st December, 2020.

2. As at 31st December, 2020, Power Xinchen was indirectly held as to approximately 31.20% by the Company. The 33,993,385 shares in long position are interests of a discretionary trust under an incentive scheme of Power Xinchen. The said trust held 33,993,385 shares of Power Xinchen. Mr. Wu Xiao An is one of the trustees of the aforementioned trust. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the said trust. Accordingly, Mr. Wu was deemed or taken to be interested in the 33,993,385 shares of Power Xinchen, representing approximately 2.65% of its issued share capital as at 31st December, 2020.

3. Mr. Wu Xiao An held 8,320,041 shares of Power Xinchen in the capacity of beneficial owner, representing approximately 0.65% of its issued share capital as at 31st December, 2020.

Save as disclosed above, as at 31st December, 2020, none of the directors, chief executives of the Company or their respective close associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31st December, 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed herein, no transactions, arrangements or contracts of significance to which the Company was a party and in which a director of the Company or an entity connected with such director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the financial year.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with members of the Group that is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the financial year ended 31st December, 2020, none of the directors of the Company was considered to have interests in business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the financial year and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors and officers of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's bye-laws and in the directors & officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such persons.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in 2020.

ANALYSIS OF INTEREST CAPITALISED

Details of interest capitalised are set out in note 7 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In 2020, the aggregate sales attributable to the Group's five largest customers, excluding the Group's associates and joint ventures, represented approximately 20.3% of the Group's total revenue from sales of goods or rendering of services while the sales attributable to the Group's largest customer represented approximately 8.9% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers, excluding the Group's associates and joint ventures, during the year represented approximately 25.4% of the Group's total purchases and the purchases attributable to the Group's largest supplier represented approximately 12.2% of the Group's total purchases.

None of the directors, their close associates or any shareholders of the Company that, to the knowledge of the directors of the Company is interested in more than 5% of the number of issued shares of the Company, has any interests in the above five largest customers or suppliers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, the Company maintains the prescribed percentage of public float under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

In 2020, the Group entered into certain related party transactions which also constitute continuing connected transactions under Chapter 14A of the Listing Rules. The continuing connected transactions during the year that are not exempt from the annual reporting requirement in Chapter 14A of the Listing Rules are listed below and these transactions are, among others, also set out in note 35(a) to the financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Announcements have been made on these continuing connected transactions and the relevant shareholders' approvals have been obtained, if necessary.

(A) Continuing Connected Transactions with Huachen

– ***Agreements signed on 15th November, 2017***

On 15th November, 2017, the Company entered into the following four agreements with Huachen:

(A1) a framework agreement in relation to the sale of automobiles, materials and/or automotive components by the Group to Huachen and its subsidiaries and its 30%-controlled companies (collectively, the "**Huachen Group**") for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020;

(A2) a framework agreement in relation to the purchases of materials and automotive components by the Group from the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020;

(A3) a comprehensive services agreement (the "**Huachen Comprehensive Services Framework Agreement**") in relation to the provision of services by the Group to the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020. Services to be provided by members of the Group to members of the Huachen Group mainly include manual labour and design; and

(A4) a comprehensive services agreement in relation to the purchases of services by the Group from the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020. Services to be provided by members of the Huachen Group to members of the Group mainly include information technology support, research and development, charging services, processing and refitting services and transportation services.

At the time of entering into of these four agreements, Huachen was interested in approximately 42.32% of the entire issued share capital of the Company. Being a substantial shareholder of the Company, Huachen was considered as a connected person of the Company under the Listing Rules. Transactions between members of the Group and members of the Huachen Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

Among these transactions, the continuing connected transactions falling within the categories of (A1), (A2) and (A4) are subject to reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. At a special general meeting held on 21st December, 2017, the independent shareholders of the Company approved these transactions and the relevant annual caps for a period of three financial years ending 31st December, 2020.

The continuing connected transactions falling within the category of (A3) are de minimus transactions exempt from the circular, independent financial advice and shareholders' approval requirements but are subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 15th November, 2017 and the circular of the Company dated 5th December, 2017.

– ***Agreements signed on 15th December, 2017***

The Company entered into a framework cooperation agreement (the "**Framework Cooperation Agreement**") on 4th July, 2017 with Renault (together with its subsidiaries and its 30%-controlled companies, collectively the "**Renault Group**") in relation to the disposal of 49% equity interest in RBJAC (formerly known as Shenyang Automotive) from the Group to Renault.

Following the completion of the disposal of RBJAC to Renault, it is planned that RBJAC, i.e. the new Renault joint venture, will begin manufacturing and distribution of LCV products. During the course of its business, RBJAC will acquire and obtain automotive production related components and services from the Huachen Group, on an ongoing basis.

To fulfil certain conditions precedent to the Framework Cooperation Agreement, on 15th December, 2017, RBJAC entered into five agreements with Huachen in its ordinary and usual course of business. These agreements include:

(A5) a technology license agreement (the "**Huachen Technology License Agreement**") in relation to the licensing by Huachen to RBJAC of certain technology owned by Huachen to manufacture, assemble, sell and provide after sales services for licensed products for a period of 10 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such technology before 1st January, 2025;

(A6) a trademark license agreement (the "**Huasong Trademark License Agreement**") in relation to the licensing of rights by Huachen to RBJAC to use certain "Huasong" trademarks owned by Huachen for a period of 50 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such trademarks before 1st January, 2025;

(A7) a general services agreement (the "**Huachen General Services Agreement**") in relation to the provision of general services by Huachen to RBJAC, the term of which commenced from 15th December, 2017 and will be in force as long as the joint venture contract of RBJAC is in effect;

(A8) a lease agreement (the "**Huachen Lease Agreement**") in relation to the lease of certain factory facilities, workshops and office space with a total area of approximately 43,795.5 sq.m. by Huachen to RBJAC for a period of 20 years commencing from 1st December, 2017 at an annual rental of approximately RMB4,232,000 until it is being reviewed at the fifth anniversary of its term; and

(A9) a personnel transfer agreement (the "**Huachen Personnel Transfer Agreement**") in relation to the transfer of certain employees between RBJAC and Huachen. In the event that some employees are unwilling to resign and RBJAC is unable to terminate the employment of such employees, Huachen has agreed to bear the full cost of such employees. RBJAC and Huachen intend to terminate such employment with the relevant employees within three years of signing of the Huachen Personnel Transfer Agreement.

As at the date of signing of these five agreements, Huachen was interested in approximately 42.32% of the entire issued share capital of the Company. Being a substantial shareholder of the Company, Huachen was considered as a connected person of the Company under the Listing Rules. Transactions between members of the Group and members of the Huachen Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

As the continuing connected transactions with Huachen contemplated under the Huachen Technology License Agreement (i.e. Transaction A5) and the Huasong Trademark License Agreement (i.e. Transaction A6) will be conducted on a royalty-free basis for the first seven years commencing from the effectiveness of these agreements and that the Huachen Lease Agreement (i.e. Transaction A8) is a de minimis transaction, these three transactions are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transactions with Huachen contemplated under the Huachen General Services Agreement (i.e. Transaction A7) and the Huachen Personnel Transfer Agreement (i.e. Transaction A9) constitute continuing connected transactions that are subject to the reporting and announcement requirement but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 20th December, 2017.

– ***Agreements signed on 6th December, 2018***

On 6th December 2018, the following three agreements were signed with Huachen in the Group's ordinary and usual course of business. These agreements include:

(A10) a leasing agreement (the "**Huachen Premises Leasing Framework Agreement**") executed between RBJAC and Huachen, pursuant to which RBJAC agreed to lease from the Huachen Group premises to be used for and as research and development centre and vehicle testing centre for the purpose of RBJAC's daily operation for a period of three financial years from 1st January, 2018 to 31st December, 2020;

(A11) an IT equipment rental agreement (the "**Huachen IT Equipment Rental Framework Agreement**") executed between RBJAC and Huachen, pursuant to which RBJAC agreed to rent from the Huachen Group various information technology equipment for the purpose of RBJAC's daily operation for a period of three financial years from 1st January, 2018 to 31st December, 2020; and

(A12) a supplemental agreement (the "**Supplemental Agreement**") executed between the Company and Huachen to amend the Huachen Comprehensive Services Framework Agreement (i.e. Transaction A3) by including additional services and revising the approved annual caps under the transaction. Pursuant to the Huachen Comprehensive Services Framework Agreement (as amended and supplemented by the Supplemental Agreement), the services to be provided by the Group to the Huachen Group mainly include manual labour, design and the newly added energy services. Apart from these, all other terms and conditions under the Huachen Comprehensive Services Framework Agreement remain the same.

As at the date of signing of these three agreements, Huachen was interested in approximately 42.32% of the entire issued share capital of the Company. Being a substantial shareholder of the Company, Huachen was considered as a connected person of the Company under the Listing Rules. Transactions between members of the Group and members of the Huachen Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

The Huachen Premises Leasing Framework Agreement (i.e. Transaction A10), when aggregated with the applicable similar transactions previously signed with Huachen, and the Huachen IT Equipment Rental Framework Agreement (i.e. Transaction A11) constitute continuing connected transactions that are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules. Due to the inclusion of additional services, by entering into of the Supplemental Agreement (i.e. Transaction A12) to the Huachen Comprehensive Services Framework Agreement, the Supplemental Agreement and the revised annual caps are only subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 6th December, 2018.

(B) Continuing Connected Transactions with Renault

– ***Agreements signed on 15th December, 2017***

To fulfil certain conditions precedent to the Framework Cooperation Agreement, on 15th December, 2017, RBJAC entered into three agreements with Renault in its ordinary and usual course of business. These agreements include:

(B1) a framework technology license contract (the "**Renault Framework Technology License Contract**") in relation to the licensing by Renault to RBJAC of certain technological rights owned by Renault to RBJAC to manufacture, assemble, sell and provide after sales services for licensed products for a period of 10 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such technology before 1st January, 2025;

(B2) a trademark license agreement (the "**Renault Trademark License Agreement**") in relation to the licensing of rights by Renault to RBJAC to use certain trademarks owned by Renault for a period of 50 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such trademarks before 1st January, 2025; and

(B3) a framework imported parts supply agreement (the "**Renault Framework Imported Parts Supply Agreement**") in relation to the sale of imported automotive production related components by Renault to RBJAC. The term of the agreement commenced on 15th December, 2017 and will be in force as long as the joint venture contract of RBJAC and the Renault Framework Technology License Contract are in effect.

Upon completion of the disposal of RBJAC to Renault in January 2018, Renault was interested in 49% equity interest in RBJAC. Accordingly, Renault was considered as a connected person of the Company by virtue of being a controlling shareholder of the Company's non-wholly owned subsidiary and therefore the transactions with Renault constitute continuing connected transactions of the Company under Rule 14A.23 of the Listing Rules.

As the continuing connected transactions with Renault contemplated under the Renault Framework Technology License Contract (i.e. Transaction B1) and the Renault Trademark License Agreement (i.e. Transaction B2) will be conducted on a royalty-free basis for the first seven years commencing from the effectiveness of these agreements, they are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the continuing connected transaction with Renault contemplated under the Renault Framework Imported Parts Supply Agreement (i.e. Transaction B3) is a transaction with a connected person at the subsidiary level and on normal commercial terms or better, it is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules, but is subject to the reporting and announcement requirements.

Details of the transactions are set out in an announcement of the Company dated 20th December, 2017.

– ***Agreements signed on 6th December, 2018***

On 6th December, 2018, RBJAC entered into the following two agreements with Renault in its ordinary and usual course of business. These agreements include:

(B4) a framework purchase agreement (the "**Renault Framework Purchase Agreement**") in relation to the purchases of automobiles, materials and automotive components by RBJAC from the Renault Group for a period of three financial years from 1st January, 2018 to 31st December, 2020; and

(B5) a comprehensive services agreement (the "**Renault Comprehensive Services Framework Agreement**") in relation to the purchases of services by RBJAC from the Renault Group for a period of three financial years from 1st January, 2018 to 31st December, 2020. Services to be provided by the Renault Group to RBJAC mainly include technical assistant services, information technology support services, research and development services, and personnel secondment services.

As at the date of signing of these two agreements, Renault was interested in 49% of the entire issued share capital of RBJAC. Accordingly, Renault is a connected person of the Company by virtue of being a substantial shareholder of the Company's non–wholly owned subsidiary. Transactions between RBJAC and members of the Renault Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

As the continuing connected transactions with Renault contemplated under the Renault Framework Purchase Agreement (i.e. Transaction B4) and the Renault Comprehensive Services Framework Agreement (i.e. Transaction B5) are transactions with a connected person at the subsidiary level and on normal commercial terms or better, they are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules, but are subject to the reporting and announcement requirements.

Details of the transactions are set out in the announcement of the Company dated 6th December, 2018.

The actual monetary value of all the above continuing connected transactions (collectively, the "**Continuing Connected Transactions**") for the financial year ended 31st December, 2020 is set out below.

Continuing Connected Transactions		Major type of products	Actual monetary value for the financial year ended 31st December, 2020 RMB'000
A1.	**Sale of automobiles, materials and/or automotive components by the Group to the Huachen Group under the framework agreement dated 15th November, 2017**		
A1(i)	Sale of materials and automotive components by Xing Yuan Dong	Interior trim parts, anti-freezing fluid and presswork	117
A1(ii)	Sale of materials and automotive components by Dongxing Automotive	Press parts, welding parts and complete outsourced parts	4,501
A1(iii)	Sale of materials and automotive components by Shenyang Jindong	Matching components and welding assemblies	1,901
A1(iv)	Sale of materials and automotive components by Mianyang Ruian	Camshafts	–
A1(v)	Sale of materials and automotive components by Ningbo Yumin	Trim strips, triangular windows and sealing bars	154
A1(vi)	Sale of materials and automotive components by Ningbo Ruixing	Rear view mirrors	–
A1(vii)	Sale of automobiles, materials and automotive components by RBJAC	Automobiles, engines and spare parts	54,407
A2.	**Purchases of materials and automotive components by the Group from the Huachen Group under the framework agreement dated 15th November, 2017**		
A2(i)	Purchase of materials and automotive components by Dongxing Automotive	Steels	4,965
A2(ii)	Purchase of materials and automotive components by RBJAC	Power trains and spare parts	139,989
A2(iii)	Purchase of materials and automotive components by Shenyang Jindong	Scrap materials, welding press parts and matching components	15,135

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2020 RMB'000
A3. Provision of services by the Group to the Huachen Group under the Huachen Comprehensive Services Framework Agreement (as amended and supplemented by the Supplemental Agreement)		
Provision of services by members of the Group to members of the Huachen Group	Manual labour, design and energy services	28,472
A4. Purchase of services by the Group from the Huachen Group under the comprehensive services agreement dated 15th November, 2017		
Purchase of services by members of the Group from members of the Huachen Group	Information technology support, research and development, charging services, processing and refitting services and transportation services	8,535
A5. Licensing of technology owned by Huachen to RBJAC under the Huachen Technology License Agreement		
Licensing of technology by Huachen to RBJAC	Rights to manufacture, assemble, sell and provide after sales services for licensed products	– (Nil before 1st January, 2025)
A6. Licensing of "Huasong" trademarks owned by Huachen to RBJAC under the Huasong Trademark License Agreement		
Licensing of "Huasong" trademarks by Huachen to RBJAC	Right to use certain "Huasong" trademarks owned by Huachen	– (Nil before 1st January, 2025)
A7. Provision of general services by Huachen to RBJAC under the Huachen General Services Agreement		
Provision of general services by Huachen to RBJAC	Transportation services, security, road and piping services, charging services, manual labour, provision of utilities, general office services, medical care and testing services	7,816
A8. Lease of properties by Huachen to RBJAC under the Huachen Lease Agreement		
Lease of factory facilities by Huachen to RBJAC	Lease of certain factory facilities, workshops and office space with a total area of approximately 43,795.5 sq. m.	3,813

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2020 RMB'000
A9. Transfer of certain employees between RBJAC and Huachen under the Huachen Personnel Transfer Agreement		
Transfer of certain employees from RBJAC to Huachen, and from Huachen to RBJAC	Employee costs	1,949
A10. Lease of premises by RBJAC from the Huachen Group under the Huachen Premises Leasing Framework Agreement		
Lease of premises by RBJAC from the Huachen Group	Lease of premises to be used for and as research and development centre and vehicle testing centre	97
A11. Rental of information technology equipment by RBJAC from the Huachen Group under the Huachen IT Equipment Rental Framework Agreement		
Rental of information technology equipment by RBJAC from the Huachen Group	Rental of computer hardwares	–
B1. Licensing of technology owned by Renault to RBJAC under the Renault Framework Technology License Contract		
Licensing of technology by Renault to RBJAC	Rights to manufacture, assemble, sell and provide after sales services for licensed products	– (Nil before 1st January, 2025)
B2. Licensing of "Renault" trademarks owned by Renault to RBJAC under the Renault Trademark License Agreement		
Licensing of "Renault" trademarks by Renault to RBJAC	Right to use certain "Renault" trademarks owned by Renault	– (Nil before 1st January, 2025)
B3. Sale of imported automotive production related components by Renault to RBJAC under the Renault Framework Imported Parts Supply Agreement		
Sale of imported automotive production related components by Renault to RBJAC	Imported production parts, accessories and spare parts	–

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2020 RMB'000
B4. Purchase of automobiles, materials and automotive components by RBJAC from the Renault Group under the Renault Framework Purchase Agreement		
Purchase of automobiles, materials and automotive components by RBJAC from the Renault Group	Automobiles, engines, radios, rear axles, head lights, safety air bags and seat belts	–
B5. Purchases of services by RBJAC from the Renault Group under the Renault Comprehensive Services Framework Agreement		
Purchases of services by RBJAC from the Renault Group	Technical assistant services, information technology support services, research and development services, and personnel secondment services	203,590

The independent non-executive directors of the Company have reviewed and confirmed that the internal control procedures put in place by the Company are adequate and effective and the Continuing Connected Transactions for 2020 have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or better; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are disclosed in note 35 to the financial statements of this annual report.

Save as disclosed above, in the opinion of the directors of the Company, the transactions disclosed as related party transactions in note 35 to the financial statements do not constitute connected transactions or continuing connected transactions (as defined under the Listing Rules in force at the time of the entering into of the relevant transactions) that are required to be reported pursuant to Chapter 14A of the Listing Rules.

Subsequent events

(A) Continuing Connected Transactions with Huachen

– Agreements signed on 18th November, 2020

On 18th November, 2020, the Group entered into certain framework agreements, comprehensive service agreements and a premises leasing framework agreement with members of the Huachen Group so as to continue to conduct a number of continuing connected transactions for a period of three financial years commencing from 1st January, 2021 to 31st December, 2023.

At the time of entering into of the agreements, Huachen, through its wholly-owned subsidiary Liaoning Xinrui, was indirectly interested in 30.43% of the entire issued share capital of the Company, and therefore was a connected person of the Company under Chapter 14A of the Listing Rules. The transactions to be conducted with the Huachen Group constitute continuing connected transactions under the Listing Rules.

Among these transactions, the continuing connected transactions falling within the categories of (i) sale of automobiles, materials and automotive components to the Huachen Group; and (ii) purchases of materials and automotive components from the Huachen Group are subject to reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. At a special general meeting held on 22nd January, 2021, the independent shareholders of the Company approved these transactions and the relevant annual caps for a period of three financial years ending 31st December, 2023.

The continuing connected transactions falling within the category of (i) provision of services to the Huachen Group; (ii) purchase of services from the Huachen Group; and (iii) lease of premises by RBJAC and its subsidiaries (if any) (the "**RBJAC Group**") from the Huachen Group are de minimus transactions exempt from the circular, independent financial advice and shareholders' approval requirements but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 18th November, 2020 and the circular of the Company dated 5th January, 2021.

(B) Continuing Connected Transactions with Renault

– Agreements signed on 18th November, 2020

On 18th November, 2020, RBJAC and Renault entered into a framework purchase agreement in relation to the purchases of automobiles, materials, automotive components and/or production related items by the RBJAC Group from the Renault Group for the purpose of the RBJAC Group's daily operation for a period of three financial years from 1st January, 2021 to 31st December, 2023. In addition, on 18th November, 2020, RBJAC and Renault entered into a comprehensive services framework agreement in relation to the purchases of services by the RBJAC Group from the Renault Group for a period of three financial years from 1st January, 2021 to 31st December, 2023.

At the time of entering into of the agreements, Renault was interested in 49% equity interest in RBJAC. Renault is a connected person of the Company only by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary. The transactions to be conducted with the Renault Group constitute continuing connected transactions under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, these transactions are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 18th November, 2020.

(C) Continuing Connected Transaction with The Bank of East Asia (China) Limited

– Agreement signed on 18th November, 2020

On 18th November, 2020, BBAFC entered into a co-lending finance management services agreement with The Bank of East Asia (China) Limited ("**BEA China**") so as to continue to provide co-lending finance management services to BEA China for a period of three financial years commencing from 1st January, 2021 to 31st December, 2023.

At the time of entering into of the agreement, BBAFC's effective equity interest was owned as to 22.5% by The Bank of East Asia, Limited, the parent company of BEA China. The Bank of East Asia, Limited is a connected person of the Company by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary. Hence, the transactions between BBAFC and BEA China constitute continuing connected transactions under Chapter 14A of the Listing Rules. The transactions are de minimis transactions exempt from the circular, independent financial advice and shareholders' approval requirements but are subject to the reporting and announcement requirements under Rule 14A of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 18th November, 2020.

(D) Unauthorised Guarantees and Certain Deposit Pledges to the Huachen Group

As disclosed in the Company's announcement dated 16th November, 2021 on findings of the Independent Investigation, it was revealed that the Group has provided the Unauthorised Guarantees and certain of the Deposit Pledges to the Huachen Group. Huachen, through its wholly-owned subsidiary, Liaoning Xinrui, is interested in 1,535,074,988 shares (representing approximately 30.43% of the entire issued share capital of the Company). Accordingly, Huachen is a connected person of the Company under Chapter 14A of the Listing Rules and the provision of the Unauthorised Guarantees and certain of the Deposit Pledges would have constituted a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Independent Forensic Investigation is still ongoing, an announcement in relation to the Unauthorised Guarantees and such Deposit Pledges provided to the Huachen Group in accordance with Chapter 14 and 14A of the Listing Rules will be published in due course to re-comply with the Listing Rules.

Save as disclosed above, during the year ended 31st December, 2020, the Group had no material related party transactions, which constituted connected transactions under the Listing Rules.

AUDITOR

Grant Thornton Hong Kong Limited will retire at the conclusion of the 2022 AGM and be eligible to offer itself for re-appointment. A resolution will be submitted to the 2022 AGM to seek shareholders' approval on the appointment of Grant Thornton Hong Kong Limited as our auditor until the conclusion of the next annual general meeting and to authorise the Board to fix its remuneration.

By order of the Board

Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong,
29th July, 2022

Management's Discussion & Analysis

BUSINESS DISCUSSION AND ANALYSIS

A review of the business of the Group during the financial year ended 31st December, 2020 and the outlook of the Group's business are discussed throughout this annual report including the sections headed "Chairman's Statement" and "Business Review" on pages 4 to 7 and pages 10 to 23 of this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2020, the Group had RMB2,021.8 million in cash and cash equivalents (As at 31st December, 2019: RMB2,763.5 million), RMB31.6 million in statutory deposit reserves at central bank (As at 31st December, 2019: RMB23.3 million), RMB500 million in short-term bank deposits (As at 31st December, 2019: RMB1,500 million) and RMB1,514.0 million in pledged and restricted short-term bank deposits (As at 31st December, 2019: RMB3,093.9 million). As at 31st December, 2020, the Group had notes payable in the amount of RMB1,942.0 million (As at 31st December, 2019: RMB4,959.3 million).

As at 31st December, 2020, the Group had outstanding short-term bank borrowings of RMB4,528.7 million (As at 31st December, 2019: RMB6,292.0 million), and long-term bank borrowings due within one year and over one year of RMB217.2 million (As at 31st December, 2019: RMB20 million) and RMB381 million (As at 31st December, 2019: RMB20 million), respectively.

All short-term bank borrowings as at 31st December, 2020 were due within one year, being repayable from 4th January, 2021 to 21st December, 2021 (As at 31st December, 2019: repayable from 7th January, 2020 to 23rd December, 2020). As at 31st December, 2020, these borrowings were interest-bearing at rates ranging from 3.50% to 8.20% per annum, and were denominated in Renminbi (As at 31st December, 2019: 3.95% to 6.00% per annum, Renminbi). RMB217.2 million of the long-term bank borrowings as at 31st December, 2020 were due within one year, being repayable from 20th January, 2021 to 1st December, 2021 (As at 31st December, 2019: RMB20 million, repayable from 20th March, 2020 to 20th December, 2020); and RMB381 million were due over one year, being repayable on 13th May, 2022 (As at 31st December, 2019: RMB20 million, repayable from 20th March, 2021 to 1st December, 2021). As at 31st December, 2020, these long-term bank borrowings were interest-bearing at rates ranging from 4.10% to 5.23% per annum, and were denominated in Renminbi (As at 31st December, 2019: 5.23%, Renminbi).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the year ended 31st December, 2020, the Group's accounts receivable turnover days was approximately 114 days, compared to approximately 98 days for 2019. Inventory turnover days was approximately 78 days in 2020, compared to approximately 87 days in 2019.

CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2020, the Group's total assets was approximately RMB47,974.7 million (As at 31st December, 2019: RMB49,374.5 million), which was funded by the following: (a) share capital of RMB397.2 million (As at 31st December, 2019: RMB397.2 million), (b) reserves of RMB32,888.6 million (As at 31st December, 2019: RMB33,432.9 million), (c) total liabilities of RMB14,617.6 million (As at 31st December, 2019: RMB14,994.6 million) and (d) contribution from non-controlling interests of RMB71.3 million (As at 31st December, 2019: RMB549.9 million).

As at 31st December, 2020, 91.1% (As at 31st December, 2019: 94.8%) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 2.6% (As at 31st December, 2019: 2.6%) were denominated in U.S. Dollar. The remaining balance of 6.3% (As at 31st December, 2019: 2.6%) were denominated in other currencies. Apart from the borrowings, banking facilities were in place for contingency purposes. As at 31st December, 2020, the Group's total available banking facilities for its daily operations amounted to RMB961.8 million (As at 31st December, 2019: RMB712.7 million) without any committed banking facilities.

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank borrowings, issue of bank guaranteed notes and payment credit from its suppliers. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations, expected expansion and product developments. Management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants. For long-term capital expenditures, the Group's strategy is to fund these long-term capital commitments by a combination of operational cash flow, bank borrowings, dividends from joint ventures and associates, if any, and fund raising exercises in the capital market, if and when necessary.

CAPITAL EXPENDITURES AND COMMITMENTS

In 2020, the Group incurred capital expenditures of RMB569.8 million (2019: RMB989.1 million) mainly for acquisition of both owned and right-of-use assets of tools and moulds, machinery and equipment, and development costs for minibuses and MPVs as well as specialised software. As at 31st December, 2020, the Group's contracted capital commitments amounted to RMB896.4 million (As at 31st December, 2019: RMB1,043.9 million), which were related to the capital expenditures in respect of construction projects, acquisition of plant and machinery, and product development.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31st December, 2020.

NEW BUSINESS AND NEW PRODUCTS

BBA will be introducing new models of both internal combustion engine and battery electric BMW vehicles into the Chinese market over the next few years. The new 5-series facelift model was introduced in September 2020. Further, the iX3, which is the electrified version of the X3 model, was launched in China in November 2020. iX3 is the very first pure electric model of BBA and is the first new energy vehicle product produced by BBA for both local sales and exports to the rest of the world.

RBJAC is pushing forward with the localization of new potential products such as the Renault Master and Trafic models. In November 2020, RBJAC launched the first joint venture LCV product "Haise King" which was empowered by Renault design, technology and quality.

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

The Group employed approximately 4,820 employees as at 31st December, 2020 (As at 31st December, 2019: approximately 5,610). Employee costs amounted to RMB648.4 million for the year ended 31st December, 2020 (For the year ended 31st December, 2019: RMB761.0 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance.

To enhance the overall quality and professional expertise standard of all employees, the Group provides training to its employees from time to time. RBJAC has developed and implemented "Procedures for Training Management"（《培訓管理程序》）, and developed a training system and workflow incorporating induction training for new employees, training for personnel of special positions, management training, professional expertise training and quality training. The programmes cover a broad spectrum of topics such as professional skills, quality and ability, working efficiency, team cooperation, ethics and professional conduct. Employees are encouraged to attend training sessions to acquire the latest industry information and knowledge, new trends in vocational area and new information via different learning media including internet, in-house classes and external seminars, so as to enhance their ability and work quality.

CHARGE ON ASSETS

As at 31st December, 2020, short-term bank borrowings of RMB2,242.7 million (As at 31st December, 2019: RMB91 million) were secured by the Group's land lease prepayments with a net book value of approximately RMB2.1 million (As at 31st December, 2019: approximately RMB2.1 million), buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book values of approximately RMB111.1 million (As at 31st December, 2019: RMB208.0 million), and loan receivables of RMB2,957.8 million (As at 31st December, 2019: nil).

As at 31st December, 2020, long-term bank borrowings of RMB598.2 million (As at 31st December, 2019: RMB40 million) were secured by the Group's land lease prepayments with a net book value of approximately RMB29.4 million (As at 31st December, 2019: approximately RMB30.0 million), buildings, plant and equipment with an aggregate net book value of approximately RMB52.3 million (As at 31st December, 2019: approximately RMB33.5 million) and loans receivable of RMB1,059.1 million (As at 31st December, 2019: nil).

In addition, as at 31st December, 2020, the Group pledged short-term bank deposits in an aggregate amount of RMB2,476.8 million (As at 31st December, 2019: RMB3,093.9 million) for the following purposes: (a) RMB2,262.7 million for issue of bank guaranteed notes (As at 31st December, 2019: RMB2,883.3 million); and (b) RMB214.1 million (As at 31st December, 2019: RMB210.5 million) to secure bank loans granted to a third party. For details, please refer to note 20 of this report.

As at 31st December, 2020, the Group had restricted short-term bank deposits of RMB87.2 million (As at 31st December, 2019: nil) which represent the Group's short-term bank deposits designated by the courts in Mainland China with restricted use for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgements. The respective payable balances have been recognised in the consolidated financial statements and some of the cases have been resolved up to the date of these consolidated financial statements and the Group does not have to bear additional liabilities. For the court cases still underway, it is also considered that the additional liabilities, if any, will not be material to the Group.

As at 31st December, 2020, the Group also had pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB63.2 million (As at 31st December, 2019: approximately RMB31.3 million) to secure the issue of bank guaranteed notes.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

The Group does not have future plans for material investments or additions of capital assets as at the date of this report.

GEARING RATIO

As at 31st December, 2020, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.44 (As at 31st December, 2019: 0.44).

FOREIGN EXCHANGE RISKS

The Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at an insignificant level. The Group will continue to monitor and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2020 (As at 31st December, 2019: nil).

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 38 to this report.

Directors, Senior Management and Company Secretary

The directors, senior management and company secretary of the Company as at 31st December, 2020 and up to the date of this annual report (i.e. 29th July, 2022) are set out below:

EXECUTIVE DIRECTORS

Mr. Wu Xiao An (also known as Mr. Ng Siu On), aged 60, has been the chairman of the Board since 18th June, 2002 and our executive director since 11th January, 1994. He is also a member of the remuneration committee, nomination committee and subsidiary senior management committee of the Company. Mr. Wu has over 27 years of experience in the automotive industry and is primarily responsible for the overall strategic planning and business development of the Group. He was the vice chairman and the chief financial officer of the Company from January 1994 to June 2002. He was a director of Huachen from October 2002 to June 2020. He has been the chairman of BBAFC since April 2015. Mr. Wu was the chairman of BBA from May 2003 to February 2022, and has been its vice chairman since February 2022. He was a director of Shenyang Automotive (now known as RBJAC) from January 1994 to August 2016; and has been a director of RBJAC since January 2018. From 1988 to 1993, he was the deputy manager of the Bank of China, New York Branch. Mr. Wu obtained a bachelor's degree of arts from Beijing Foreign Languages Institute (now known as Beijing Foreign Studies University) in 1985 and a master of business administration degree from Fordham University in New York in 1992. Currently, Mr. Wu is the chairman of the board of directors of Power Xinchen, a company listed on the main board of the Stock Exchange (stock code: 1148). In March 2011, Mr. Wu was appointed as a director and in April 2012 designated as an executive director of Power Xinchen.

Mr. Yan Bingzhe, aged 59, was an executive director and chief executive officer of the Company from 12th April, 2019 to 12th August, 2021. He was a member of the remuneration committee and nomination committee of the Company. Further, Mr. Yan was a director of RBJAC and BBA. Mr. Yan was the chairman of Huachen. Mr. Yan has once held various positions in Shenyang Municipal Government since 2006, including but not limited to Chief Executive of Shenbei District（瀋北新區區長）, Director of Shenyang Municipal Planning and Land & Resources Administration（瀋陽市規劃和國土資源管理局局長）, Chief Executive of Tiexi District（鐵西區區長）, as well as the Director of Shenyang Economic and Technological Development Zone Commission（瀋陽經濟技術開發區管理委員會主任）. From October 2010 to October 2012, Mr. Yan was the Secretary-General of Shenyang Municipal Government（瀋陽市政府秘書長）. From July 2016 to February 2018, Mr. Yan was the Director of Shenyang Municipal Development and Reform Commission（瀋陽市發展和改革委員會主任）. From August 2017 to March 2019, Mr. Yan was the Vice Mayor of Shenyang（瀋陽市副市長）. Mr. Yan obtained a bachelor's degree of arts from Northeast Normal University in the PRC in 1989 and a PhD in philosophy of science and technology from the School of Humanities and Law Northeastern University in the PRC in 2005. Mr. Yan resigned as an executive director, chief executive officer and other positions of the Company with effect from 12th August, 2021.

Mr. Shen Tie Dong, aged 52, has been an executive director and chief executive officer of the Company since 12th August, 2021. Mr. Shen is a member of the remuneration committee, nomination committee and subsidiary senior management committee of the Company. Mr. Shen has also been appointed as a director of RBJAC and BBA. Mr. Shen has been appointed as the Chairman of Huachen since June 2021. Mr. Shen has held various positions in a number of enterprises since 1998, including but not limited to Deputy Manager of Trust Department in Liaoning International Trust and Investment Corporation*（遼寧省國際信託投資公司信託部副經理）, Head of Capital Operation Department in China Liaoning International Cooperation Group Co., Ltd（遼寧省國際經濟技術合作集團有限責任公司資本運營處處長）, Deputy General Manager of Liaoning Chuangye Group Co., Ltd*（遼寧創業（集團）有限責任公司副總經理）, Vice Chairman and General Manager of Liaoning Energy Investment Group Co., Ltd*（遼寧能源投資（集團）有限責任公司副董事長及總經理）, as well as Chairman of Liaoning Environmental Protection Group Co., Ltd（遼寧省環保集團有限責任公司董事長）. Mr. Shen has also previously held various positions in the Panjin Municipal Government between 2009 and 2014. From December 2009 to April 2011, Mr. Shen was the Vice Mayor of Panjin（盤錦市副市長）. From April 2011 to December 2014, Mr. Shen was a Member of the Standing Committee of the Municipal Committee of Panjin（盤錦市委常委）. From May 2011 to December 2014, Mr. Shen was also the Secretary-General of the Municipal Committee of Panjin（盤錦市委秘書長）. Mr. Shen obtained a bachelor's degree in Political Economy from the Liaoning University in the PRC in 1992 and a PhD in Political Economy from the Liaoning University in the PRC in 2010. Mr. Shen also qualified as a Senior Economist（高級經濟師）in the PRC in August 2001 and a Professor Researcher-Level Senior Economist（教授研究員級高級經濟師）in the PRC in July 2008. Mr. Shen was a director of Haitong Securities Co., Ltd. (stock code: 600837), a company listed on The Shanghai Stock Exchange, from November 2016 to August 2020.

Directors, Senior Management and Company Secretary (Cont'd)

Mr. Qian Zuming, aged 59, was an executive director of the Company from September 2016 to July 2020. He was the chief financial officer of the Company from 1st July, 2008 to 29th November, 2021. Mr. Qian has around 37 years of experience in finance and accounting practice. Mr. Qian was as an assistant to the president of Huachen and a director of BBAFC. He was also a director of RBJAC from January 2010 to November 2017. From 1982 to 1996, Mr. Qian was the deputy section head (副科長) of the finance section of Shanghai Maritime Bureau (上海海運局) of Ministry of Transport. From 1996 to 1998 and from 1998 to 2000, he was the finance manager of Shanghai Tai Li Shipping Co., Ltd. (上海泰利船務有限公司) and Shanghai Xiao Song Packaging Machinery Co., Ltd. (上海小松包裝機械有限公司), respectively. From January 2006 to March 2007, Mr. Qian was the chief financial officer of Shanghai Hua Sheng Group Co., Ltd. (上海華盛集團有限公司). Mr. Qian is a fellow of the Institute of Financial Accountants of the United Kingdom since October 2010. He is also an academic member of the Association of International Accountants since April 2013. Mr. Qian obtained a master's degree in finance from the Graduate School, The Chinese Academy of Social Sciences in 1998 and a master's degree in business administration from The Wisconsin International University (USA), Ukraine in 2001. Mr. Qian resigned as an executive director of the Company with effect from 29th July, 2020.

Mr. Zhang Wei, aged 48, has been an executive director of the Company since 12th September, 2016. Mr. Zhang has been a director of SJAI and RBJAC since June 2015 and January 2018, respectively. Mr. Zhang joined Huachen in 2003 and held various positions in Huachen, including but not limited to senior project manager of assets operation department, secretary of president, division leader of human resources department, deputy manager of administrative office and assistant to president. Mr. Zhang was the secretary of the board of directors of Huachen from March 2016 to June 2019. From July 1996 to February 1997, and from February 1997 to January 2003, Mr. Zhang was a specialist of import and export department and a project manager, respectively, of Liaoning Branch of China Metallurgical Import and Export Company (中國冶金進出口遼寧公司). Mr. Zhang obtained a bachelor's degree in engineering from Shenyang University of Technology in 1996. Mr. Zhang also received a master's degree of science, with a major in business and information technology, from University of Salford in 2001. Mr. Zhang was a director of Shenhua Holdings (stock code: 600653), a company listed on the Shanghai Stock Exchange, from August 2016 to June 2020.

Mr. Sun Baowei, aged 60, has been an executive director of the Company since 29th July, 2020. Mr. Sun is a senior economist. He has been the executive vice president of Supply Chain of the Company on 1st December, 2019. Mr. Sun was also appointed as the chairman of Xing Yuan Dong, a subsidiary of the Company, on 14th October, 2019. Mr. Sun was a Chief Officer of Capital Operations (資本運營總監) of Huachen from July 2020 to May 2021. From 1990 to 1995, Mr. Sun has served as Deputy General Manager, Vice Chairman and General Manager of Liaoning Long March Tire Company Limited (遼寧長征輪胎有限公司副總經理、副董事長及總經理). Mr. Sun has once held various positions in several Liaoning provincial state-owned enterprises since June 1996, including but not limited to, the Deputy General Manager of Liaoning Trust and Investment Company (遼寧信託投資公司副總經理) from June 1996 to April 2004. From April 2004 to March 2006, Mr. Sun was the Deputy General Manager of Zhongtian Securities Company Limited (中天證券有限責任公司副總經理). From March 2006 to October 2019, Mr. Sun has served as Director, General Manager and Chairman of Liaoning State-owned Assets Operation Company Limited (遼寧省國有資產經營有限公司董事、總經理及董事長). Mr. Sun obtained a bachelor's degree of economics from Liaoning College of Finance and Economics (遼寧財經學院) in the PRC in 1985 and a master's degree of business administration from California State University, Fullerton (加利福尼亞州立大學富勒頓分校) in the United States of America in 2001.

Ms. Ma Nina, aged 52, was an executive director of the Company from 29th July, 2020 to 5th November, 2021. Ms. Ma is a senior economist and an International Accountant (AAIA). She was a director of Xing Yuan Dong from October 2019 to November 2021. Ms. Ma was a Deputy Chief Accountant (副總會計師) of Huachen from September 2019 to May 2021. Ms. Ma has once held various positions in ICBC since 1993, including but not limited to the Deputy President of Wuai Branch (五愛支行副行長), the Director of Personal Loan Center, Business Department of Liaoning Branch (遼寧省分行營業部個人貸款中心主任), as well as the Branch Manager of Shenyang Economic and Technological Development Zone Branch (瀋陽經濟技術開發區支行行長). From December 2012 to April 2015, Ms. Ma was the Director of Shenyang Economic and Technological Development Zone Financial Management Office (瀋陽經濟技術開發區金融管理辦公室主任). From April 2015 to August 2018, Ms. Ma was the Director of Shenyang High-tech Industrial Development Zone Financial Affairs Office (瀋陽高新技術產業開發區金融工作辦公室主任). From August 2018 to June 2019, Ms. Ma was the Director of Hunnan District Financial Service Center of Shenyang (瀋陽市渾南區財政事務服務中心主任). From June 2019 to September 2019, Ms. Ma was the Chairman of Shanghai Huasong Car Rental Company (上海華頌商旅租賃服務有限公司董事長). Ms. Ma was a director of Shenhua Holdings (stock code: 600653), a company listed on the Shanghai Stock Exchange, from June 2020 to June 2021. Ms. Ma obtained a bachelor's degree of economics from Shenyang University of Finance and Economics (瀋陽大學財經學院) in the PRC in 1993 and a master's degree of business administration from Xi'an University of Technology (西安理工大學) in the PRC in 2007. Ms. Ma resigned as an executive director of the Company with effect from 5th November, 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Bingjin, aged 81, was an independent non-executive director of the Company during the period from 27th June, 2003 to 25th February, 2021. Mr. Xu was also the chairman of the audit committee, remuneration committee and nomination committee of the Company during the same period. Mr. Xu was the president of The Association of Sino-European Economic and Technical Cooperation. He was formerly an assistant minister of The Ministry of Foreign Trade and Economic Cooperation, the director (at the sub-ministerial level) of the Office of National Mechanic and Electronic Products Importation and Exportation and the vice president of the World Trade Organization Research Association. Mr. Xu received a bachelor's degree in engineering economics from Jilin University of Technology in 1964 and held the title of senior engineer. Mr. Xu passed away on 25th February, 2021.

Mr. Song Jian, aged 65, has been an independent non-executive director of the Company since 17th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meetings held on 30th May, 2014, 16th June, 2017 and 26th June, 2020. Currently, Mr. Song is the chairman of the nomination committee as well as a member of the audit committee and remuneration committee of the Company. Mr. Song is an expert consultant to the Beijing Government and a fellow of The China Society of Automotive Engineers. Mr. Song was the vice director of the National Laboratory in Automotive Safety and Energy, the deputy dean of the Automotive Department of Tsinghua University, and the dean of the Automotive Technology Research Institute of Tsinghua University. In 1998, Mr. Song received the Award for Outstanding Science and Technology Persons in the China Automotive Industry. In 2005, he was ranked first in the Class One China Automotive Industry and Technology Advancement Award. In 2006, Mr. Song was named jointly by The China Association of Automobile Manufacturers, The China Society of Automotive Engineers and The China Automotive News as the best chief designer of the automobile industry in the PRC. In 2008, Mr. Song was awarded "The Outstanding People of the China Automotive Industry: Commemorating the 30th Anniversary of China's Reform and Opening-up". In 2009, Mr. Song won "China Academic Award for Creative Talents of Automotive Industry – First Prize" from the State Ministry of Education. Mr. Song was also awarded the first prize of Beijing Science and Technology Invention and the special government allowance of the State Council of China in 2016; the first prize of Chongqing Science and Technology Invention in 2017; and the second prize of National Science and Technology Progress in 2019. Mr. Song holds a bachelor's degree and a doctorate, both in engineering science, from Tsinghua University. He is currently a professor (second/tenured level) of Tsinghua University. Mr. Song was as an independent non-executive director of Hybrid Kinetic Group Limited (stock code: 1188), a company listed on the main board of the Stock Exchange, from May 2010 to December 2019.

Mr. Jiang Bo, aged 62, has been an independent non-executive director of the Company since 27th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meetings held on 30th May, 2014, 16th June, 2017 and 26th June, 2020. Currently, Mr. Jiang is the chairman of the audit committee, remuneration committee and subsidiary senior management committee as well as a member of the nomination committee of the Company. Mr. Jiang is a certified public accountant and a public valuer in the PRC. Currently, Mr. Jiang is the chairman of Beijing Huaya Zhengxin Asset Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) in the PRC. Mr. Jiang was a managing partner of RuiHua Certified Public Accountants (瑞華會計師事務所) (Special General Partnership) from May 2013 to December 2017, and the vice chairman of Ruihua Group (瑞華集團) from January 2018 to May 2020. He was also the Honorary Dean and a visiting professor of the Ruihua Auditing and Accounting Institute of Nanjing Audit University (南京審計大學瑞華審計與會計學院) from 2015 to 2019, the executive vice president of Beijing Social Enterprise Promotion Association (北京市社會企業促進會) from 2016 to 2019, and a director of Dandong Zhongpeng Accounting Firm from 1993 to 1999. Mr. Jiang has approximately 28 years of experience in auditing financial statements of companies listed on the PRC stock exchanges. Mr. Jiang has been a certified public accountant and a public valuer in the PRC since 1993 and 1998, respectively. He has been involved in financial audit and asset appraisals of a number of listed companies in the PRC. He has participated in various listing projects of state-owned enterprises in the PRC and overseas and has gained experience in reviewing and analyzing the audited financial statements of companies listed in the PRC. Mr. Jiang holds a bachelor of science degree in mathematics from Liaoning University and a graduate diploma in accounting from Central Finance and Economics University.

Mr. Dong Yang, aged 66, has been an independent non-executive director of the Company since 21st May, 2021. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Dong has over 38 years of experience in the automobile industry. From December 1984 to August 1993, Mr. Dong was the deputy director (副處長) of the Technology Division of China National Automotive Industry Corporation (中國汽車工業總公司科技司). Mr. Dong is familiar with automobile technology and industry policies and has been engaged in scientific and technological management and industry management in the automobile industry during his tenure with China National Automotive Industry Corporation. From September 1993 to August 1998, he was the director (處長) of the Automobile Industry Division of the Machinery Industry Department (機械工業部汽車工業司) of the PRC, and from September 1998 to June 2000, he was the deputy director (副司長) of the Industry Management Division of the State Administration of Machinery Industry Bureau (國家機械工業局行業管理司). From July 2000 to August 2007, Mr. Dong was the general manager (總經理) of Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司). Mr. Dong acted as the executive vice president (常務副會長) and secretary general (秘書長) of China Association of Automobile Manufacturers (中國汽車工業協會) from September 2007 and retired from it in April 2019. Mr. Dong has been the Chairman of Beijing Virtue Capital Investment Management Center (Limited Partnership) (北京德載厚投資管理中心(有限合夥)) since April 2020. Mr. Dong obtained a bachelor's degree from the Department of Automotive Engineering of Tsinghua University (清華大學汽車工程系汽車專業本科) in the PRC in 1982 and a master's degree in Automotive Engineering from Tsinghua University (清華大學汽車工程系碩士) in 1984. Mr. Dong was an independent non-executive director of Beijing Changjiu Logistics Corp. (北京長久物流股份有限公司) (a company listed on the A-share market of the Shanghai Stock Exchange with stock code: 603569) between November 2012 and September 2019.

SENIOR MANAGEMENT

Ms. Lisa Ng is the executive vice president of the Company, with primary responsibilities in the formation of joint ventures and monitoring of group business entity operations, investor relations, capital market transactions, and financial reporting review. Ms. Ng is the vice-chairwoman of the boards of BMW Automotive Finance (China) Co., Ltd. and Herald International Financial Leasing Co., Ltd. She is also a director of the boards of RBJAC and BBAFC. She was the company secretary to the board of directors and audit and compliance committee of BBA. Ms. Ng is an alumna of Harvard Business School as well as the Schulich School of Business. She is also a graduate of the University of Waterloo with a bachelor degree in chartered accountancy. Ms. Ng is a CPA of both the Hong Kong Institute of Certified Public Accountants and Chartered Professional Accountants Canada. Ms. Ng has extensive experience spanning from public accounting to corporate finance and private equity. Prior to joining the Group in October 2006, she had spent 7 years with AIG Global Investment Corp. (Asia) Ltd. and was responsible for the sourcing and execution of private equity investments. She was also a member of the Listing Division of The Hong Kong Exchanges and Clearing Limited, as well as an auditor with Ernst & Young.

Ms. Huang Yu is currently the vice president and chief accountant of the Company. She is also a director of BBAFC. Ms. Huang has worked for RBJAC as a financial analyst and internal auditor from July 1999 to June 2000, and worked as a manager of the financial center of the Group from June 2002 to April 2007. She was appointed as the qualified accountant of the Company from May 2007 to January 2009 pursuant to the requirements set out in the Listing Rules. She has been the chief accountant of the Company since May 2007. Ms. Huang graduated with a bachelor's degree and a master's degree, both in economics, from South Western University of Finance and Economics. She is a certified public accountant of the PRC and also a fellow member of the Association of Chartered Certified Accountants. Ms. Huang also holds the qualifications to be a lawyer in the PRC.

Mr. Qi Kai, aged 47, was appointed as a director and a co-CEO of RBJAC in July 2020 and June 2021, respectively. Mr. Qi was the chairman of Shenyang Jinbei Vehicle Manufacturing Co., Ltd. (瀋陽金杯車輛製造有限公司) from May 2019 to January 2020, the president of Huachen R&D Institute (華晨汽車工程研究院) from March 2016 to May 2019, and held various positions in Huachen from October 2009 to May 2019, namely a department head of the planning and managing department (規劃管理部部長) and vice president (副院長) of Huachen R&D Institute, a deputy director of the quality control centre (質量管理中心副總監), and a quality director of the whole vehicle business department (整車事業部質量總監). Mr. Qi graduated from the school of motor engineering of the Beijing Institute of Technology majoring in vehicle and tractor manufacturing (北京理工大學車輛工程學院汽車與拖拉機製造專業) in July 1997, and obtained his EMBA degree from the School of Business Administration of the Northeastern University (東北大學工商管理學院) in October 2013. He was qualified as a senior engineer by Liaoning Provincial Industry and Informatization Department (遼寧省工業和信息化廳) in October 2020.

Mr. Ge Shuwen, aged 56, is currently the president（總裁）of RBJAC. Before joining RBJAC in 2021, he was the president（總裁）of Dongfeng Renault （東風雷諾）. Mr. Ge has over 30 years of experience in the automotive industry at home and abroad and over 20 years of senior management experience in sale and production. He served as, amongst other positions, General Manager（總經理）and Secretary of the Party Committee（黨委書記）at 一汽轎車銷售有限公司, Executive Deputy General Manager (Sales) at FAW-Volkswagen（一汽•大眾奧迪銷售事業部執行副總經理）and Vice President (Strategy and Synergy) at Renault Group (China)（雷諾集團中國區戰略協同副總裁））. With the full scholarship granted by the 美國富利民基金會 in 2001, he studied the MBA programme at Saint Leo University in the United States of America. In 2007, he obtained the Engineering Doctorate at Jilin University.

Mr. Jongheon Won, aged 51, currently serves as the chief executive officer of BBAFC. From January 2016 to December 2018 he has been the chief operation officer in BBAFC. He has over 20 years of international experiences in the financial services and automotive segment across Korea, Russia, Germany and China. Before joining BBAFC, Mr. Won started his career in Korea Exchange Bank Leasing from December 1996 to April 2000 as a corporate credit analyst. He holds various key positions in BMW Group from 2000 to 2015 covering finance, risk management, operations as well as sales and marketing including the company set-up support for BMW Financial Services Korea and BMW Bank Russia. He was appointed as the general manager for Regional Business Support and Project Management for Asia Pacific, Russia and South Africa at BMW AG in Germany from July 2010 to September 2013. He also took the role of Head of Sales Services of BMW Automotive Finance (China) Co., Ltd. from October 2013 to December 2015. Mr. Won holds a bachelor degree of business administration from Korea University.

COMPANY SECRETARY

Ms. Lam Yee Wah Eva has been the company secretary of the Company since 20th June, 2005. Ms. Lam is a Chartered Secretary and a Chartered Governance Professional of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. She is also a fellow of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute. Ms. Lam graduated from The City University of Hong Kong with a bachelor of arts (honours) degree in public and social administration. She was also awarded a postgraduate diploma in corporate administration by The City University of Hong Kong. Prior to joining the Company in March 2004, Ms. Lam worked in the company secretarial department of Hang Seng Bank Limited (stock code: 11) and Tom.com Limited (now known as TOM Group Limited (stock code: 2383)), both of which are listed on the Stock Exchange. Ms. Lam also has 5 years' working experience in the company secretarial department of Ernst & Young, a certified public accountants firm in Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules which was prevailing in 2020 (the "**CG Code**"). The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Throughout the financial year ended 31st December, 2020, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2020.

A. DIRECTORS

A.1 The Board

We are governed by the Board which assumes the responsibility for leadership and control of the Company. Our directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in its annual and interim reports and other financial disclosures as required under the Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals that require shareholders' notification or approval under the Listing Rules.

Daily management and administration functions are delegated to the management. The responsibilities and matters specifically reserved to the Board are set out in paragraph D below.

The Board meets regularly, normally four times each year at approximately three-month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all directors at the beginning of the year to provide early notice to all directors so that they could grasp every opportunity to attend. Special Board meetings will be held when necessary. Matters on transactions where directors are considered having a material conflict of interest would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive directors who have no material interests should be present. Directors having a conflict of interest or material interests in a transaction will, before the meeting of the Board, declare his interest(s) therein in accordance with the bye-laws of the Company, and shall abstain from voting on the resolution(s) and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the directors for attending regular Board meetings fourteen (14) days before such meetings. For other Board meetings, reasonable notices are generally given.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the directors attending. The company secretary assists the chairman in preparing the meeting agenda and, during which, the directors are consulted for matters to be included in the agenda for all regular meetings of the Board. Each director may also request the inclusion of items in the meeting agenda.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all directors for their review and comments before being approved by the directors attending the relevant meetings. All the minutes of the Board meetings are properly kept by the company secretary and are available for inspection by the directors during normal office hours.

Participation of individual directors at Board meetings in 2020 were as follows:

Number of meetings		**5**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	5/5	100%
Mr. Yan Bingzhe	5/5	100%
Mr. Qian Zuming *(Note 1)*	3/3	100%
Mr. Zhang Wei	5/5	100%
Mr. Sun Baowei *(Note 2)*	2/2	100%
Ms. Ma Nina *(Note 3)*	2/2	100%
Independent non-executive directors:		
Mr. Xu Bingjin	5/5	100%
Mr. Song Jian	5/5	100%
Mr. Jiang Bo	5/5	100%
Average attendance rate		100%

Notes:

1. Mr. Qian Zuming tendered his resignation as a director of the Company with effect from 29th July, 2020. Prior to his resignation, the Company has held three (3) Board meetings in 2020.

2. Mr. Sun Baowei was appointed as a director of the Company with effect from 29th July, 2020. Subsequent to his appointment, the Company has held two (2) Board meetings in 2020.

3. Ms. Ma Nina was appointed as a director of the Company with effect from 29th July, 2020. Subsequent to her appointment, the Company has held two (2) Board meetings in 2020.

During 2020, apart from the five (5) meetings of the Board, consent/approval from the Board had also been obtained via circulation of written resolutions on a number of issues.

Participation of individual directors at the general meetings in 2020 were as follows:

Number of meetings		**1**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	1/1	100%
Mr. Yan Bingzhe	1/1	100%
Mr. Qian Zuming *(Note 1)*	1/1	100%
Mr. Zhang Wei	1/1	100%
Mr. Sun Baowei *(Note 2)*	N/A	N/A
Ms. Ma Nina *(Note 3)*	N/A	N/A
Independent non-executive directors:		
Mr. Xu Bingjin	1/1	100%
Mr. Song Jian	1/1	100%
Mr. Jiang Bo	1/1	100%
Average attendance rate		100%

Notes:

1. Mr. Qian Zuming tendered his resignation as a director of the Company with effect from 29th July, 2020. Prior to his resignation, the Company has held one general meeting in 2020.

2. Mr. Sun Baowei was appointed as a director of the Company with effect from 29th July, 2020. Subsequent to his appointment, the Company has not held any general meeting in 2020.

3. Ms. Ma Nina was appointed as a director of the Company with effect from 29th July, 2020. Subsequent to her appointment, the Company has not held any general meeting in 2020.

The Company considers that it has taken out appropriate insurance cover for its directors and officers in respect of legal actions that may be taken against directors and officers. The Company reviews the extent of the insurance coverage every year and is satisfied with the insurance coverage for year 2020.

A.2 Chairman and chief executive officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company has segregated the roles of chairman of the Board and chief executive officer. In 2020, Mr. Wu Xiao An was the chairman of the Board and Mr. Yan Bingzhe was the chief executive officer. On 20th June, 2005, the Board first adopted a set of clear guidelines regarding the powers and duties of each of the chairman and the chief executive officer, which were revised on 28th March, 2012 and were further revised with effect from 27th March, 2013 after a regular review by the Board.

One (1) meeting was held by the chairman of the Board with the independent non-executive directors without the presence of other directors in 2020 in compliance with code provision A.2.7 of the CG Code. This provides an additional platform for direct communication of the independent non-executive directors with the chairman of the Board without the presence of the executive directors.

A.3 Board composition

Currently, the Board comprises seven (7) directors: Four (4) executive directors and three (3) independent non-executive directors. The current composition of the Board is as follows:

	Membership of Board Committee(s)
Executive directors:	
Mr. Wu Xiao An *(chairman of the Board)*	Member of the remuneration committee Member of the nomination committee Member of the subsidiary senior management committee
Mr. Shen Tie Dong *(chief executive officer)*	Member of the remuneration committee Member of the nomination committee Member of the subsidiary senior management committee
Mr. Zhang Wei	–
Mr. Sun Baowei	–
Independent non-executive directors:	
Mr. Song Jian	Member of the audit committee Member of the remuneration committee Chairman of the nomination committee
Mr. Jiang Bo	Chairman of the audit committee Chairman of the remuneration committee Member of the nomination committee Chairman of the subsidiary senior management committee
Mr. Dong Yang	Member of the audit committee Member of the remuneration committee Member of the nomination committee

Under the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. And, with effect from 31st December, 2012, every listed issuer is required by the Listing Rules to have such number of independent non-executive directors representing at least one-third of the Board, and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Throughout the year 2020, the number of independent non-executive directors has fulfilled the minimum requirement of the Listing Rules. Mr. Jiang Bo is a certified public accountant and a public valuer in the PRC. Mr. Jiang has approximately 28 years of experience in auditing financial statements of companies listed on the stock exchanges of the PRC, has participated in various listing projects of state-owned enterprises in the PRC and overseas, and has experience in reviewing and analyzing the audited financial statements of companies listed in the PRC. Mr. Xu Bingjin, an independent non-executive director of the Company, passed away on 25th February, 2021 and Mr. Dong Yang was appointed as an independent non-executive director with effect from 21st May, 2021 to fill this vacancy.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The nomination committee has assessed the independence of all the independent non-executive directors and the Board is satisfied with their independence.

The Board members do not have any family, financial, business or other material/relevant relations with each other.

The biographies of our directors are set out on pages 43 to 46 of this annual report.

The list of directors has been published on the website of the Company and that of the Stock Exchange, and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

A.4 Appointment, re-election and removal of directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to bye-law 102(B) of the Company, a director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting while a director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting.

The Company had signed a formal letter of appointment or service agreement with each director (including independent non-executive directors) and whose appointment was for a specific term of three (3) years subject to the retirement by rotation provisions in the bye-laws of the Company. At every annual general meeting, one-third of the directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation according to bye-law 99 of the Company. All directors of the Company are subject to the retirement by rotation provision in the bye-laws of the Company and are subject to the retirement by rotation at least once every three years pursuant to code provision A.4.2.

Pursuant to code provision A.4.3, serving more than nine (9) years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than nine (9) years, his/her further appointment will be subject to a separate resolution to be approved by shareholders.

The late Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo were first appointed as the independent non-executive directors of the Company on 27th June, 2003, 17th September, 2004 and 27th September, 2004, respectively. All of them have continuously served as our independent non-executive directors for more than nine (9) years. The latest re-appointment of each of them as our independent non-executive directors has been approved by our shareholders at the general meeting held on 22nd June, 2018, 26th June, 2020 and 26th June, 2020, respectively.

A.5 Responsibilities of directors

Each newly appointed director is provided with a package of orientation materials setting out the required duties and responsibilities of directors under the Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a director's duties and obligations under the Listing Rules and relevant legislations will be arranged for all newly appointed directors. Our directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our directors will also be updated from time to time on the business development and operation plans of the Company.

In compliance with code provision A.6.5, the Company has arranged for, and provided fund for, all the directors of the Company to participate in continuous professional development organised in the form of in-house training, seminars or other appropriate courses to keep them abreast of their knowledge, skill and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. As part of the continuous professional development program, the Company has also updated the directors of any material changes in the Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarizing the duties and responsibilities in acting as directors from time to time to keep the directors abreast of such duties and responsibilities.

In addition to directors' attendance at meetings and review of papers and circulars distributed by management during 2020, each director has participated in the continuing professional development arranged and funded by the Company as follows:

Name of directors	Reading regulatory updates	Attending in-house seminars
Mr. Wu Xiao An	✓	✓
Mr. Yan Bingzhe	✓	✓
Mr. Qian Zuming *(resigned on 29th July, 2020)*	✓	✓
Mr. Zhang Wei	✓	✓
Mr. Sun Baowei *(appointed on 29th July, 2020)*	✓	✓
Ms. Ma Nina *(appointed on 29th July, 2020)*	✓	✓
Mr. Xu Bingjin	✓	✓
Mr. Song Jian	✓	✓
Mr. Jiang Bo	✓	✓

The functions of non-executive directors include the functions as specified in code provision A.6.2(a) to (d) of the CG Code.

All independent non-executive directors have attended the annual general meeting of the Company held on 26th June, 2020 ("**2020 AGM**") in person or by way of telephone conference as required by code provision A.6.7 of the CG Code.

The Company has adopted the standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Listing Rules, in relation to the dealings in securities of the Company by the directors.

Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standard set out in the Model Code during the year ended 31st December, 2020.

The Company has also established on 17th June, 2005 written guidelines on no less exacting terms than the Model Code (the "**Code for Securities Transactions by Employees**") for securities transactions by employees of the Company or directors or employees of its subsidiaries and its holding company, who because of such office or employment, are likely to be in possession of unpublished inside information of the Group or the securities of the Company. The guidelines were revised in 2009 to incorporate amendments to the Model Code which came into effect on 1st April, 2009. Slight amendments have also been made to the guidelines on 28th March, 2012 and 27th March, 2013 to keep the guidelines in line with the current practices of the Company and the statutory requirements.

No incident of non-compliance of the Code for Securities Transactions by Employees by the employees during the year was noted by the Company.

A.6 Directors' commitments

The Company has signed a formal letter of appointment or service agreement setting out the key terms and conditions of the directors' appointments. All directors are committed to devote sufficient time and attention to the affairs of the Group. The directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations. The directors are reminded to notify the Company in a timely manner and at least bi-annually to confirm to the Company of any changes of such information. With respect to those directors who stand for re-election at the 2022 AGM, all of their directorships held in listed public companies in the past three years, if any, are also set out in the document accompanying the notice of the 2022 AGM.

A.7 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner as permitted under the circumstances. Notices are given to all the directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each director have separate and independent access to the Group's senior management.

All directors are entitled to have access to board papers, minutes and related materials.

B. BOARD COMMITTEES

B.1 Nomination committee

The Board follows a formal and transparent procedure for the appointment of new directors to the Board. The appointment of a new director is a collective decision of the Board, taking into consideration the candidate's academic background, qualification, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as directors must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director must also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The nomination committee was established on 28th March, 2012 with specific written terms of reference (as amended with effect from 27th March, 2013 for incorporation of certain amendments to the CG Code effective from September 2013). Terms of reference of the nomination committee have included the duties set out in code provision A.5.2(a) to (d) of the CG Code. The existing members of the nomination committee include Mr. Song Jian, Mr. Jiang Bo and Mr. Dong Yang, all of whom are independent non-executive directors. Mr. Wu Xiao An and Mr. Shen Tie Dong, both of whom are executive directors, are also members of the nomination committee. Currently, Mr. Song Jian is the chairman of the nomination committee.

During 2020, the nomination committee met on two (2) occasions and discharged its responsibilities. Attendance of individual members at nomination committee meetings in 2020 were as follows:

Number of meetings	**2**
Mr. Xu Bingjin *(chairman of the nomination committee in 2020)*	2/2 (100%)
Mr. Song Jian	2/2 (100%)
Mr. Jiang Bo	2/2 (100%)
Mr. Wu Xiao An	2/2 (100%)
Mr. Yan Bingzhe	2/2 (100%)
Average attendance rate	100%

The nomination committee is responsible for reviewing the Board's composition and diversity, developing the relevant procedures for nomination and appointment of directors and assessing the independence of the independent non-executive directors to ensure that the Board has a balance of expertise, experience and diversity of perspectives appropriate to the requirements of the Company's business and for formulating succession plans for executive directors and senior executives. The nomination committee is also authorised to obtain outside professional advice and to seek information from employees, and the Company will provide sufficient resources to the nomination committee for performance of its duties.

In terms of nomination procedures, any Board member may nominate or invite a candidate for appointment as a director of the Company to be considered by the nomination committee. The nomination committee will then evaluate the personal profile of the candidate based on the selection criteria set out above, undertake due diligence in respect of such candidate and make recommendation for the Board's consideration and approval. For nomination of independent non-executive director of the Company, the nomination committee will also assess the candidate's independence in accordance with the CG Code and the Listing Rules. For re-appointment of retiring directors of the Company, the nomination committee will review the candidate's overall contribution and performance (including the candidate's attendance at Board committee meetings, Board meetings and general meetings, his/her level of participation and performance on the Board), and make recommendations to the Board and shareholders for re-election at general meetings.

The Company adopted a board diversity policy on 13th August, 2013. The Company recognises and embraces the benefits of diversity in Board members and a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. Selection of candidates will be based on a range of diversity perspectives, including but not limited to educational background, professional experience and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee will review annually on the composition of the Board under diversified perspectives, and monitor the implementation of the board diversity policy to ensure the effectiveness of the policy. It will also review the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The work performed by the nomination committee during 2020 included:

– making recommendation on re-election of directors at the 2020 AGM;

– assessing the independence of the independent non-executive directors;

– noting and accepting the resignation of an executive director;

– approving the appointment of executive directors;

– reviewing the current Board's structure, size and composition;

– reviewing the current Board's composition in terms of the current requirements of the Listing Rules on the number of independent non-executive directors and requisite qualification and expertise under Rule 3.10(2) of the Listing Rules; and

– reviewing the terms of reference of the nomination committee and the board diversity policy.

Two new members, namely Mr. Sun Baowei and Ms. Ma Nina, have been appointed to the Board during the year 2020.

Mr. Qian Zuming resigned as a director of the Company on 29th July, 2020.

Full minutes of the nomination committee meetings are kept by the company secretary. Draft and final versions of the minutes of the nomination committee meetings are sent to all members of the nomination committee for comments and approval and all decisions and recommendations of the nomination committee are reported to the Board.

The terms of reference of the nomination committee are available on the website of the Company and the website of the Stock Exchange.

B.2 Remuneration committee

The remuneration committee was established on 17th June, 2005 with specific written terms of reference (as amended with effect from 28th March, 2012 and 27th March, 2013, respectively for incorporation of certain amendments after a regular review by the Board). The existing members of the remuneration committee include Mr. Song Jian, Mr. Jiang Bo and Mr. Dong Yang, all of whom are independent non-executive directors. Mr. Wu Xiao An and Mr. Shen Tie Dong, both of whom are executive directors, are also members of the remuneration committee. Currently, Mr. Jiang Bo is the chairman of the remuneration committee. The terms of reference of the remuneration committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

During 2020, the remuneration committee met on one (1) occasion and discharged its responsibilities. Attendance of individual members at remuneration committee meeting in 2020 were as follows:

Number of meeting	**1**
Mr. Xu Bingjin *(chairman of the remuneration committee in 2020)*	1/1 (100%)
Mr. Song Jian	1/1 (100%)
Mr. Jiang Bo	1/1 (100%)
Mr. Wu Xiao An	1/1 (100%)
Mr. Yan Bingzhe	1/1 (100%)
Average attendance rate	100%

The remuneration committee is responsible for making recommendations to the Board regarding the Group's policy and structure for all remuneration of directors and senior management and approving the remuneration package of the individual executive directors. The remuneration committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive directors and other persons to attend its meetings. The remuneration committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary, and the Company will provide sufficient resources to the remuneration committee for performance of its duties.

The work performed by the remuneration committee during 2020 included:

– considering and approving the emoluments of the newly appointed executive directors;

– reviewing the terms of reference of the remuneration committee and the "Policy and Guidelines of The Remuneration Committee";

– reviewing the remuneration package of the individual directors and the senior management of the Company; and

– considering and approving renewal of a service contract.

During the process of consideration, no individual director will be involved in decisions relating to his own remuneration.

Full minutes of the remuneration committee meetings are kept by the company secretary. Draft and final versions of the minutes of the remuneration committee meetings are sent to all members of the remuneration committee for comments and approval and all decisions and recommendations of the remuneration committee are reported to the Board.

The terms of reference of the remuneration committee are available on the website of the Company and the website of the Stock Exchange.

B.3 Audit committee

The audit committee was established on 20th December, 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. Recently on 26th March, 2019, a revised terms of reference of the audit committee was adopted with effect from 1st January, 2019 for incorporation of certain amendments to the CG Code made by the Stock Exchange. The terms of reference of the audit committee have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. The existing members of the audit committee comprise Mr. Song Jian, Mr. Jiang Bo and Mr. Dong Yang, all of whom are independent non-executive directors. Currently, Mr. Jiang Bo is the chairman of the audit committee. The audit committee does not have a former partner of the Group's existing audit firm as its member. The Company has adopted on 28th March, 2012 policy for hiring of employees and former employees of its external auditor to ensure judgment or independence for the audit of the Group will not be impaired.

During 2020, the audit committee met on three (3) occasions and discharged its responsibilities. Attendance of individual members at audit committee meetings in 2020 were as follows:

Number of meetings	**3**
Mr. Xu Bingjin *(chairman of the audit committee in 2020)*	3/3 (100%)
Mr. Song Jian	3/3 (100%)
Mr. Jiang Bo	3/3 (100%)
Average attendance rate	100%

The principal duties of the audit committee included reviewing the Company's financial controls, internal control and risk management system, annual reports, accounts and semi-annual reports. The audit committee is also authorised to obtain outside professional advice and to seek information from employees, and the Company will provide sufficient resources to the audit committee for performance of its duties.

The following is a summary of the work performed by the audit committee during 2020:

– reviewing the auditor's management letter and management's response;

– noting the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;

– reviewing the audited financial statements and final results announcement for the year ended 31st December, 2019;

– reviewing the interim report and the interim results announcement for the six months ended 30th June, 2020;

– meeting with the auditor to go through any significant audit issues or key findings noted during the audit of the Group's 2019 final results;

– meeting with the auditor to go through any significant key findings on the internal control and financial reporting matters based on the agreed-upon procedures performed for the Group's 2020 unaudited interim results;

- reviewing the continuing connected transactions for 2019;
- making recommendations to the Board for seeking shareholders' approval on the re-appointment of external auditor and the fixing of auditor's remuneration;
- reviewing the terms of reference of the audit committee;
- reviewing the hiring policies for employees and former employees of the external auditor;
- reviewing the pricing policies adopted by the Group; and
- reviewing the effectiveness of the Group's risk management and internal control system.

All issues raised by the audit committee have been addressed by the management. The work and findings of the audit committee have been reported to the Board. During 2020, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

In 2020, the audit committee has met with the auditor in the absence of management pursuant to code provision C.3.3 note (1) (iii) of the CG Code.

Full minutes of the audit committee meetings are kept by the company secretary. Draft and final versions of the minutes of the audit committee meetings are sent to all members of the audit committee for comments and approval and all decisions and recommendations of the audit committee are reported to the Board.

The terms of reference of the audit committee are available on the website of the Company and the website of the Stock Exchange.

This annual report has been reviewed by the audit committee.

B.4 Corporate governance function

The Company has adopted the terms of reference for the corporate governance function of the Board on 28th March, 2012 in compliance with code provision D.3 of the CG Code, effective from 1st April, 2012. Pursuant to the terms of reference of the corporate governance function, the Board shall be responsible for developing, reviewing and/or monitoring the policies and practices on corporate governance of the Company; training and continuous professional development of directors and senior management; and compliance with legal and regulatory requirements of the Company. This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31st December, 2020, the directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– noted any changes in accounting policies and practices;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports and other financial disclosures required under the Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

Directors are provided with monthly updates of the Company pursuant to code provision C.1.2 of the CG Code.

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31st December, 2020.

Currently, the Company's external auditor is Grant Thornton Hong Kong Limited (the "**Auditor**").

For the year ended 31st December, 2020, the audit and non-audit service fees paid or payable to the Auditor by the Company amounted to approximately HK$5,380,000 (approximately RMB4,758,000) (2019: HK$2,280,000, or approximately RMB2,045,000) and HK$470,000 (approximately RMB418,000) (2019: HK$450,000, or approximately RMB404,000), respectively. The non-audit services mainly included conducting agreed-upon procedures on the 2020 interim consolidated financial statements. Further, as stated in note 8 to the financial statements on page 146 of this annual report, the auditors' remuneration paid or payable by the Group for the year ended 31st December, 2020 amounted to approximately RMB6,194,000 (2019: approximately RMB3,286,000) in aggregate. The said auditors' remuneration was incurred for the audit works performed for the Company and its subsidiaries.

The statement of the Auditor about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 97 to 99 of this report.

C.2 Risk management and internal controls

The Board is entrusted with the responsibility of evaluating and determining the nature and extent of the risks exposure for the Company, and ensuring that the Company has established and maintained appropriate and effective risk management and internal control systems for the Group's various business and operational functions. The Board is also responsible for overseeing such systems on an ongoing basis and reviewing its effectiveness so that the interests of the shareholders are well protected. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The major operating companies of the Group (such as RBJAC) have defined the principal functions, authorities and responsibilities of each business and operating department to ensure that each department can effectively discharge its duties to achieve effective mutual coordination and balance, and procure the proper implementation of the Group's business policies and strategies. Management of the Company has assisted the Board in carrying out risk and control policies and procedures so as to identify and assess the risks we faced, and were involved in designing, implementing and monitoring appropriate internal control measures to reduce and control such risks. The Board has overseen the management's design, implementation and supervision of risk management and internal control systems and authorised the audit committee to monitor the effectiveness of such risk management and internal control systems.

Risk Management

During the year, RBJAC has continued to carry out risk management from risk information collection and risk assessment, formulation of risk management strategies, proposal and implementation of risk management solutions to monitor improvements, all of which were processed in an orderly manner.

RBJAC has determined that the company's overall risk management shall be led by the person in charge of legal and compliance department (法務與合規部), and management of the company is the authority to manage the internal audit function including overall risk management, which shall exercise the decision-making power for various aspects of the overall risk management. RBJAC has set up risk management responsible persons (風險管理負責人) and risk administrators (風險管理員) in a number of relevant positions of various company departments, including staff administration (人力資源), engineering planning (配套工藝規劃), production (生產), quality (質量), finance (財務) and Party (黨委).

Based on the risk management strategies, each department of the company has formulated and adopted prevention and control measures on the major risks arising from daily management and business activities, identified risk management objectives, responsible persons, the management and business processes involved, the prevention measures before risk occurs and the control and corresponding measures after risk occurs, and formed the "major risk information base" (《主要風險信息庫》) of each department which shall be updated on a quarterly basis.

RBJAC has identified five risk areas namely, strategic risk (戰略風險), financial risk (財務風險), operational risk (運營風險), market risk (市場風險) and legal risk (法律風險). Its risk management system categorised risks in each area into three types: significant risk (重大風險), important risk (重要風險) and general risk (一般風險). The three risk categories form a "main risk list" (《主要風險清單》) for each department which shall be updated regularly. The legal and compliance department regularly supervises and evaluates the risk management of each department, and urges the responsible entity to make timely improvement when deficiency and shortcoming have been identified. The actual or potential risks identified by each department in the daily works will be reported to risk administrators and risk management responsible persons in a timely manner, and communicated with the legal and compliance department. A report prepared by the legal and compliance department will be presented to the Company's audit committee and chief executive officer annually, which reports the risk management and internal control issues.

In 2020, RBJAC has added certain "risk spots" (風險點) and "control measures" (管控措施) in the existing workflows. During the year, RBJAC has sorted out 112 main risk spots, 4 of which were significant risks, and has formulated solutions and implemented plans to control such risks. Each department will be evaluated at least once every six months against significant risks and significant risk events.

The company engages external legal adviser to conduct risk business training for the risk administrators of each department from time to time. It further broadens relevant knowledge of overall risk management and improves the risk management awareness of staff at all levels.

Internal control

In terms of internal control, RBJAC has established an internal audit panel (內審小組) to conduct regular internal audit. An internal audit plan is developed at the beginning of every year, and the internal control and audit work is carried out in accordance with the plan. In terms of the issues identified in the internal audit work, the responsible departments will be required to make improvements to prevent reoccurrence in the future. In addition, the company has provided financial-related personnel with training in financial and internal control every year. In 2020, the internal control and audit panel (內控內審小組) further improved the organisation, job responsibilities and workflow in this area. Internal control and audit work will be performed in accordance with the annual plan, and inspection work is performed monthly with records maintained/kept by the company following each inspection. When problems are identified, the company will designate responsible personnel to rectify the problems within a specified timeframe, and the panel members will be involved in overseeing the implementation according to the rectification plan.

- ***Financial control***

  The major operating subsidiaries of the Company have external audits every year, including annual statement audit, taxation audit, group audit and irregular government audit.

  To ensure the reliability of the financial reports and the truthfulness and completeness of the accounting information, RBJAC has developed "Company Accounting Audit Guidelines" (《公司會計核算指引》) (the "**Guidelines**") in accordance with "Accounting Standards for Business Enterprises-Basic Standards" (《企業會計準則－基本準則》) issued by the Order No. 33 of the Ministry of Finance of the People's Republic of China, and "Accounting Standards for Business Enterprises-Specific Principles No. 1 to No. 38" (《企業會計準則－第1號至第38號具體準則》) issued by Cai Kuai (財會) [2006] No. 3 of the Ministry of Finance and other relevant national laws and regulations. The Guidelines ensure that RBJAC has complied with the relevant principles to ascertain the integrity and reliability of its financial information during the account audit.

  In order to strengthen internal control and prevent financial risks, RBJAC has developed a "Financial Certification Management System" (《財務憑證管理制度》) to ensure consistency between journal voucher amount and original certificate amount, and that the contents and attachments of the original certificate are complete, legal and valid. It also stipulates the control procedures of enterprise financial reports, and the examination systems for approval and control of daily information. Multiple audit systems have been implemented on the financial statements. RBJAC has designed an SAP internal management control process on four aspects, namely, materials procurement, manufacturing, sales of products and financial management, and utilises such information technology to ensure the reliability of financial information.

  The Group will engage domestic and international accounting firms to conduct audits or reviews of its subsidiaries on a semi-annual basis. The legality, rationale and efficiency of enterprise economic activities will be audited, monitored and evaluated to ensure the integrity and reliability of the enterprises' financial information.

- ***Operational control***

  RBJAC has formulated various relevant management systems and business approval processes for protecting its asset safety. It established an Inventory Counting Management System (《存貨盤點管理制度》) to conduct an inventory count every half year, and formulated the Fixed Assets Management System (《固定資產管理制度》), Fixed Assets Changes Approval Form (《固定資產變動審批表》) and Management Measures for Assets Retirement (《資產報廢管理辦法》) etc. to standardise the determination criteria for fixed assets classification, the relevant responsibilities and roles of the user department, management department and finance department to regulate the purchase, acceptance, repair and alteration, and transfer and adjustment of assets, inventory counting and retirement of assets.

  To ensure capital safety, RBJAC established Management Measures of Capital (《資金管理辦法》), where the operational standards such as the preparation of the capital revenue and expenditure plans, receivables, payments, reimbursement tracking and warning systems were clearly stipulated.

  RBJAC has prepared 5 years' and annual operation plans in its bottom-up and top-down planning processes. The annual plan mainly includes three aspects, namely, product plan, expense plan and investment plan. Before making any project investment, generally, the company will conduct a feasibility study and an operability study on project implementation, make forecasts of project input and output, expected project investment term and finance costs. In addition, we also prepare quarterly rolling budgets according to the actual situation. Since the auto market can be volatile and unpredictable, RBJAC refine and update the assumed sales volume, product structure and profit situation in the remaining months to adjust the business plan established at the beginning of the year in a timely manner, in an effort to facilitate decision for adjustments to production and marketing so as to minimize costs. After the monthly settlement, the company will analyse product profitability and identify the reasons for variances, and then provide timely feedback to the management for making changes to sales strategies, pursuing higher sales, expanding market share and increasing product profitability, in order to ensure the sustainable development of the enterprises.

- ***Compliance control***

  In terms of compliance, the companies of the Group have been strictly following the laws and regulations at both the national and local levels, and have been legally operating in accordance with the requirements of such laws and regulations. None of the directors of the Company was aware of any breach of laws or regulations that may have a significant impact on the Group, nor did they note any litigation or any case of corruption, bribery, extortion, fraud and money laundering involving the Group in 2020.

  The Company places great importance to the procedures for the processing and releasing of inside information. It is the responsibility of the Company to disclose to the public as soon as reasonably practicable any inside information (as defined in the Listing Rules) that has come to its knowledge to avoid a false market in its securities.

  The Company adheres to the guidelines and relevant information on disclosure of inside information issued and updated by the Securities and Futures Commission from time to time. The Board has adopted a set of policies on disclosure control and procedures in order to ensure compliance with the requirements regarding the continuous disclosure obligation under the Listing Rules and the SFO.

  In respect of enquiries made by external parties on the Group's affairs, the Company has designated and authorised directors and certain management personnel as the Company's spokespersons to respond to enquiries with respect to specific categories (subject to the permission of the Listing Rules and any regulatory requirements).

The Company has adopted a bottom-up approach to communicate information about its business and corporate developments. Employees from different departments are obliged to notify their department heads of any potential transactions or corporate developments that may require actions by the Company to fulfill its disclosure obligations. The department heads are responsible for providing the Board with adequate, reliable and timely information via the Working Team (as described below) to enable the directors to make an informed decision on whether the transaction or developments are likely to constitute inside information and whether it should be announced immediately.

The chairman of the Board and the chief executive officer, serving as the overall supervisors, shall be responsible for overseeing the implementation and operation of the disclosure control and procedures. A working team (the "**Working Team**") was established to collate the information submitted by the department heads to the Board, review any potential inside information that may need to be disclosed and make recommendations to the Board for its final decision and action. The Working Team also offers help in managing the drafting and review process of announcements, overseeing the trading halt of the shares of the Company (if appropriate), and coordinating the continuous education of the personnel involved in the disclosure process (if appropriate). External legal advisors will be involved in the process of assessing the potential inside information, the preparation of announcements and any other compliance documentation, if and when necessary.

The Company shall keep the written records of any discussion concerning the assessment of potential inside information and the reason for the conclusion. Back-up files supporting information contained in the disclosure documents shall also be kept.

In cases where a decision by the Board is pending or in cases of incomplete negotiations or proposals, the Company shall implement measures to maintain the confidentiality of such information.

Despite the risk management and internal control measures in place, the Board acknowledged that there are certain internal control deficiencies identified as a result of the findings from the Independent Investigation, among them:

1. there are no clear independent structure and reporting procedures between the Company and Huachen. Certain members of the management of the Group companies also concurrently hold positions in Huachen but there are no formal approval processes for personnel appointments;

2. there may be a lack of independence when performing duties due to the overlapping roles of certain members of the management of the Group with their roles at Huachen, and their wrongful belief that the Group is subordinate to the management of Huachen. Certain personnel of Huachen were able to bypass the Company and directly instruct management of SJAI to execute a series of transactions. SJAI's participation in the provision of the Unauthorised Guarantees and the Deposit Pledges were controlled directly by Huachen;

3. certain members of the management of the Group who concurrently hold positions with Huachen are able to access confidential information of both the Group and Huachen, such as bank deposit balances, loan status, and liquidity of assets etc. and are therefore able to exploit the financial resources of the Group;

4. certain directors of the Company and staff members of the Group failed to inform the other directors of the Company and the Auditor of the Unauthorised Guarantees and the legal proceedings initiated by China Everbright Bank in a timely manner, and therefore was unable to make an informed decision as to whether or not it is necessary to inform the shareholders of the Company and the Stock Exchange;

5. no formal corporate seal management system and application process has been established;

6. insufficient and inadequate measures in place for handover of positions, which led to failure in communication of the Unauthorised Guarantees and the Deposit Pledges to the new appointee and resulted in serious loss of information record;

7. no filing system has been established for retention of agreements and contracts, resulting in incomplete records of the Unauthorised Guarantees and the Deposit Pledges. In addition, SJAI did not timely obtain full set of bank statements or bank slips from various banks as a measure to monitor the accuracy and completeness of its accounting records, which contributed to the loss of information in relation to the deduction of the Deposit Pledges by the banks; and

8. insufficient security measures in place to safeguard the finance system of SJAI from access and modification by unauthorised person, which may lead to inaccurate financial data being entered into the system.

The Board has taken up the recommendation to review and strengthen its internal control system. Please refer to the Company's announcement dated 16th November, 2021 for further details on the Independent Investigation.

As disclosed in the Company's announcement dated 29th October, 2021, the Company has appointed Moore Advisory Services Limited (the "**Internal Control Consultant**") as the internal control consultant of the Company to carry out a review of the internal control systems and procedures of the Group and make recommendations of remedial measures (the "**Initial Internal Control Review**"). As at the date of this report, the Initial Internal Control Review has completed and an announcement regarding the results of the Initial Internal Control Review was published on 23rd December, 2021.

As disclosed in the Company's announcement dated 30th June, 2022, the Company has further engaged the Internal Control Consultant to carry out a review of the implementation status of the remediation actions recommended under the Initial Internal Control Review as well as to expand the scope of the Initial Internal Control Review on more extensive basis and to cover other operational subsidiaries of the Group not involved in the Unauthorised Guarantees and the Deposit Pledges (the "**Expanded Internal Control Review**").

The Company is in the process of formulating and implementing formal remediation plans, with reference to the recommendations provided by the Internal Control Consultant, to address the outstanding weaknesses or deficiencies identified in the Initial Internal Control Review report and the Expanded Internal Control Review report and is in the process of remediating all the internal control weaknesses or deficiencies. An announcement will be made on the progress and result of the Expanded Internal Control Review in due course.

D. DELEGATION BY THE BOARD

Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. The Board has adopted a revised memorandum on the respective functions of the Board and management on 27th March, 2013 after a regular review. The Board is entrusted with the following reserved powers:

1. ***Business strategy***

- approval of strategic objectives, annual plans and performance targets for the Group;
- approval of proposals for expansion or closures other than those which have been specifically approved in the strategic objectives and/or annual plans of the Group;
- approval of budgets; and
- approval of performance indicators.

2. ***Appointment***

- appointment of any person as director to fill a casual vacancy or as an additional director;
- appointment of the chairman and chief executive officer;
- appointment of senior executives;
- fixing of auditor's remuneration;
- selection, appointment and dismissal of company secretary; and
- formation of board committees and approval of the membership and terms of reference of the board committees.

3. ***Board and senior management***

- delegation of authority to the chairman, chief executive officer, management and board committee(s);
- approval of remuneration and incentive policies;
- approval of group benefit policies;
- approval of remuneration of directors and senior management; and
- assessment of the performance of the Company and the Board.

4. ***Relations with the shareholders***

- arrangements for the annual general meeting and any other shareholders' meetings;
- matters relating to disclosure as required by the applicable laws and regulations; and
- formation of shareholders' communication policy.

5. ***Financial matters***

- approval of annual accounts and directors' reports;
- approval of accounting policies;
- approval of any substantial change in the policies of the Company for statements of financial position management including but without limitation capital adequacy, credit, liquidity, debt maturity profile, interest rate and exchange rate risks and asset concentration both geographically and by sector;
- approval of internal audit plan;
- approval of internal control policy and procedures;
- acceptance of auditor's reports including management letters; and
- declaration of interim dividends and making recommendations on final dividends.

6. ***Capital expenditures***

- approval of the capital expenditures budget;
- approval of capital commitment, whether or not the same has been provided for in the capital expenditures budget and/or annual budget; and
- approval of priorities.

7. Any transaction that constitutes notifiable transaction or connected transaction for the Company under the Listing Rules (as amended from time to time).

8. To assess the likely impact of unexpected and significant events and other events which can affect the price and market activity of the shares of the Company and to decide whether the relevant information would be price-sensitive and needs to be disclosed.

9. Risk management

- risk assessment and insurance; and
- risk management policies.

10. Internal controls and reporting system

- approval and establishment of any effective procedures for monitoring and control of operations including internal procedures for audit and compliance.

11. Use of the company seal(s).

12. Donations and sponsorships (if any) above approved limits.

E. COMPANY SECRETARY

Ms. Lam Yee Wah Eva, the company secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience and is capable of performance of the functions of the company secretary. The Company will provide funds for Ms. Lam to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules. During 2020, Ms. Lam has attended training programs and seminars arranged by The Hong Kong Chartered Governance Institute and has satisfied the 15 hours of professional training requirement of the Listing Rules.

F. COMMUNICATION WITH SHAREHOLDERS

F.1 Effective communication

The Company attaches great importance to communications with shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the annual general meetings and special general meetings, including the re-election of directors, a separate resolution will be proposed by the chairman of the meeting.

In accordance with code provision E.1.2 of the CG Code, Mr. Wu Xiao An, the chairman of the Board, and Mr. Xu Bingjin, the then chairman of the audit committee, remuneration committee and nomination committee, have attended the 2020 AGM. Mr. Song Jian and Mr. Jiang Bo, the then members of the three committees, also attended the 2020 AGM. All other then directors attended the 2020 AGM by way of telephone conference.

The Company has arranged for notice and related documents to shareholders for the 2020 AGM at least twenty (20) clear business days before the meeting pursuant to code provision E.1.3 of the CG Code. A separate resolution was prepared for each substantive matter presented to shareholders for approval at the 2020 AGM.

To safeguard the health and safety of shareholders and to prevent the spread of the novel coronavirus (COVID-19), the Company implemented a number of precautionary measures at the 2020 AGM:

- compulsory body temperature check and submission of health declaration;
- compulsory wearing of surgical face mask; and
- no provision of refreshments or drinks and no distribution of gifts.

Any person who did not comply with the aforementioned precautionary measures or was subject to any health quarantine prescribed by the Hong Kong Government may be denied entry into the meeting venue, at the absolute discretion of the Company to the extent as permitted by law. For the health and safety of shareholders, the Company reminded shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions by returning the forms of proxy, instead of attending the meeting in person.

The chairman of the Board, the chairman of the audit committee, remuneration committee and nomination committee, or in their absence, another member of the relevant committee or an appointed representative, will attend the 2022 AGM to answer questions of shareholders.

Pursuant to code provision E.1.2 of the CG Code, the Company will invite representatives of the Auditor to attend the 2022 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

F.2 Voting by poll

At the 2020 AGM, the chairman has provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of the Stock Exchange (as well as on the website of the Company) on the day of the holding of the shareholders' meeting.

G. SHAREHOLDERS' RIGHT

Shareholders' right to convene special general meeting

Pursuant to bye-law 62 of the Company's bye-laws and section 74 of The Companies Act 1981 of Bermuda (as amended), shareholder(s), holding not less than one-tenth of the issued and paid-up share capital of the Company carrying voting right at general meetings of the Company, have the right to make written requisition (the "**Requisition**") to the Board to convene a special general meeting.

Procedures for shareholders to convene and put forward proposals at special general meeting

The Requisition to convene and put forward proposals at special general meeting must be in writing and signed by all requisitionist(s) (being the shareholder(s) making the Requisition) and must be deposited at the registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda, with a copy sent to the Company' head office address at Suites 1602–05, Chater House, 8 Connaught Road Central, Hong Kong.

Shareholders' enquiries

The Company has adopted a shareholders' communication policy on 28th March, 2012 (as revised recently with effect from 27th March, 2020 after a regular review by the Board) and the policy is available on the website of the Company.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The Company has an investor relationship personnel to attend to enquiries from the shareholders. Contact details of the investor relationship personnel are set out in the shareholders' communication policy.

H. INVESTOR RELATIONS

Significant changes in the Company's bye-laws

There was no amendment made to the bye-laws of the Company during the year 2020.

I. DIVIDEND POLICY

Code provision E.1.5 stipulates that the Company should have a policy on payment of dividends and should disclose it in the annual report.

On 26th March, 2019, the Board approved and adopted a dividend policy (the "**Dividend Policy**"). According to the Dividend Policy, in deciding whether to propose/declare dividends and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the Group's overall results of operation and financial performance;
- the Group's expected working capital requirements, capital expenditure requirements and future development plans;
- the Group's financial position, retained earnings and distributable reserves;
- the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed on the Group;
- the Company's business strategies;
- the general economic and other external factors that may have an impact on the future business and financial performance of the Group; and
- any other factors that the Board may consider relevant and appropriate.

Any recommendation, declaration and payment of dividends are also subject to the compliance with any applicable laws and regulations, including but not limited to the laws of Bermuda and the Company's bye-laws.

The Board will review the Dividend Policy from time to time. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid in future. There is no assurance that dividends will be paid in any particular manner or amount for any given period.

Environmental, Social and Governance Report

ENVIRONMENTAL AND SOCIAL REPORT

This report summarises the efforts and results of the Group in environmental and social aspects. For a comprehensive understanding of the Group's environmental, social and governance ("**ESG**") performance, please read this report in conjunction with the section headed "Corporate Governance Report" on pages 48 to 70 of this annual report.

REPORTING SCOPE

In 2020, RBJAC was the major operating subsidiary of the Company in the PRC whose equity interest was beneficially owned as to 51% by the Company. It mainly engages in the manufacture and sale of automobiles and automotive components in the PRC. In 2020, nearly 52% of the Group's revenue was contributed by RBJAC. Therefore, the following discussion of the environmental and social issues mainly covers RBJAC.

This report mainly presents the key environmental and social initiatives, activities and performance of RBJAC's business for the reporting period from 1st January, 2020 to 31st December, 2020.

REPORTING GUIDELINES

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

The Company has complied with (a) the mandatory disclosure requirements; and (b) the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide for the year ended 31st December, 2020.

OVERALL APPROACH

Against the backdrop of severe global warming, the society requires enterprises to conserve energy and reduce emissions, and the public has gradually improved their knowledge and understanding towards energy saving and environmental protection. The impact of the manufacturing industry on the environment is of concern to the Company, who is committed to the protection of natural resources and operating environment in order to fulfil its corporate responsibility.

We acknowledge that ESG helps to raise corporate awareness and enhance corporate responsibility. It also helps an enterprise to better understand its supply chain needs, enhance reputation as well as fundraising and risk management ability, attract investors, retain talents, enhance innovation ability, gain social recognition, reduce costs and improve profitability.

ESG enables an enterprise to identify relevant problems facing it and seek solutions to such problems for the purpose of improving the company's business and operations. By establishing an ESG management system, conducting regular evaluations and developing strategic sustainable development plans, the company can also achieve its sustainable development goals.

RBJAC has consistently complied with applicable national and local laws, regulations, standards and relevant requirements, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) to establish its environmental protection management system. Following the general objective to "protect the environment, prevent pollution, comply with laws and regulations, and persist with improvement (保護環境、防治污染、遵紀守法、持續改進)", RBJAC has reinforced its target responsibility system (目標責任制) in respect of environmental protection based on the principle that "the person in charge bears the responsibility (誰主管、誰負責)". The company has established and implemented environmental management system certification (環境管理體系認證) in accordance with GB/T24001-2016 Environmental Management Systems – Requirements with Guidance for Use (《環境管理體系要求及使用指南》).

The construction projects of RBJAC strictly conform to the "three-stage simultaneous" requirement, according to which environmental protection facilities shall be designed, constructed and inspected simultaneously with main construction structures (「防治污染的設施必須與主體工程同時設計、同時施工和同時驗收」的環境三同時制度). RBJAC appoints qualified monitoring institutions to monitor its sewage, exhaust gas and boundary noise every year and endeavours to meet the requirements of the national and local standards on the discharge of pollutants, including the Integrated Wastewater Discharge Standard (《污水綜合排放標準》), the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》).

In addition, RBJAC has implemented an environmental factor identification mechanism (環境因素識別機制) that identifies environmental factors in its production process. Each department formulates its own measures to mitigate its environmental impact according to the identified environmental factors. In 2020, the registration of environmental management system certification was maintained upon surveillance audit. To raise the employees' environmental awareness, RBJAC organised regular training in respect of environmental issues such as the identification of environmental factors and the handling of hazardous waste in 2020.

GOVERNANCE STRUCTURE

The Board has overall responsibility for the Group's ESG strategy and reporting. It is responsible for evaluating and identifying the Group's ESG risks and ensuring that the company has an appropriate and effective ESG risk management system in place. The Board reviews the ESG report every year and supervises material ESG issues.

RBJAC strictly complies with laws and regulations in the environmental, social and governance aspects, including but not limited to the Law on the Prevention and Control of Environmental Pollution by Solid Wastes (《固體廢物污染環境防治法》) and the 2020 Action Plan for the Treatment of Volatile Organic Compounds (《2020年揮發性有機物治理攻堅方案》) which took effect in 2020. The company also reports to the Board on related conditions of its operations in a timely manner, and strengthens its environmental, safety, health, corporate governance, social responsibility and related protection systems. At the same time, it also steps up ESG management and establishment from multi-dimensional perspectives, such as organisation, human resources, funding, materials, facilities, management and training. The principal responsible officers of RBJAC report at meetings of the board from time to time and formulate and review emission and waste reduction goals according to RBJAC's operational, social, economic and environmental factors.

RBJAC has established an environment, health and safety management department to supervise and manage environmental protection issues, including the formulation and maintenance of environmental management systems, the establishment of environmental protection plan, and the formulation of environmental protection management rules, and procures the implementation of these environmental protection measures by every department.

In addition, all production plants and key departments of RBJAC have deployed part-time environmental protection officers to manage their own environmental protection efforts. As such, a top-down management structure has been formed to protect the production and operation of RBJAC.

STAKEHOLDERS ENGAGEMENT

The Group attaches great importance to the communication with its major stakeholders and formulates and implements short– and long-term sustainability strategies based on their opinions. It identifies stakeholders closely related to the company's development and analyses issues concerned by stakeholders according to its own scope of business and nature of operations. The Group adopts diversified communication channels to communicate and interact with different major stakeholders in order to understand their requirements and expectations, and reviews and refines these communication channels from time to time.

To achieve its strategic sustainability goals, the Group analyses, evaluates, prioritises and manages material ESG related issues through, among other things, the following process:

- Identify potential material issues that might reflect the impact of the company's business development on the environment and the society, and that might affect the stakeholders' decision-making and assessment of the company through interviews with analysts and investors, results and product press conferences and interviews with the media.

- Understand issues of major concern to the stakeholders through discussions with them about their strategic plans in relation to the future development of the company.

- Analyse and ascertain the impact of the identified issues on the company's production, operation and sustainable development through site visits to each production unit.

The following table sets out the Group's major stakeholders, communication channels and their major expectations of the Group:

Major stakeholders	Communication channels	Issues of concern	Major expectations
Investors	• Investor relation activities • General meetings • Information disclosures • Results and product press conferences	• Business performance • Compliance with laws and regulations • Corporate governance	• Sustainable development, and reasonable, sustainable and stable returns • Information disclosure and investor relations
Customers	• Customer surveys • Customer satisfaction database • Official online communication platforms • Call centre	• Product safety and quality • Technological innovation • Service experience • Market performance	• Technological innovation • Continuous and stable supply of quality products to customers • Excellent before- and aftersales services • Protection of consumer rights
Employees	• Performance management • Staff comment forms • Staff training • Staff activities	• Employment and labour • Remuneration and benefits	• Production safety • Occupational health • Staff compensation and benefits • Equal promotion and development opportunities
Suppliers	• Regular meetings • Communications and discussions • Inspection and evaluation • Open tenders	• Supply chain management • Product safety and quality • Supplier competitiveness • Supply performance • Strategic cooperation	• Compliance with contracts • Mutual benefits • Risk sharing • Amicable cooperation
Government and regulators	• Regular reports and information • Regular meetings with regulators • Special reports • Inspection and checking • Daily management • Regulatory inspection • Work reports	• Compliance with laws and regulations • Green production	• Compliance with laws and regulations • Support for local development • Promotion of local employment • Payment of tax according to law • Assurance of production safety • Green production
Community and the public	• Corporate website • Charity donations	• Education scholarship • Poverty alleviation	• Support for urban development • Participation in charity events

MATERIALITY ANALYSIS

In accordance with the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange, RBJAC has formulated models to analyse environmental and social aspects. By reference to internal analysis and the concerns of the stakeholders as shown by the aforementioned engagement activities, RBJAC has identified and confirmed material environmental and social issues applicable to the Group, evaluated and weighted these environmental and social issues, and prioritised relevant risks.

Environment

A1 Emissions	A2 Use of Resources	A3 Environment and Natural Resources	A4 Climate Change
• Reducing Emissions • Reducing and Handling Waste	• Reducing Energy Consumption • Reducing Water Consumption • Reducing Packaging Material Consumption	• Environment-friendly Techniques • New Energy Vehicles • Research and Development of Emission Reduction Technologies • Noise Reduction	• Response to Climate Change

Social

B1 Employment	B2 Health and Safety	B3 Development and Training	B4 Labour Standards
• Recruitment and Promotion • Staff Compensation and Benefits • Protection of Staff Rights • Staff Stability and Turnover	• Production Safety • Occupational Health	• Knowledge and Skill Training	• Child Labour Prevention • Forced Labour

B5 Supply Chain Management	B6 Product Responsibility	B7 Anti-corruption	B8 Community Investment
• Supply Chain Management • Supplier Selection • Supplier's Labour Standards • Supplier's Environmental Commitment	• Quality Assurance and Product Recall • Intellectual Property Rights • Product and Service Complaints • Consumer Data Protection and Privacy	• Anti-corruption • Prevention and Whistle-blowing • Anti-corruption Training	• Charities

In 2020, RBJAC carried out materiality analysis with the stakeholders to seek their opinions. Through identification, assessment and selection of issues across the aforementioned 12 aspects, the following environmental and social issues were identified where RBJAC might have material impact on the environment and the society and that might have relatively material impact on the assessment and decision-making of the stakeholders, namely "Quality Assurance and Product Recall", "Production Safety", "Occupational Health", "Research and Development of Emission Reduction Technologies", "Staff Compensation and Benefits", "Reducing Emissions" and "Reducing Energy Consumption". This report will provide related disclosures and responses.

ENVIRONMENTAL PROTECTION

RBJAC has complied with applicable national and local laws, regulations, standards and relevant requirements, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) to establish its environmental protection management system. Following the general objective to "protect the environment, prevent pollution, comply with laws and regulations, and persist with improvement (保護環境、防治污染、遵紀守法、持續改進)", RBJAC has reinforced its target responsibility system (目標責任制) in respect of environmental protection based on the principle that "the person in charge bears the responsibility (誰主管、誰負責)". RBJAC has established and implemented environmental management system certification (環境管理體系認證) in accordance with GB/T24001-2016 Environmental Management Systems – Requirements with Guidance for Use (《環境管理體系要求及使用指南》).

RBJAC appoints qualified monitoring institutions to monitor its sewage, exhaust gas and boundary noise every year. All of the monitoring indicators in 2020 met the requirements of the national and local standards on the discharge of pollutants, including the Integrated Wastewater Discharge Standard (《污水綜合排放標準》), the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》).

In 2020, RBJAC has achieved the target of zero environmental pollution incident and met the pollutant emission standards *(Note)*.

Note: Environmental pollution incident means the emission of hazardous substances such as pollutants or radioactive substances into the environment such as the atmosphere, water-bodies and soil due to the emissions of pollutants, natural disasters or production safety accidents. These incidents require immediate response by emergency measures as they may result in a sudden or potential deterioration of environmental quality, harm public health, endanger the safety of properties, damage the ecosystem or cause material social impact.

A1. Emissions

The emissions from the Group's business operations mainly come from the production process and are regularly monitored. To mitigate emissions, all the departments of RBJAC have enhanced the maintenance, operation and management of their environmental protection and management facilities. Operational and management personnel are trained regularly to understand the requirements of relevant regulations and national emission standards, and grasp the technical process and emergency plans for environmental protection and management facilities. Malfunctions of such facilities are dealt with in a timely manner to ensure that their operation is in line with the designed emission standards. Each year, RBJAC engages qualified institutions to monitor its sewage, exhaust gas and boundary noise, and all the monitoring results met the requirements of relevant standards.

Air Emissions

RBJAC's air emissions mainly comprise volatile organic compounds ("**VOCs**") generated during the painting process, fumes and dust generated during the welding process as well as exhaust fume emitted by gas boilers in the production plants. RBJAC has installed relevant environmental protection equipment and facilities to collect and handle these waste gases so as to emit them into the atmosphere after meeting emission standards in accordance with laws and regulations such as the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Integrated Emission Standard of Air Pollutants (GB16297-1996) (《大氣污染物綜合排放標準(GB16297-1996)》) and the Emission Standard of Air Pollutants for Boilers (GB13271-2014) (《鍋爐大氣污染物排放標準(GB13271-2014)》).

Fumes and dust generated in RBJAC's auto body plants mainly contain fumes and dust generated during the welding process. Fume- and dust-removal air suction guns that can collect 90% of the air are installed next to welding machines. The fumes and dust collected by the air suction guns will be treated by purifiers designed for welding fumes before being emitted through exhaust pipes. Waste gas generated during the painting and drying processes is burnt with natural gas in Regenerative Thermal Oxidisers ("**RTO**") so as to breakdown organic waste gas into CO_2 and H_2O and meet requirements before being emitted through exhaust pipes. Each year, RBJAC engages monitoring institutions to monitor its exhaust pipes, and all the monitoring results met the standard emission requirements of the Integrated Emission Standard of Air Pollutants (GB16297-1996)(《大氣污染物綜合排放標準(GB16297-1996)》) and the Emission Standard of Air Pollutants for Boilers (GB13271-2014)(《鍋爐大氣污染物排放標準(GB13271-2014)》).

To meet tightening environmental standards, conform to new environmental protection laws and regulations and improve the environment and air quality of its factories and surrounding area, RBJAC makes investment in its construction projects so as to adopt new techniques and technologies with the aim of reducing pollutants. In 2016, coal boilers were substituted by gas boilers to switch to clean energy and reduce the emission of sulphur dioxide ("**SO_2**"), fumes and dust.

The following table sets out the amount and intensity of air emissions of RBJAC in 2020:

			2020		2019	
Air emissions	**Major pollutants**	**Major sources**	**Amount**	**Intensity (by unit of production volume)** *(Note 1)*	Amount	Intensity (by unit of production volume) *(Note 1)*
	Sulphur dioxide (SO_2) *(Note 2)*	Painting processes, auto body work and emissions from boilers	**4.01 tonnes**		4.94 tonnes	
	Volatile organic compounds (VOCs)		**66.54 tonnes**		74.89 tonnes	
	Particulates		**18.32 tonnes**		20.84 tonnes	
	Nitrogen oxides (NOx)		**22.05 tonnes**		25.64 tonnes	
			Total: 110.92 tonnes	**0.0045 tonne/unit**	Total: 126.31 tonnes	0.0033 tonne/unit

Notes:

(1) The above intensities are calculated based on the production volume of RBJAC in 2020 of 24,733 vehicles (2019: 37,885 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).

(2) Sulphur dioxide (SO_2) is one of the sulphur oxides and is the main sulphur oxide emitted by RBJAC.

After treatment, the amount of pollutants, including sulphur dioxide (SO_2), nitrogen oxide (NOx) and particulates, in the air emissions of RBJAC meets the requirements of both the Integrated Emission Standard of Air Pollutants (GB16297-1996)(《大氣污染物綜合排放標準(GB16297-1996)》) and the Emission Standard of Air Pollutants for Boilers (GB13271-2014)(《鍋爐大氣污染物排放標準(GB13271-2014)》). The amount of VOCs, meets the requirements of the Emission Standard of Volatile Organic Compounds for Industrial Coating Process (DB21/3160-2019)(《工業塗裝工序揮發性有機物排放標準(DB21/3160-2019)》).

RBJAC has started constructing a new coating production line, replacing and acquiring VOC treatment equipment through a newly established company since 2018. To meet international VOC emissions treatment and discharge standards during the coating process, the VOC treatment technique applied by this new coating workshop will mainly include two rotary zeolite lite wheel concentration systems as well as air emission burning and control systems. The rotary concentration systems will treat water- and solvent-based emissions separately. The original emissions will pass through two filters before entering the rotary systems and eventually out of the chimney after adsorption. The absorption rate of this rotary system is ≥95%. RTO air emission burning equipment will then treat high concentration VOCs processed by the rotary zeolite wheel concentration systems. Afterwards, the high concentration air emissions are blew by a fan to an air emission burning system for the VOCs to be broken down into CO_2 and H_2O in high temperature (about 760℃).

RBJAC will discharge its pollutants in compliance with the standards set out in national and local laws and regulations and insist on improving its management standard, improve the efficiency of its treatment facilities, rationalise operating hours, ensure the effective operation of its treatment facilities, and reduce its air emissions by using new techniques and materials. RBJAC's goal for 2021 is to further reduce the total emissions of sulphur dioxide (SO_2), volatile organic compounds (VOCs), particulates, nitrogen oxide (NOx) and other air emissions by 5% – 10% upon the commencement of operation of the new painting workshop.

Greenhouse Gases

Environmental health and safety are managed in accordance with the requirements of relevant regulations and standards including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China(《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the People's Republic of China(《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste(《中華人民共和國固體廢物污染環境防治法》), the National Catalogue of Hazardous Wastes(《國家危險廢物名錄》), the Integrated Emission Standard of Air Pollutants (GB16297-1996)(《大氣污染物綜合排放標準(GB16297-1996)》), the Emission Standard of Air Pollutants for Boilers (GB13271-2014)(《鍋爐大氣污染物排放標準(GB13271-2014)》), the Integrated Wastewater Discharge Standard of Liaoning Province (DB21/1627-2008)(《遼寧省污水綜合排放標準(DB21/1627-2008)》) and the Integrated Wastewater Discharge Standard (GB8978-1996)(《污水綜合排放標準(GB8978-1996)》), as well as the company's written report on the evaluation of the environmental impact of a construction project.

In accordance with its written report on the evaluation of the environmental impact, RBJAC monitors its air emissions such as sulphur dioxide (SO_2), VOCs and particulates, while greenhouse gases are not one of its major pollutants. Since the ecological and environmental authorities have not laid down any relevant requirements, no monitoring results for greenhouse gases are provided.

The greenhouse gas emissions of RBJAC mainly included scope 1: direct emissions and scope 2: "Energy indirect" emissions of greenhouse gas. Direct emissions mainly come from the use of heat treatments and techniques and fuel emissions from car testing and transportation. "Energy indirect" emissions mainly included emissions from purchased electricity. RBJAC complies with the Interim Measures for the Management of Carbon Emission Trading in Shenyang City(《瀋陽市碳排放權交易管理暫行辦法》) and completes annual carbon emission report, audit and related duties in active cooperation with the competent authorities. As the major source of its greenhouse gas emissions is energy consumption, RBJAC advocates energy conservation renovation and implements energy saving policies to reduce energy consumption and thus greenhouse gas emissions.

Greenhouse gas of RBJAC mainly comes from the painting workshop. It is expected that upon the commencement of the operation of the new painting workshop in 2022, the use of water-based paint and advanced rotary zeolite wheel VOCs treatment technique will effectively reduce the emissions of VOCs. Prior to that, RBJAC will strictly comply with national and local requirements and ensure that all emissions meet those requirements. It will also strengthen its management, rationalise operating hours and enhance the operating efficiency of its RTO system to reduce the emission of VOCs.

Wastewater Discharge

Two types of wastewater, namely production wastewater and domestic sewage, are generated from RBJAC's operation. RBJAC complies with the wastewater discharge standards required by the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Integrated Wastewater Discharge Standard of Liaoning Province (DB21/1627-2008) (《遼寧省污水綜合排放標準(DB21/1627-2008)》) and the Integrated Wastewater Discharge Standard (GB8978-1996) (《污水綜合排放標準(GB8978-1996)》).

To comply with the requirements under the aforementioned wastewater discharge standards, RBJAC has formulated internal regulations and systems such as the Environmental Protection Management Regulations (《環境保護管理條例》) and the Environmental Pollution Control Facilities Operation, Supervision and Management Measures (《環境污染治理設施運行監督管理辦法》), thereby ensuring that the wastewater discharged by it complies with relevant laws and regulations. RBJAC engages qualified monitoring institutions to monitor its wastewater outfalls every year. All of the monitoring indicators in 2020 met the requirements of wastewater discharge standards.

During the reporting period, RBJAC generated and discharged approximately 690,200 tonnes (2019: 903,800 tonnes) of wastewater. The amount of chemical oxygen demand (CODcr), ammonia nitrogen (NH_3-N) and other pollutants of its wastewater were all below the concentration limits stated in the Shenyang municipal pollutant discharge permit and no non-compliance with the laws and regulations was noted.

The following table sets out the amount and intensity of major pollutants in the wastewater discharged by RBJAC in 2020:

			2020		2019	
Wastewater	**Major pollutants**	**Major sources**	**Amount**	**Intensity (by unit of production volume)** *(Note)*	Amount	Intensity (by unit of production volume) *(Note)*
	Chemical oxygen demand (CODcr)	Production and domestic sewage	**31.47 tonnes**		70.42 tonnes	
	Ammonia nitrogen (NH_3-N)		**3.05 tonnes**		1.52 tonnes	
			Total: 34.52 tonnes	**0.0014 tonne/unit**	Total: 71.94 tonnes	0.0019 tonne/unit

Note: The above intensities are calculated based on the production volume of RBJAC in 2020 of 24,733 vehicles (2019: 37,885 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).

RBJAC has set up sewage treatment station in its painting workshops to treat wastewater generated from the painting process. Before the discharge of such wastewater into RBJAC's sewer system, the normal amount of nickel, a pollutant in such wastewater, in the processed wastewater shall be lower than the limit stipulated by the Integrated Wastewater Discharge Standard (GB8978-1996) (《污水綜合排放標準(GB8978-1996)》). All production and domestic sewage generated by RBJAC is treated by its sewage treatment station and meets required standards before being discharged into the municipal sewer system. The normal amount of major pollutants, such as chemical oxygen demand (CODcr) and ammonia nitrogen (NH_3-N), in the wastewater shall be below the limits stipulated by the Integrated Wastewater Discharge Standard of Liaoning Province (DB21/1627-2008) (《遼寧省污水綜合排放標準(DB21/1627-2008)》) in order to meet the requirements of the relevant environmental protection standards.

RBJAC's sewage mainly comes from the painting workshop. The sewage treatment station at the painting workshop ensures compliance with all standards by using chemicals, precipitation and treatment, and discharges the treated sewage together with domestic sewage to the sewage treatment plant of Huachen through the sewage pipeline network in order to meet relevant standards after being treated by the plant before being discharged to the municipal network. Meanwhile, it also actively takes measures regarding water consumption, such as repairing leakages, implementing related systems and auditing water-consuming departments, with the aim of reducing sewage discharged. RBJAC's goals for 2021 are to reduce the total emissions of chemical oxygen demand (CODcr) and ammonia nitrogen (NH_3-N) by 3% – 5% and limit emissions to 0.0011 tonne/unit using new techniques and new equipment upon the commencement of operation of the new painting workshop.

Solid Waste

RBJAC complies with national and local laws and regulations including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and the National Catalogue of Hazardous Wastes (《國家危險廢物名錄》). To implement these laws and regulations, it has established internal management systems such as the Procedures for the Prevention and Control of Pollution by Waste (《廢棄物污染防治控制程序》) to set out procedures for handling waste. Waste is collected and sorted. Mixed storage of hazardous and non-hazardous waste is strictly prohibited. Hazardous waste, as defined in the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and listed in the National Catalogue of Hazardous Wastes (《國家危險廢物名錄》), is stored in designated areas and disposed of by qualified hazardous waste disposal institutions in accordance with applicable requirements.

Hazardous waste produced during RBJAC's production is mainly phosphate slag, paint slag, wastewater and sludge and other waste. They are all disposed of by qualified institutions authorised by the environmental protection authorities. As for general waste, recyclable materials such as scrap metals, used carton boxes and waste plastic are sold to qualified enterprises for recycling. Unrecyclable materials such as domestic waste are collected and handled by municipal environmental and hygiene departments co-ordinated by the company's administrative department.

RBJAC strives to sort, separate and handle waste and reduce hazardous waste by tightening its control over the whole production processes, providing waste management training to staff members of each process and raising their environmental awareness.

In 2020, RBJAC engaged qualified hazardous waste disposal institutions to carry out treatments such as land-filling, incineration and recycling for all of its hazardous waste in accordance with regulatory requirements. These institutions treated a total of 252.54 tonnes (2019: 392 tonnes) of hazardous waste, including 6.66 tonnes (2019: 21.62 tonnes) of phosphate slag, 42.46 tonnes (2019: 79.42 tonnes) of paint slag, 129.62 tonnes (2019: 190.48 tonnes) of wastewater and sludge, and 15 tonnes (2019: 100.48 tonnes) of other waste.

In addition to engaging relevant institutions to recycle its non-hazardous waste, RBJAC also strengthened its process control and management, trained its staff of all work processes, improved the utilisation rate of raw materials, and enhanced its waste management training, while ensuring categorised placement and disposal of waste to reduce the generation of hazardous waste. In 2020, RBJAC generated 296.99 tonnes (2019: 406.01 tonnes) of general non-hazardous waste, including 84.04 tonnes (2019: 269 tonnes) of used carton boxes, 17.32 tonnes (2019: 39 tonnes) of waste plastic, 172.89 tonnes (2019: 76 tonnes) of scrap metals *(note)* and 22.74 tonnes (2019: 22.01 tonnes) of other waste.

Note: Amongst 172.89 tonnes of scrap materials generated in 2020, 39.79 tonnes were generated from production activities while 133.1 tonnes were produced outside of production activities due to the disposal of retired and dismantled equipment from the reconstruction of the XDC project workshop.

The following table sets out the total amount and intensity of waste produced by RBJAC in 2020:

Hazardous waste	Major pollutants	Major sources	**2020** Total	**2020** Intensity (by unit of production volume) *(Note)*	2019 Total	2019 Intensity (by unit of production volume) *(Note)*
	Phosphate slag (HW17), paint slag (HW12), wastewater and sludge (HW17), waste oil (HW08) and other waste (HW49)	Hazardous waste generated from production processes	**252.54 tonnes**	**0.01 tonne/unit**	392.00 tonnes	0.01 tonne/unit

Non-hazardous waste	Major pollutants	Major sources	**2020** Total	**2020** Intensity (by unit of production volume) *(Note)*	2019 Total	2019 Intensity (by unit of production volume) *(Note)*
	Used carton boxes, waste plastic, scrap metals and others	Packages of components and equipment upgrade	**296.99 tonnes**	**0.01 tonne/unit**	296.99 tonnes	0.01 tonne/unit

Note: The above intensities are calculated based on the production volume of RBJAC in 2020 of 24,733 vehicles (2019: 37,885 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).

Hazardous waste of RBJAC mainly comes from the painting workshop. It is expected that upon the official commencement of the operation of the new painting workshop in 2021, the use of state-of-the-art production techniques and environmental protection facilities as well as water-based paint will effectively reduce the generation of phosphate slag (HW17), paint slag (HW12), wastewater and sludge (HW17), waste oil (HW08) and other waste (HW49). Prior to that, RBJAC will strengthen the management of hazardous waste, enhance the efficiency of slag removal, adopt air drying technique and reduce the disposal of hazardous waste with the aim of limiting the amount of hazardous waste to 0.01 tonne/unit for 2021. The hazardous waste generated by the company is mainly solid waste that is relatively less volatile. Such waste will be stored in temporary storage areas for hazardous waste and collected regularly by qualified institutions for treatment by means that do not cause any pollution to the atmosphere, soil and water. As for non-hazardous waste, RBJAC requests and encourages suppliers of parts and components to use recyclable packaging materials as much as possible with the aim of reducing waste and limiting the amount of non-hazardous waste to less than 0.01 tonne/unit in 2021.

A2. Use of Resources

Reducing Energy Consumption

Adhering to a scientific development philosophy and an "Energy Saving First" approach, RBJAC has established energy management bodies at different levels in 2020 to improve the efficiency of use of resources (including energy, water and other raw materials). A goal to reduce annual energy consumption by 300 tonnes of coal equivalent, representing an annual planned total energy consumption of 15,056.6 tonnes of coal equivalent *(note)*, was set. It has built a two-level energy management framework (at company and plant levels) and formulated a series of management measures and methods. With reference to the process and characteristics of energy flows across the company, RBJAC manages different kinds of energy used in each production process and main and auxiliary production systems in its plants based on four aspects, namely purchase and storage, processing and conversion, transmission and distribution, and final usage of energy.

Note: Total energy consumption represents the actual net total energy in tonne of coal equivalent (噸標準煤) consumed by an industrial enterprise in its industrial production during the reporting period.

The governing laws, regulations and rules on the use of resources by an enterprise mainly include: the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Notice on the Implementation Plan of Energy Saving and Low Carbon Action of Top 10,000 Enterprises (《關於印發萬家企業節能低碳行動實施方案的通知》), the General Principles of Energy Audit on Enterprise (《企業能源審計技術通則》), the General Principles for Monitoring and Testing of Energy Conservation (《節能監測技術通則》), the General Principles for Calculation of Thermal Efficiency of Equipment (《設備熱效率計算通則》), the General Principles for Calculation of Total Energy Consumption (《綜合能耗計算通則》), the Guide to the Test of Energy Consumption of Equipment (《用能設備能量測試導則》), the Calculation Methods of Energy Saved for Enterprise (《企業節能量計算方法》), the Guide to Energy Management in Industrial Enterprise (《工業企業能源管理導則》) and the General Principles for Equipping and Management of Energy Measuring Instrument in Energy Consumption Units (《用能單位能源計量器具配備和管理通則》).

To improve energy conservation efficiency, the following management measures were implemented:

- A central energy conservation management department (公司級節能管理機構) was established.
- An energy-saving diagnosis was conducted in 2020 in accordance with the requirements of the Action Plan for Industrial Energy-saving Diagnosis Service (《工業節能診斷服務行動計劃》(工信部節【2019】101號)) and the Notice of the General Office of the Ministry of Industry and Information Technology about the Organisation and Implementation of Industrial Energy-saving Diagnosis Services for the Year 2020(《工業和信息化部辦公廳組織開展2020年度工業節能診斷服務工作的通知》).
- An energy cost optimisation taskforce (能源成本優化專項小組) was set up in early 2020 to analyse energy consumption during the production process and office administration, explore energy-saving potential and formulate long-term energy conservation plans.
- An energy-saving management taskforce (行政節能管理小組) was established to improve office energy conservation in terms of air-conditioning, lighting and water consumption.
- Production was optimised by better planning, more fitting schedule and reasonable control over the operating hours of energy consuming equipment, as well as other control measures in order to enhance energy efficiency.
- The voltage of electricity supply is lowered according to the company's production schedule and during holidays and break time in order to reduce the waste of power.
- Specific funds were allocated to repair all wastage, leakage and loss of energy.

- Energy-saving LED lighting is used at production plants and for street lamps while the operating time of street lamps is timed according to the sunrise and sunset times in summer and winter.

- Room temperature is adjusted according to outdoor temperature during winter.

- The use of air-conditioning is tightly controlled and the operation of air-conditioners is timed during summer. Room temperature is fixed at 26℃ and specific staff members are assigned to monitor the temperature.

- Specific staff members are assigned to monitor each production plant and office in order to make sure all equipment, lights and office equipment are turned off when everyone has left the premise.

Through these measures, the annual total energy consumption amounted to 14,070.44 tonnes (2019: 15,339.09 tonnes) of coal equivalent) and an effective reduction of 986.16 tonnes of coal equivalent in aggregate in energy consumed, representing a year-on-year decrease of 8.27%, was recorded in 2020.

RBJAC is one of the key energy-consuming enterprises in Shenyang, and the types of energy consumed by it mainly include electricity, water, natural gas and fuel. The following table sets out the amount and intensity of various types of energy (direct energy) consumed by RBJAC in 2020:

	2020		2019	
Type	**Total consumption**	**Intensity (by unit of production volume)** *(Note)*	Total consumption	Intensity (by unit of production volume) *(Note)*
Electricity	**25,211,300 kWh**	**1,019.34 kWh/unit**	34,775,500 kWh	917.92 kWh/unit
Natural gas	**4,146,129 m^3**	**167.6355 m^3/unit**	5,142,300 m^3	135.73 m^3/unit
Fuel	**233.02 tonnes**	**0.00942 tonne/unit**	440 tonnes	0.01 tonne/unit

Note: In the above disclosures, energy consumption is calculated according to the standard units set by relevant departments of the PRC government (e.g. electricity: kWh, fuel: tonnes), while intensities are calculated based on the production volume of RBJAC in 2020 of 24,733 vehicles (2019: 37,885 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc).

Reducing Water Consumption

The water consumed by RBJAC mainly comes from municipal water supply in compliance with the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and there is no issue in sourcing water that is fit for purpose.

RBJAC mainly uses water in, among other matters, its production, domestic purposes and heating in winter. In 2020, RBJAC consumed 991,450 m^3 (2019: 1,291,100 m^3) of water, representing a year-on-year decrease of 23.2% and saved 254,572 m^3 of water against its annual planned consumption of 1,246,022 m^3.

In respect of water efficiency initiatives and results achieved, RBJAC lowered its operational parameter for water supply and reduced water flow in 2020.

RBJAC also strengthened the maintenance of its water distribution system and fixed all leakage and loss at all taps to eliminate drips. Due to years of use, the heat distribution system is dilapidated with leakages and loss from some of the stained steam pipes, leaving the heating system out of water from time to time. An overhaul of the heat distribution system was launched in 2020 and most of the stained old pipes have been replaced in order to revamp the heat distribution system and in turn conserve water. A significant amount of water was saved during the year. Through reinforcing daily inspection of pipeline networks and repairing all leakage and loss in a timely manner, 123,558 m^3 (2019: 136,562 m^3) of water have been saved by RBJAC as compared with the previous year.

The following table sets out the total amount and intensity of water consumption by RBJAC in 2020:

Type	**2020** Water consumption in total	**2020** Intensity (by unit of production volume) *(Note)*	2019 Water consumption in total	2019 Intensity (by unit of production volume) *(Note)*
Production water consumption	**991,450 m^3**	**40.086 m^3/unit**	1,291,100 m^3	34.08 m^3/unit
Recycled water consumption	**732,800 m^3**	**29.628 m^3/unit**	732,800 m^3	19.34 m^3/unit

Note: In the above disclosures, water consumption is calculated according to the standard unit (i.e. m^3) set by the relevant departments of the PRC government, while intensities are calculated based on the production volume of RBJAC in 2020 of 24,733 vehicles (2019: 37,885 vehicles) (including Haise, Granse, H2 Series and Huasong 7 etc.).

Reducing Packaging Material Consumption

The finished goods produced by RBJAC do not require any packaging material.

A3. The Environment and Natural Resources

The Group's business activities can have a certain degree of impact on the environment and natural resources. RBJAC has taken action to address such impact. In order to reduce its negative impact on the environment and natural resources, RBJAC controlled the generation of pollutants from the origin, prioritised the use of clean energy, and adopted environment-friendly techniques such as new processes, new technologies, new materials and new equipment so as to eliminate or reduce pollutants and achieve clean production in accordance with various national and local laws, regulations, standards and relevant requirements.

In 2020, the use of natural gas by RBJAC has been reduced by lowering the pressure of steam supply and minimising the number of boilers in operation in a timely manner according to temperature changes.

Environment-friendly Techniques

In 2020, RBJAC constructed a new painting workshop according to new project needs. In compliance with the latest environmental protection regulations, this workshop is a sealed negative pressure room that applies more environmental-friendly water-based paint. Water-based paint is used on both mid-coat and coloured paint parts. Gas emitted from the painting process undergoes Venturi（文丘裡）treatment before being released *(Note)*. The varnish uses solvent-based paint. Gas emitted from the painting process passes through Venturi scrubbers and the collected VOCs are compressed by rotary zeolite wheels and then burnt by a RTO. This process protects the environment by greatly reducing the emissions of VOCs and other pollutants. The new painting workshop commenced trial operation in September 2021.

Note: The Venturi effect is the reduction in fluid pressure that results when a fluid flows at high speed, resulting in adsorption.

New Energy Vehicles

Following the promulgation of a series of national policies to promote and rigorously develop new energy vehicles, consumers' environmental awareness has been on the rise. The domestic new energy vehicle market is rapidly expanding at a speed of over 40%. The market demand for new energy commercial vehicles is also surging. RBJAC is putting efforts into the new energy sector by consolidating and reallocating its resources in order to increase investment into the research and development of new energy commercial vehicles. It has established a new energy commercial vehicles research and development team, which has successfully developed electric commercial vehicles. Looking forward, increasing investment will be made to develop new energy commercial vehicles and refine the technology so as to design and produce more multi-functional electric commercial vehicles and satisfy market demand.

Research and Development of Emission Reduction Technologies

In strict compliance with China VI emissions standards, RBJAC learnt and introduced the advanced research and development technologies and experience of the Renault–Nissan–Mitsubishi alliance (the "**Alliance**"). It is also constantly improving and refining its existing research and development techniques and procedures in the area of energy conservation. To meet the requirements of national fuel consumption regulations, it has upgraded its existing products to meet China VI emissions standard.

Noise Reduction

In compliance with laws and regulations such as the Law of the People's Republic of China on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治條例》), RBJAC formulated its Noise Pollution Prevention and Control Procedures (《噪聲污染防治控制程序》) to strictly control noise pollution. The primary sources of the company's noise include air compressor rooms, welding machines, various fans and water pumps. Under its noise control procedures, RBJAC selects low-noise equipment and installs additional vibration damping and noise reduction devices according to the specific conditions of the equipment. Sound insulation measures are put in place for all workshops, mechanical room exits, windows and walls. For the fan rooms, windows are covered with sound absorbing double-paned shutters, walls are lined with soundproofing materials, and both the air inlet and outlet of the fans are equipped with pipe mufflers. All indoor and outdoor air-ducts are wrapped with soft noise absorbing and soundproofing insulators. RBJAC engages qualified monitoring institutions to monitor its boundary noise every year. In 2020, the results of all boundary noise monitors met the requirements of emission standards. RBJAC was not aware of any complaint about noise pollution during the reporting period.

A4. Climate Change

RBJAC attaches great importance to the impact of climate change on production and stakeholders. As climate change induces extreme weathers such as torrential rain, blizzard, extreme cold, heat wave and thick smog, manufacturers have to protect the interests of both internal and external stakeholders with appropriate measures. With respect to the properties of the company and its staff, comprehensive protection, checking, repair and maintenance are provided. In the face of climate change, RBJAC has established part and component inventory reserve to protect its supply chain. It also sets appropriate inventory level of finished vehicles for its dealers in a scientific manner based on statistics. Such measures aim at reinforcing the resilience of the stakeholders and the producer itself against climate change and mitigating the impact of such change.

CARE FOR THE SOCIETY

Employment and Labour Practices

B1. Employment

Policies, Laws and Regulations

Set out below is a brief description of the employment-related policies generally adopted by the Group:

1. Recruitment: RBJAC strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) in its recruitment activities based on the principles of complying with the relevant requirements of national labour policies, laws and regulations as well as meeting the needs and strategic operational objectives of the company in different developmental stages. RBJAC has consistently adhered to a people-oriented concept in its recruitment, and has formulated and implemented the Recruitment Management and Control Procedure (《招聘管理控制程序》), which specifies the company's recruitment processes to improve the quality and efficiency of its recruitment activities.

   In 2020, the Group had approximately 4,820 (2019: 5,610) employees in aggregate, of which RBJAC accounted for 2,549 (2019: 3,063) employees. Other operating subsidiaries such as Xing Yuan Dong, Dongxing Automotive, Shenyang Jindong, Mianyang Ruian and Ningbo Yumin accounted for 410 (2019: 473), 424 (2019: 493), 251 (2019: 297), 480 (2019: 450) and 467 (2019: 583) employees, respectively.

2. Promotion: Employees are provided with equal promotion opportunities under a fair, open and impartial competition mechanism, which takes into consideration the actual job requirements as well as each individual's overall strengths and performance. Open recruitment takes place to pursue talents, regardless of their educational level or qualifications.

3. Remuneration and benefits: In order to create a working environment that attracts, motivates and retains talents, and to enhance its sustainability, RBJAC provides attractive and competitive remuneration policies to employees. Employee remuneration consists of fixed components and variable components (performance salary, production bonus, rewards or fine and year-end bonus). In addition, it has also formulated targeted incentive programmes, provided staff with a variety of career paths and encouraged employees to develop into high-level technical personnel in their professional area. Remuneration is adjusted according to various factors such as the company's results, value of the employee's position, individual ability and performance as well as social condition.

   RBJAC makes contributions to pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and housing provident fund for their employees. It also provides employees with commuter cars, meal allowances, work uniform, protective clothing and other benefits. During the pandemic in 2020, RBJAC provided employees with personal protective equipment such as mask and provided occupational health checks to frontline production employees.

4. Dismissal: RBJAC strictly complies with the relevant requirements of the Labour Law (《勞動法》) and Labour Contract Law (《勞動合同法》) of the People's Republic of China when it terminates employment relationship with its employees. In 2020, according to the overall planning of RBJAC, some of its employees were allowed to choose to resign voluntarily. As such, the turnover rate of RBJAC rose to 23.22% (2019: 17.96%).

5. Equal opportunity and anti-discrimination: RBJAC provides employees with equal opportunities for, among other matters, their development, promotion, benefits, evaluation and training. Employees will not be discriminated or lose opportunities due to factors such as gender, ethnicity, race, nationality and region, family background, religious beliefs, political ideologies and disability.

6. Diversity and equal opportunity: Cultural diversity plays an important role in the growth and development of an enterprise. RBJAC has been hiring employees of different genders, ages, ethnicities, races, nationalities and regions, religious beliefs, political ideologies and academic backgrounds.

7. Working hours and holidays: The working hours and holidays of RBJAC are in line with the relevant requirements of national labour policies, laws and regulations. It has formulated its Employee Manual (《員工手冊》), and strictly abides by working hours and holidays stipulated by the law of the region where it is located. Employees work eight hours a day, five days a week, and rest on Saturdays, Sundays and statutory holidays. RBJAC provides casual leave, sick leave, marriage leave, bereavement leave, maternity leave, annual leave and other leave entitlements to its employees.

Total Workforce and Employee Turnover Rate

The total number of employees of the Group and turnover rate by gender in 2020:

	2020			2019		
Gender	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by gender)**	Number of employees	Percentage of total number of employees	Turnover rate (by gender)
Male	**3,887**	**80.61%**	**15.82%**	4,499	80.18%	16.25%
Female	**935**	**19.39%**	**4.19%**	1,112	19.82%	4.00%
Total	**4,822**	**100%**	**20.01%**	5,611	100%	20.25%

The total number of employees of the Group and turnover rate by employment type in 2020:

	2020			2019		
Employment type	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by employment type)**	Number of employees	Percentage of total number of employees	Turnover rate (by employment type)
Administrative personnel	**1,275**	**26.44%**	**5.31%**	1,414	25.20%	3.40%
Technicians	**609**	**12.63%**	**3.30%**	856	15.26%	1.85%
Production workers	**2,613**	**54.19%**	**10.12%**	2,969	52.91%	13.60%
Early retired and departed staff	**325**	**6.74%**	**1.29%**	372	6.63%	1.40%
Total	**4,822**	**100%**	**20.01%**	5,611	100%	20.25%

The total number of employees of the Group and turnover rate by full-time or part-time employment in 2020:

	2020			2019		
Employment type	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by full-time or part-time employment)**	Number of employees	Percentage of total number of employees	Turnover rate (by full-time or part-time employment)
Full-time	**4,822**	**100%**	**20.01%**	5,611	100%	20.25%
Part-time	**–**	**–**	**–**	–	–	–
Total	**4,822**	**100%**	**20.01%**	5,611	100%	20.25%

The total number of employees of the Group and turnover rate by age band in 2020:

	2020			2019		
Age	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by age)**	Number of employees	Percentage of total number of employees	Turnover rate (by age)
30 years old or below	**867**	**17.98%**	**7.71%**	1,323	23.58%	9.36%
31 to 40 years old	**1,931**	**40.05%**	**6.51%**	2,160	38.50%	5.99%
41 to 50 years old	**1,270**	**26.34%**	**2.45%**	1,248	22.24%	2.32%
51 years old or above	**754**	**15.64%**	**3.34%**	880	15.68%	2.58%
Total	**4,822**	**100%**	**20.01%**	5,611	100%	20.25%

The total number of employees of the Group and turnover rate by geographical region in 2020:

	2020			2019		
Geographical region	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by geographical region)**	Number of employees	Percentage of total number of employees	Turnover rate (by geographical region)
Northeast China	**3,668**	**76.07%**	**14.93%**	4,366	77.81%	13.35%
Northern China	**9**	**0.19%**	**–**	8	0.14%	0.07%
Eastern China	**616**	**12.77%**	**3.67%**	718	12.81%	3.42%
Southern China	**18**	**0.37%**	**0.02%**	18	0.32%	0.18%
Central China	**6**	**0.12%**	**0.02%**	7	0.12%	–
Northwestern China	**3**	**0.06%**	**–**	3	0.05%	–
Southwestern China	**502**	**10.41%**	**1.37%**	491	8.75%	3.23%
Total	**4,822**	**100%**	**20.01%**	5,611	100%	20.25%

B2. Health and Safety

Policies, Laws and Regulations

RBJAC puts occupational health and safety at the top of its list of priority. Specifically, RBJAC has established its health and safety management agency (健康與安全管理機構) based on a chief executive officer (CEO) responsibility system (首席執行官負責制), adopted various measures and technologies to promote the standardisation of production safety and has constantly improved rules and regulations, post responsibility system (崗位責任制) and post safety operation procedures (崗位安全操作規程) in accordance with the requirements of national laws, regulations and standards such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). RBJAC has introduced and undergone occupational health and safety management system certification in accordance with GB/T28001-2011 Occupational Health and Safety Management Systems (《職業健康安全管理體系》).

Number and Rate of Work-Related Fatalities

Number and rate of work-related fatalities of the Group in each of the past 3 years:

Year	Number of work-related fatalities	Percentage of total number of employees
2020	**–**	**–**
2019	–	–
2018	–	–

Lost Days Due to Work Injury

According to the Classification Standard for Casualty Accidents of Enterprise Staff and Workers (《企業職工傷亡事故分類標準》), occupational injuries resulting in a loss of fewer than 105 working days for a single person are classified as minor injuries. In 2020, there were three (2019: three) minor work-related injuries in RBJAC, with two (2019: three) injured workers and a total loss of 170 (2019: 190) working days.

Occupational Health and Safety Measures

RBJAC arranges annual training for safety management personnel, new employees, employees who change functions and specialised operational employees to enhance their safety awareness and skills and standardise their operational behaviours. It supervises and urges its employees to comply with relevant laws, regulations and operational procedures, instructs employees on how to use protective equipment and labour protection appliances correctly, and carries out supervision and inspections. RBJAC organises occupational health checks for its employees before they take up their posts, during their employment and when they leave their posts. In 2020, RBJAC completed the occupational health surveillance records for employees exposed to occupational hazards and archived such records for a total of 979 (2019: 1,195) employees. The company also organised post-employment physical examination for 185 (2019: 276) employees exposed to occupational hazards.

Each year, RBJAC engages a qualified institution to examine and evaluate occupational hazards of its workplaces. The examination results for 2020 were in line with national requirements.

RBJAC also makes investment every year to improve its production environment, purchase labour protection appliance, conduct safety education, training and publicity, replace obsolete production equipment or carry out technical upgrades. In 2020, RBJAC invested RMB7,805,000 (2019: RMB8,470,000) in enhancing workplace safety.

RBJAC conducts regular inspections to identify and rectify potential safety hazards in a timely and effective manner. In 2020, RBJAC identified a total of 16 (2019: 17) potential hazards and rectified 16 (2019: 17) of them, with a rectification rate of 100% (2019: 100%). It has formulated 10 emergency rescue plans, including the Emergency Response Plan for Severe Safety Production Accidents (《重大安全生產事故應急處置預案》), the Emergency Rescue Plan for Oil Depot Accidents (《油庫事故應急救援預案》), the Emergency Response Plan for Boiler and Pressure Vessel Accidents (《鍋爐、壓力容器事故應急預案》) and the Emergency Rescue Plan for Natural Gas Leakage Accidents (《天然氣洩漏事故應急救援預案》), to direct and regulate emergency plans in response to unexpected safety production accidents of the company.

Since the outbreak of the COVID-19 epidemic, RBJAC has taken a number of measures to protect its employees and resume operation and production. An office of emergency management (應急辦公室) is responsible for procuring an adequate amount of emergency supplies, such as protective gloves, face masks, disinfectants and infrared thermometers. The company provides face masks to the employees and checks their temperature from time to time every day. Video conferencing and online process approval systems are introduced for employees who cannot work on-site. Effective prevention methods against this epidemic are also disseminated to the staff in a timely manner in order to enhance their knowledge of the disease, eliminate their fears and stabilise employee emotions. The aforementioned measures have successfully mitigated the interruption of the company's daily operation and production caused by the epidemic.

B3. Development and Training

Policies

The Group provides training to all of its employees from time to time to enhance their overall quality and professional expertise.

RBJAC has developed and implemented the Training Control Procedures (《培訓控制程序》) and other management systems that cover both online and offline training. Offline training deals with job skills, quality and ability improvement, innovation and development, and the enhancement of English proficiency. Such training is conducted in various forms, such as training by internal instructors, external training and world coffee workshops. As to online training, the company vigorously promotes its online e-learning platform. In addition, it has introduced compulsory courses, the curriculum of which covers a broad spectrum of topics such as professional skills, quality and ability, work efficiency and team cooperation.

Percentage of Employees Trained

The percentage of trained employees of the Group by gender and employment type in 2020:

2020

Employment type	Male	Trained male employees	Percentage of trained male employees	Female	Trained female employees	Percentage of trained female employees
Administrative personnel	785	265	33.76%	490	183	37.35%
Technicians	484	367	75.83%	125	123	98.4%
Production workers	2,336	2,118	90.67%	277	269	97.11%
Early retired and departed staff	282	–	–	43	–	–
	3,887	2,750	70.75%	935	575	61.50%

2019

Employment type	Male	Trained male employees	Percentage of trained male employees	Female	Trained female employees	Percentage of trained female employees
Administrative personnel	897	808	90.08%	517	456	88.20%
Technicians	674	663	98.37%	182	179	98.35%
Production workers	2,609	2,497	95.71%	360	341	94.72%
Early retired and departed staff	319	–	–	53	–	–
	4,499	3,968	88.20%	1,112	976	87.77%

Average Training Hours Completed per Employee

The average training hours completed by the employees of the Group by gender and employment type in 2020:

2020

Employment type	**Training hours per male employee**	**Training hours per female employee**
Administrative personnel	**8 hours**	**8 hours**
Technicians	**10 hours**	**12 hours**
Production workers	**15 hours**	**18 hours**
Early retired and departed staff	**–**	**–**

2019

Employment type	Training hours per male employee	Training hours per female employee
Administrative personnel	35 hours	30 hours
Technicians	38 hours	44 hours
Production workers	32 hours	20 hours
Early retired and departed staff	–	–

B4. Labour Standards

Prevention of Child and Forced Labour

The Group strictly complies with the applicable provisions of national labour policies, laws and regulations, and prohibits the recruitment of child labour. During the recruitment process, candidates are required to show their identity proofs to prevent child labour. If the identity proof provided by the candidate does not comply with national labour policies, the process of recruitment will be terminated. All employees work freely and equally in the Group without forced labour.

OPERATING PRACTICES

B5. Supply Chain Management

Policies

RBJAC is aware of the influence of supply chain management on the environment and the society. In principle, RBJAC requires all of its suppliers to pass the review of the assessment systems of supplier associations (聯盟供貨商評估體系) and strongly recommends them to pass IATF16949 International Standard for Automotive Quality Management Systems certification (《全球汽車產業質量管理系統認證》), and has established robust environmental and occupational health and safety management systems. Enterprises which have material impacts on the environment and occupational health and safety must pass ISO14001 International Standard for Environment Management System (《國際環境管理系統標準》) and OHSAS18001 Occupational Health and Safety Management Systems certification (《職業安全衛生管理認證》).

Number of Suppliers

In 2020, RBJAC had 475 (2019: 450) suppliers. The number of suppliers of RBJAC by region is as follows:

Region	**2020 Number of suppliers**	2019 Number of suppliers
China		
Northeastern China	**169**	165
Northern China	**53**	50
Eastern China	**211**	195
Southern China	**18**	17
Central China	**6**	5
Southwestern China	**16**	16
Overseas	**2**	2
Total	**475**	450

Supplier Selection

In 2020, the supplier system was established as follows: existing suppliers receive their annual appraisals based on 6 indicators, namely product quality, quality system, research and development capability, competitiveness, delivery on mass production and after-sales services. Each department reports on the performance of each supplier according to these assessment indicators based on a score from 0 to 100 to the supplier assessment department (供貨商評價部門) under the procurement department. The supplier assessment department confirms whether each supplier reaches the minimum score designated by each department. Suppliers who meet all minimum scores will be retained in the system. For those who scored below the minimum score of one of the indicators, the issues will be submitted to the supplier system committee, which can decide whether to remove that supplier from the system or prepare action plans. The same logic also applies to new suppliers. During mass production, the supplier quality control department (供貨商質量管理部門) constantly monitors product quality and may adopt reports and action plans while the logistics department monitors delivery performance and may adopt reports and action plans. In 2021, the supplier strategies will be further adjusted in order to enhance the management of core suppliers.

The supplier selection process is as follows: the procurement department formulates quotation requests according to technical specifications and budgets. After thorough negotiation and confirmation of the technical quotations, suppliers are selected based on both competitiveness and lowest risk exposure.

In view of the impact of the pandemic on the automotive industry in 2020, some of the suppliers experienced problems in terms of delivery and were not able to fully comply with requirements of new projects. In addition to cost competitiveness and risk exposure, the selection of suppliers also took into account the historical problems of the suppliers as a new criteria for them to participate in new projects. The Group also actively identified more suppliers that can meet RBJAC's localisation requirements.

During the development stage, both procurement and product engineering departments carefully monitor the suppliers on their progress of design and industrial procedures with the aim of ensuring that the suppliers have sufficient manpower and resources to meet deadlines, production capacity and quality requirements.

During mass production, both quality and delivery performance are strictly monitored. Rectification plans are required for all deviations from targets. RBJAC is very cautious in developing its supplier system, which should comply with national laws, regulations and policies in relation to the environment and employment.

First of all, RBJAC conducts annual inspection of all of its suppliers to verify whether they have the corresponding national qualification to use technologies that may affect the environment. If a supplier fails to provide such qualification, RBJAC will urge the supplier to obtain such qualification as soon as possible while ceasing the allocation of new business to such supplier. RBJAC also requires its suppliers to record whether their own suppliers have the same qualification.

Secondly, RBJAC tracks suppliers with ISO14001 certification and vigorously encourages those who have not yet been certified to obtain such certification.

With respect to social risks, RBJAC attaches great importance to the safety awareness of all suppliers. It strongly encourages the suppliers to pass OHSAS18001 certification and tracks those who have obtained such certification.

As for social responsibility, CSR-related requirements have been added to the selection for suppliers (RFQ) in new projects as a new entry requirements of new projects.

Last but not least, RBJAC specifies in the general terms and conditions of its supplier contracts that suppliers must fulfill their social responsibilities and expressly requires them to follow all applicable labour protection, environmental protection, anti-fraud and anti-corruption laws of all countries and regions in which they operate. Furthermore, the suppliers have to ensure that their own suppliers follow the same laws so as to promote compliance along the supply chain. Suppliers must agree to and abide by these compulsory requirements before they are engaged.

B6. Product Responsibility

Policies, Laws and Regulations

RBJAC focuses on the quality and safety of its products and services, the safety and health standards of which are accredited with China Compulsory Certification (3C certification) and ISO9001 Quality Management System(《質量管理體系》). It also provides services through three warranty policies(三包政策)towards automobiles, i.e. refund, replace and repair.

In strict compliance with the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) and other relevant national laws and regulations as well as the requirements of ISO9001 Quality Management System, CNCA-C11-01:2014 Compulsory Certification Rules – Cars(《強制性產品認證實施規則汽車》)and other standards, RBJAC has established a comprehensive vehicle quality management system to conduct periodical review of such systems and to improve their effectiveness. To ensure continuous improvement in the functionality and quality of its products, RBJAC also strengthened the control over the production processes according to the characteristics of each product.

Advertising

RBJAC abides by national laws and regulations such as the Advertisement Law of the People's Republic of China(《中華人民共和國廣告法》). Care is taken to ensure that contents of advertisements are true, contain no false or misleading statements and do not violate any applicable rules, regulations and laws. Advertisements provide true and accurate product information and stringently follow the Advertisement Law of the PRC. False and misleading statements are prohibited in all product promotion materials. During the reporting period, RBJAC did not receive any complaint about discrepancies between the advertising contents and labels of any products.

Quality Assurance Process and Product Recall Procedures

In respect of quality inspection procedures, RBJAC regulates quality inspections for vehicle products in storage and retrieval stages pursuant to the Product Inspection and Testing Control Procedure (《產品監視和測量控制程序》)and the Whole Vehicle Logistics Control Procedure(《整車物流控制程序》). With respect to product recall, RBJAC manages the recall and handling of defective vehicles pursuant to its Recall and Service Management Procedures(《召回與服務管理程序》).

In terms of product quality assurance, RBJAC implements the Renault-Nissan Alliance's project management standards from the definition of new products up to the beginning of the design process to ensure the quality of its projects. In terms of supplier management, it adopts the Alliance's supplier quality control measures in order to enhance the quality and reliability of its parts and components. In respect of the production process, "5Why", "QC STORY" and other quality management tools are used to manage production. Quick response quality control meetings are also held every day to address quality issues arising from the production procedures. A firewall was set up in the factories to contain problems. When products leave the production line, enter warehouses and are delivered to distributors, multiple quality checks are conducted to ensure the quality of the products delivered to the end users. As for after-sales quality management, a management system for quality assurance issues has been set up to strengthen precaution and quick response against after-sales quality issues in order to improve overall customer satisfaction.

RBJAC formulated the Recall and Service Management Procedures《召回與服務管理程序》in strict compliance with laws and regulations in relation to vehicle recall in China and its export markets such as the Regulation on the Administration on Recall of Defective Auto Products(《缺陷汽車產品召回管理條例》)to clearly set out procedures for product recalls. It has also established comprehensive on-site quality control procedures including a Key Part and Component Tracking Management and Control Procedures(《關鍵零部件可追溯性管理控制程序》), Product Labeling and Tracking Control Procedures(《產品標識和可追溯性控制程序》)and Sub-Quality Car Locking Management and Control Procedures(《質量鎖車管理控制程序》)to label and record all procedures along the production lines.

There was no product recall due to safety or health issue in 2020 (2019: nil).

Customer Complaints

In 2020, RBJAC received a total of 2,005 (2019: 2,431) customer complaints. With complaint handling process in place and by taking appropriate follow-up actions, the percentage of complaints solved reached 99% (2019: 98%).

Intellectual Property Rights

Ever since its establishment, RBJAC has always attached great importance to the protection of intellectual properties. It implements an incentive mechanism in respect of intellectual property work, supports intellectual property projects, particularly high-tech patent projects, and constantly motivates its technicians to innovate. The company always adheres to the strategies of "building brands, raising awareness, expanding applications, strengthening protection, intensifying innovation and enhancing efficiency (樹立品牌、增強意識、加強申請、促進保護、加大創新、提高效率) to speed up the development of its technological innovation system. As of the end of 2020, RBJAC had 135 (2019: 135) existing and valid trademarks registered in the PRC and 11 (2019: 11) registered overseas, as well as a total of 277 (2019: 277) existing and valid patents (including 76 (2019: 76) utility models and 201 (2019: 201) designs).

Consumer Data Protection and Privacy

RBJAC values the security and privacy of consumers' information by adopting the following measures: (1) management by authorised personnel and approval by multiple levels of authority: the Customer Information Management and Control Procedure (《客戶信息管理控制程序》) is adopted to regulate the protection of consumers' information and privacy; and (2) monitoring by the customer service centre: consumers' information is monitored by the customer service centre.

B7. Anti-corruption

Policies, Laws and Regulations

RBJAC practices and strictly implements various systems including the Further Promoting the State-owned Enterprises' Implementation of the Decision-making System for the Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money (《國有企業貫徹落實「三重一大」決策制度》) and the Rules on Integrity of Executives of State-Owned Enterprises (《國有企業領導人員廉潔從業若干規定》). All departments have to promote and study the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and cases relating to bribery, extortion, fraud and money laundering.

Corruption Proceedings

The Company and its employees strictly comply with the applicable laws relating to corruption, bribery and money laundering in the relevant jurisdictions in which the Group operates. To the best knowledge of the directors of the Company, the Group was not involved in any corruption, bribery, extortion, fraud and money laundering cases, nor was there any filed and concluded corruption proceedings against the Company and its employees, in 2020.

Prevention and Whistle-blowing

By carrying out measures such as internal and external audit and establishing whistle-blowing hotline, RBJAC endeavours to prevent and control any corrupt and unethical conduct. Employees may report any violation, such as malpractice, dereliction of duty, abuse of power for personal gain, accepting bribes and misappropriation of company assets by any employee, to the compliance department via various channels such as formal report, letter, e-mail, phone call and meeting. The compliance department will investigate the case, collect evidence, verify them, draw a conclusion and take appropriate actions after reporting to the competent authorities.

Anti-corruption Training

RBJAC enhances the anti-corruption awareness and ability of its employees at all levels through training on anti-corruption practices.

RBJAC complies with local anti-corruption laws and regulations. To safeguard our reputation for integrity during operation, we endeavour to educate employees on the prevention of conflict of interests and relationships with the Group in breach of or in relation to their duties. The Employee Manual sets out the company's anti-corruption requirements and has been passed by the employees' representative meeting. The company has set up a compliance hotline and encourages staff members to disclose any potential conflict of interests, suspected improprieties and improprieties committed by any individual on behalf of the Group in a timely manner. In addition, the company has arranged 2 series of offline compliance training targeting at the management for 40 persons to participate. It is currently preparing materials for online compliance courses for all staff members across the company to join.

RBJAC complies with local anti-corruption laws and regulations, and has conducted intensive training on anti-corruption, professional ethics and compliance targeting at the company's management in 2020. This training highlighted the application of commercial bribery offences under the US Foreign Corrupt Practices Act, the UK Bribery Act, the Sapin II Law of France, the United Nations Convention against Corruption and the Criminal Law of the People's Republic of China （《中華人民共和國刑法》）. It encourages its staff members to disclose any potential corruption, conflict of interests, suspected improprieties and improprieties committed by any individual on behalf of the Group to the legal and compliance department in a timely manner. It also emphasises that all breaches of ethics and compliance policies are unacceptable and will lead to grave consequences. The company adopts a zero-tolerance policy in respect of such breaches.

B8. Community Investment

The Group believes that the fulfilment of corporate social responsibility means conducting its business in a responsible manner and taking into consideration the interests of both internal and external stakeholders and its impacts on the economy, society and environment. An enterprise should create a harmonious atmosphere within the corporation and across the society, and build a corporate image with internal cohesiveness and external influences with a strong sense of political and social responsibility.

In 2020, the labour union coordinated stringent pandemic prevention and control measures and duties amongst frontline union leaders, arranged visits with frontline staff and supported staff in difficulties in respect of pandemic prevention and control, thereby facilitating the company's resumption of operation and production. With the aims of enhancing employees' job satisfaction and sense of belonging, encouraging employees to improve their skills and thus improving the quality of its products, it held the 3rd RBJAC Staff Skill Contests（華晨雷諾第三屆職工職業技能大賽）in collaboration with the production departments.

Affected by the COVID-19 pandemic, the union carried out large-scale collective activities online instead of physically as originally planned. Such activities included one called "There is Always a Rainbow after Every Storm（歷經風雨，終見彩虹）", which collected 281 pieces of cultural works including photographs, manuscripts and other artistic works about the fight against the pandemic. They embodied the power and love of RBJAC's staff and were sent to frontline workers to send them best wishes. In addition, 18 branches of the labour union organised shuttlecock, rope-jumping, badminton, quiz and other cultural and sport activities in an event called "Springtime Cultural and Sport Event（迎春系列文體活動）" to strengthen communication and team-building amongst the entire staff.

Independent Auditor's Report

Grant Thornton
致同

TO THE MEMBERS OF
BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Brilliance China Automotive Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 100 to 194, which comprise the consolidated statement of financial position as at 31st December, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

The Independent Board Committee of the Company appointed independent investigators to carry out independent investigation ("**Independent Investigation**") and independent forensic investigation ("**Independent Forensic Investigation**"). As a result of the matters identified in the Independent Investigation and the preliminary findings of the Independent Forensic Investigation as described in note 2 to the consolidated financial statements, the Group has taken into account these findings when it prepared the consolidated financial statements as at and for the year ended 31st December, 2020. We continued to plan and conduct procedures in the audit of the Group's consolidated financial statements as at and for the year ended 31st December, 2020, however, we encountered the scope limitations outlined below.

(1) Unauthorised pledged short-term bank deposits

As disclosed in the note 2 to the consolidated financial statements, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"), the Company's wholly-owned subsidiary, entered into a number of agreements to pledge its short-term bank deposits with the banks in the PRC to guarantee the bank guaranteed notes issued by Huachen Automotive Group Holdings Company Limited ("**Huachen**"), the Company's controlling shareholder, Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Brilliance Power**"), an associate of the Group, and Shenyang Huayixin Automobile Sales Co., Ltd. ("**Huayixin**"), a third party of the Group and a customer of Huachen, without the authorisation and the approval by the board of directors of the Company.

Huachen, Brilliance Power and Huayixin could not repay some of the bank guaranteed notes upon maturity during and subsequent to the year ended 31st December, 2020, thus a certain amount of pledged deposits have been deducted by the banks for the repayment of the matured notes. The Group suffered loss on deposits of RMB2,915,900,000 during the year and RMB1,050,000,000 subsequent to the reporting date, accordingly total expected credit loss ("**ECL**") allowance of RMB3,965,900,000 on other receivables, amounts due from affiliated companies, and pledged and restricted short-term deposits has been recognised for the year ended 31st December, 2020. In addition, as disclosed in note 2 to the consolidated financial statements, SJAI entered into a deposit pledged contract with a bank in the PRC to guarantee the bank guaranteed notes issued by Huayixin without the authorization and the approval by the board of directors of the Company, therefore the Group recorded and disclosed a pledged deposit of RMB300,000,000 in the consolidated statement of financial position as at 31st December, 2019 which was subsequently transferred to Huayixin during the year ended 31st December, 2020.

Given the circumstances described, we were unable to make reasonable judgement on whether RMB300 million out of the total ECL allowance on other receivables, amounts due from affiliated companies and pledged and restricted short-term bank deposits recognised for the year ended 31st December, 2020 should have been recorded in the consolidated statement of profit or loss of prior year.

BASIS FOR DISCLAIMER OF OPINION (Cont'd)

(2) Funds inflows and outflows without commercial rationale

(a) Transactions with the related parties and third parties

As described in note 2 to the consolidated financial statements, the former management of the Group's subsidiaries forged certain bank statements of the subsidiaries and concealed the financial records and information of the Group's funds inflows and outflows in the respective banks. The funds inflows and outflows with the related parties and the third parties during the year ended 31st December, 2020 amounted to RMB29,969,727,000 and RMB26,601,127,000 (2019: RMB7,214,000,000 and RMB12,482,000,000) respectively.

We were unable to obtain satisfactory explanations and adequate evidence from the Company's management to ascertain (i) the relationships among the third parties, Huachen and the Group; (ii) the nature of the transactions; and (iii) the business rationale and commercial substance of the transactions. Because of the above limitations, there were no alternative audit procedures that we could perform to satisfy ourselves as to the business rationale and commercial substance, legitimacy, accuracy, completeness and presentation of these transactions for the years ended 31st December, 2020 and 2019; and whether these transactions are properly disclosed.

(b) Balances with the related parties and third parties

As disclosed in note 2 to the consolidated financial statements and as a consequence of the above funds inflows and outflows without commercial rationale, as at 31st December, 2020, the Group recorded other receivable from Huayixin and its subsidiary of RMB1,148,400,000 (2019: RMB4,925,000,000), other receivable and other payable with third parties of RMB400,000,000 (2019: Nil) and RMB450,000,000 (2019: Nil) respectively, amount due from Huachen and its affiliated company of RMB60,000,000 (2019: RMB40,000,000), amount due from an associate of RMB858,000,000 (2019: RMB300,000,000), amount due from and due to an affiliated company of RMB1,600,000,000 (2019: Nil). The Group recognised net ECL allowance of RMB1,969,181,000 (2019: RMB97,219,000) for the year ended 31st December, 2020.

Similar to the above, we were unable to obtain satisfactory explanations and adequate evidence from the Company's management to ascertain the accuracy, completeness, valuation and presentation of the resulting balances of these transactions and the corresponding ECL allowance as at 31 December, 2020 and 2019.

(3) Independent Forensic Investigation

As the Independent Forensic Investigation is still ongoing as disclosed in the note 2 to the consolidated financial statements, we were unable to ascertain whether the investigation would reveal any further findings including the matters described in item (2) above that would have impact on the Group's consolidated financial statements.

Independent Auditor's Report (Cont'd)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Grant Thornton Hong Kong Limited
Certificate Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

29th July, 2022

Chan Tze Kit
Practising Certificate No.: P05707

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2020

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Revenue	6	**3,123,210**	3,861,949
Cost of sales		**(3,104,623)**	(3,787,570)
Gross profit		**18,587**	74,379
Other income		**160,629**	159,108
Interest income		**185,058**	101,395
Selling expenses		**(223,772)**	(376,860)
General and administrative expenses		**(2,201,127)**	(1,153,435)
Net expected credit loss ("**ECL**") allowance on loans and receivables		**(6,459,433)**	(121,385)
Loss on unauthorised guarantees	30	**(1,917,062)**	–
Finance costs	7	**(135,465)**	(95,460)
Share of results of:			
Joint ventures		**10,091,949**	7,626,004
Associates		**(347,954)**	(16,757)
(Loss) Profit before income tax expense	8	**(828,590)**	6,196,989
Income tax expense	9	**(128,956)**	(215,454)
(Loss) Profit for the year		**(957,546)**	5,981,535
Attributable to:			
Equity holders of the Company		**11,219**	6,667,240
Non-controlling interests		**(968,765)**	(685,705)
		(957,546)	5,981,535
Earnings per share	10		
– Basic		**RMB0.00222**	RMB1.32148
– Diluted		**RMB0.00222**	RMB1.32148

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2020

	2020 RMB'000	2019 RMB'000 (Restated)
(Loss) Profit for the year	**(957,546)**	5,981,535
Other comprehensive income (expense) that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Share of other comprehensive income (expense) of a joint venture	**1,313,354**	(145,081)
Share of other comprehensive income (expense) of an associate	**83**	(83)
Fair value gain on notes receivable at fair value through other comprehensive income ("**FVOCI**")	**622**	2,509
	1,314,059	(142,655)
Other comprehensive income (expense) that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Change in fair value of equity investments	**404**	(5,816)
Total comprehensive income for the year	**356,917**	5,833,064
Attributable to:		
Equity holders of the Company	**1,325,487**	6,518,223
Non-controlling interests	**(968,570)**	(685,159)
	356,917	5,833,064

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2020

	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment fair value reserve RMB'000	FVOCI reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2020, as previously stated	397,176	(548,845)	2,476,082	(9,156)	(1,216)	39,179	(2,350,481)	120,000	33,802,794	33,925,533	549,919	34,475,452
Restatement *(notes 2 and 24(a))*	-	-	-	-	-	-	-	-	(95,467)	(95,467)	-	(95,467)
As at 1st January, 2020, as restated	397,176	(548,845)	2,476,082	(9,156)	(1,216)	39,179	(2,350,481)	120,000	33,707,327	33,830,066	549,919	34,379,985
Transactions with equity holders of the Company												
Dividends *(note 11)*	-	-	-	-	-	-	-	-	(1,869,772)	(1,869,772)	-	(1,869,772)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	490,000	490,000
	-	-	-	-	-	-	-	-	(1,869,772)	(1,869,772)	490,000	(1,379,772)
Profit for the year	-	-	-	-	-	-	-	-	11,219	11,219	(968,765)	(957,546)
Other comprehensive income												
Share of other comprehensive income of a joint venture	-	1,313,354	-	-	-	-	-	-	-	1,313,354	-	1,313,354
Share of other comprehensive income of an associate	-	-	-	-	83	-	-	-	-	83	-	83
Change in fair value of financial assets	-	-	-	404	427	-	-	-	-	831	195	1,026
Total other comprehensive income	-	1,313,354	-	404	510	-	-	-	-	1,314,268	195	1,314,463
Total comprehensive income	-	1,313,354	-	404	510	-	-	-	11,219	1,325,487	(968,570)	356,917
As at 31st December, 2020	397,176	764,509	2,476,082	(8,752)	(706)	39,179	(2,350,481)	120,000	31,848,774	33,285,781	71,349	33,357,130

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2020

	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment fair value reserve RMB'000	FVOCI reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from \acquisition of non-controlling interests RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2019	397,176	(403,764)	2,476,082	(3,340)	(3,096)	39,179	(2,350,481)	120,000	30,807,988	31,079,744	745,078	31,824,822
Transactions with equity holders of the Company												
Dividends *(note 11)*	–	–	–	–	–	–	–	–	(3,767,901)	(3,767,901)	–	(3,767,901)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	490,000	490,000
	–	–	–	–	–	–	–	–	(3,767,901)	(3,767,901)	490,000	(3,277,901)
Profit for the year, as restated	–	–	–	–	–	–	–	–	6,667,240	6,667,240	(685,705)	5,981,535
Other comprehensive (expense) income												
Share of other comprehensive expense of a joint venture	–	(145,081)	–	–	–	–	–	–	–	(145,081)	–	(145,081)
Share of other comprehensive expense of an associate	–	–	–	–	(83)	–	–	–	–	(83)	–	(83)
Change in fair value of financial assets	–	–	–	(5,816)	1,963	–	–	–	–	(3,853)	546	(3,307)
Total other comprehensive expense	–	(145,081)	–	(5,816)	1,880	–	–	–	–	(149,017)	546	(148,471)
Total comprehensive income	–	(145,081)	–	(5,816)	1,880	–	–	–	6,667,240	6,518,223	(685,159)	5,833,064
As at 31st December, 2019 as restated	397,176	(548,845)	2,476,082	(9,156)	(1,216)	39,179	(2,350,481)	120,000	33,707,327	33,830,066	549,919	34,379,985

Consolidated Statement of Financial Position

As at 31st December, 2020

	Note	**At 31st December, 2020 RMB'000**	At 31st December, 2019 RMB'000 (Restated)	At 1st January 2019 RMB'000
Non-current assets				
Intangible assets	13	**618,058**	946,557	611,955
Property, plant and equipment	14	**2,122,694**	2,607,189	2,548,136
Land lease prepayments	15	**80,265**	82,281	84,397
Interests in joint ventures	16	**29,960,324**	21,555,021	24,074,405
Interests in associates	17	**1,108,960**	1,571,131	1,672,977
Equity investments	18	**6,881**	6,477	12,293
Long-term loan receivables	19	**2,613,356**	3,443,951	3,727,908
Other non-current assets		**116,829**	142,916	86,077
Total non-current assets		**36,627,367**	30,355,523	32,818,148
Current assets				
Cash and cash equivalents		**2,021,771**	2,763,533	2,310,459
Statutory deposit reserves at central bank		**31,564**	23,344	32,552
Short-term bank deposits		**500,000**	1,500,000	576,311
Pledged and restricted short-term bank deposits	20	**1,514,023**	3,093,923	1,075,837
Inventories	21	**505,883**	705,096	1,011,644
Accounts receivable	22	**896,261**	1,082,731	1,024,873
Notes receivable	23	**108,501**	169,269	317,132
Other current assets	24	**5,769,343**	9,681,118	2,932,900
Total current assets		**11,347,346**	19,019,014	9,281,708
Current liabilities				
Accounts payable	25	**1,459,316**	1,540,224	1,860,050
Notes payable	26	**1,941,987**	4,959,295	1,630,648
Other current liabilities	27	**4,000,960**	1,952,979	1,984,143
Short-term bank borrowings	29	**4,528,700**	6,292,000	4,623,500
Long-term bank borrowings due within one year	29	**217,200**	20,000	20,000
Income tax payable		**14,176**	40,625	13,623
Provision for loss on unauthorised guarantees	30	**1,917,062**	–	–
Total current liabilities		**14,079,401**	14,805,123	10,131,964
Net current (liabilities) assets		**(2,732,055)**	4,213,891	(850,256)
Total assets less current liabilities		**33,895,312**	34,569,414	31,967,892
Non-current liabilities				
Other non-current liabilities	27	**157,182**	169,429	103,070
Long-term bank borrowings	29	**381,000**	20,000	40,000
Total non-current liabilities		**538,182**	189,429	143,070
NET ASSETS		**33,357,130**	34,379,985	31,824,822

Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2020

	Note	**At 31st December, 2020 RMB'000**	At 31st December, 2019 RMB'000 (Restated)	At 1st January 2019 RMB'000
Capital and reserves				
Share capital	33(a)	**397,176**	397,176	397,176
Reserves	34	**32,888,605**	33,432,890	30,682,568
Total equity attributable to equity holders of the Company		**33,285,781**	33,830,066	31,079,744
Non-controlling interests		**71,349**	549,919	745,078
TOTAL EQUITY		**33,357,130**	34,379,985	31,824,822

Wu Xiao An
(Also known as Ng Siu On)
Director

Zhang Wei
Director

Consolidated Statement of Cash Flows

For the year ended 31st December, 2020

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Operating activities			
Cash used in operations	36	**(2,698,719)**	(1,077,317)
Interest and financing service income received		**654,274**	539,292
Corporate income tax paid		**(155,405)**	(188,452)
Net cash used in operating activities		**(2,199,850)**	(726,477)
Investing activities			
Acquisition of property, plant and equipment and land lease prepayments and additions of intangible assets		**(618,113)**	(794,537)
Increase in short-term and pledged bank deposits		**(660,100)**	(2,941,775)
Dividend received from an associate		**–**	146,972
Dividend received from a joint venture		**3,000,000**	10,000,000
Dividend received from equity investments		**214**	200
Net repayments from (advances to) third parties		**3,050,700**	(4,925,000)
Net advance to affiliated companies		**(490,000)**	(40,000)
Refund of prepayments for investments		**–**	400,000
Proceeds from disposal of property, plant and equipment		**4,212**	4,800
Decrease (Increase) in other non-current assets		**26,099**	(56,843)
Net cash generated from investing activities		**4,313,012**	1,793,817
Financing activities			
Issue of notes payable	36(b)	**1,384,000**	1,519,000
Repayments of notes payable	36(b)	**(1,519,000)**	(417,105)
Repayment of lease liabilities	36(b)	**(22,639)**	(25,307)
Government grants received	36(b)	**30,393**	35,436
Proceeds from bank borrowings	36(b)	**10,935,400**	8,419,820
Repayments of bank borrowings	36(b)	**(12,140,500)**	(6,771,320)
Dividends paid	36(b)	**(1,869,772)**	(3,767,901)
Proceeds of loan from a related party	35(e)	**1,600,000**	–
Loan to a related party	35(e)	**(1,600,000)**	–
Loan to a third party	24(a)(ii)	**(400,000)**	–
Proceeds of loan from a third party	24(a)(ii)	**400,000**	–
Capital contributions from non-controlling shareholders		**490,000**	490,000
Finance charges paid for lease liabilities		**(3,797)**	(4,125)
Interest paid		**(139,009)**	(92,764)
Net cash used in financing activities		**(2,854,924)**	(614,266)
(Decrease) Increase in cash and cash equivalents		**(741,762)**	453,074
Cash and cash equivalents, as at 1st January,		**2,763,533**	2,310,459
Cash and cash equivalents, as at 31st December,		**2,021,771**	2,763,533

1. CORPORATE INFORMATION

Brilliance China Automotive Holdings Limited (the "**Company**") was incorporated in Bermuda on 9th June, 1992 with limited liability. The Company's shares are traded on the main board of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The address of the registered office of the Company is at Victoria Place,5th Floor, 31 Victoria Street, Hamilton HM 10,Bermuda. The principal place of business of the subsidiaries are in the People's Republic of China (the "**PRC**").

As at 31st December, 2019, Huachen Automotive Group Holdings Company Limited ("**Huachen**") was the controlling shareholder of the Company with 42.32% equity interest. During the year, Huachen sold 11.89% equity interest to Liaoning Transportation Investment Co., Ltd., and 30.43% equity interest to Huachen's wholly-owned subsidiary, Liaoning Xinrui Automotive Industry Development Co., Ltd. ("**Xinrui**"). The directors of the Company considered both Huachen and Xinrui as controlling shareholders of the Company with 30.43% equity interest as at 31st December, 2020.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are the manufacture and sale of BMW vehicles in the PRC through its major joint venture, BMW Brilliance Automotive Ltd. ("**BBA**"), the manufacture and sale of minibuses, multi-purpose vehicles ("**MPVs**") through its subsidiary, Renault Brilliance Jinbei Automotive Company Limited ("**RBJAC**") and automotive components through its subsidiaries, Ningbo Yumin Machinery Industrial Co., Ltd ("**Ningbo Yumin**") and Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**"), and the provision of auto financing service through its subsidiary, Brilliance-BEA Auto Finance Co., Ltd. ("**BBAFC**").

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION

At the request of the Company, trading of the Company's shares has been suspended since 31st March, 2021 as the Company was unable to publish annual results for the year ended 31st December, 2020 by 31st March, 2021 due to certain unauthorised pledged short-term bank deposits and unauthorised guarantees, resulting in legal proceedings involving a subsidiary of the Company, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"). As published in the announcements of the Company dated 14th April, 2021 and 23rd April, 2021, the Company has formed an independent board committee and appointed an independent investigator to investigate into the matters in question. Key findings of the independent investigation ("**Independent Investigation**") were reported in the announcement dated 16th November, 2021.

Based on the preliminary findings of the Independent Forensic Investigation, the board of directors considered it is appropriate to make adjustments based on the impact of the unauthorised financial assistance.

Unauthorised guarantees

Without the permission or authorisation of the board of directors of the Company, the former management of SJAI, acted in accordance with instructions from Huachen, entered into undisclosed guarantee agreements with 中國光大銀行股份有限公司瀋陽分行(China Everbright Bank Co., Ltd. (Shenyang Branch)*) ("**China Everbright Bank**") of RMB4,400,000,000, 中國進出口銀行遼寧省分行(The Export-Import Bank of China (Liaoning Province Branch)*) ("**Export-Import Bank**") of RMB598,000,000, 華夏銀行股份有限公司瀋陽和平支行(Huaxia Bank Co., Ltd. (Shenyang Heping Branch)*) ("**Huaxia Bank**") of RMB600,000,000 and 哈爾濱銀行股份有限公司瀋陽分行(Harbin Bank Co., Ltd. (Shenyang Branch)*) ("**Harbin Bank**") of RMB300,000,000 as security for the bank loans granted to Huachen by these banks.

As the Group considered these unauthorised guarantees were illegal and unenforceable against the Group, the Group defended in the court cases brought by these banks against SJAI after Huachen failed to repay. The court hearings for China Everbright Bank, Export-Import Bank and Harbin Bank have completed. The court judgements required SJAI to pay to these three banks 50% of the final bank loans should Huachen eventually fails to repay these banks. China Everbright Bank, Export-Import Bank and Harbin Bank have since filed appeals against the court judgements. As advised by the Group's PRC lawyer, the same court judgement may probably result if appeals are made to higher court. It is also expected that the court judgements for the court cases with Huaxia Bank will be similar. For the details of the provisions made by the Group for these unauthorised guarantees, please refer to note 30.

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Cont'd)

Unauthorised pledged short-term bank deposits

Without the permission and authorization of the board of directors of the Company, the former management of SJAI, acted in accordance with the instructions of Huachen, also entered into unauthorised agreements to pledge SJAI's short-term bank deposits as security to certain banks for the bank guaranteed notes issued by Huachen, Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Brilliance Power**"), an associate of the Group and a subsidiary of Huachen, and Shenyang Huayixin Automobile Sales Co., Ltd. ("**Huayixin**"), a third party and a customer of Huachen, with details as follows:

Bank	Issuer of bank guaranteed notes issued	Total amount of pledged short-term deposits during 2020	Pledged short-term deposits deducted by banks in 2020	Pledged short-term deposits released in 2020	Pledged short-term deposits deducted by banks after 31st December, 2020
		RMB'000	RMB'000	RMB'000	RMB'000
盛京銀行股份有限公司 (Shengjing Bank Co., Ltd.) ("**Shengjing Bank**")	Huayixin	2,650,000	1,850,000	450,000	350,000
Shengjing Bank	Brilliance Power	640,000	340,000	–	300,000
Yingkou Bank	Huayixin	315,900	–	315,900	–
Minsheng Bank	Huachen	400,000	–	–	400,000
		4,005,900	2,190,000	765,900	1,050,000

Out of these unauthorised pledged short-term deposits of RMB4,005,900,000, RMB2,190,000,000 was deducted by the banks from SJAI's pledged short-term deposits during the year as the issuers of the bank guaranteed notes were unable to repay the bank guaranteed notes issued. Although certain deposits of RMB765,900,000 were released in the year to SJAI in relation to the bank guaranteed notes issued by Huayixin, the amounts released were transferred directly to Huayixin for the settlement of its issued bank guaranteed notes. As at 31st December, 2020, the corresponding amount due from Huayixin (included in other receivables) was RMB725,900,000 for which ECL allowance had been fully provided as set out in note 24(a). Accordingly, the ECL allowance on related receivables of RMB2,915,900,000 incurred during the year ended 31st December, 2020.

The pledged short-term deposits of RMB2,190,000,000 deducted by the above banks during the year were classified as other receivables of RMB1,850,000,000 and amounts due from affiliated companies of RMB340,000,000 at 31st December, 2020 as set out in notes 24(a) and 35(e) and ECL allowances of the full amounts are provided for.

ECL allowance of the full amount for the pledged short-term deposits of RMB1,050,000,000 deducted subsequent to 31st December, 2020 by the above banks is provided and recognised in the consolidated statement of profit or loss for the year ended 31st December, 2020 as detailed in note 20.

The board of directors of the Company has engaged legal counsel to examine the legality of the pledged short-term bank deposits and to advise on the chance of recovery of the pledged short-term bank deposits.

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Cont'd)

Inconsistencies in bank statements

As detailed in the announcement of the Company dated 16th November, 2021 in relation to the summary of the findings of the Independent Investigation, the information of bank statements of Shengjing Bank and Yingkou Bank as well as other banks provided by SJAI's former management were inconsistent with the bank statements obtained directly in the Independent Investigation.

It was found that the inconsistencies in the bank statements were partly the result of the concealment of the pledge of short-term deposits made by SJAI for Huayixin, Brilliance Power and Huachen, and the funds transferred to/from Huachen and its affiliated companies as well as other third parties. The Independent Investigation and the further review by the independent board committee revealed that the inconsistencies of the bank statements had existed since 2019. It was discovered that short-term bank deposits of RMB300,000,000 were pledged to Yingkou Bank for the bank guaranteed notes issued by Huayixin as at 31st December, 2019.

Further to the Independent Investigation, in addition to SJAI, the independent board committee also identified inconsistencies in the bank statements of another subsidiary, Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**"). The independent board committee concluded that the concealment of information of some bank statements by these subsidiaries, together with the unauthorised guarantees and pledged short-term deposits were the result of the intentional and premeditated actions of Huachen to bypass the Group's existing corporate governance and internal controls, particularly through its influence over the former management of SJAI, Xing Yuan Dong and Shenyang Jianhua Motors Engine Co., Ltd. ("**Shenyang Jianhua**"), to ease its own fund requirements.

In addition, according to the identified inaccuracies in the bank statements, the funds inflows and outflows of RMB4,065,000,000 were incorrectly recorded as and overstated cash and cash equivalents at 31st December, 2019. Details of the funds flows are set out below under the heading "Fund inflows and outflows without commercial rationale". With reference to the preliminary findings of the Independent Forensic Investigation, the board of directors considered it is appropriate to make adjustments based on the impact of the unauthorised financial assistance. Accordingly, balances of cash and cash equivalents, short-term bank deposits *(Note 20)*, pledged short-term bank deposits *(Note 20)*, other receivables *(Note 24(a))* and amounts due from affiliated companies *(Note 35(e))* at 31st December, 2019, together with additional ECL allowance of RMB94,724,000 and RMB743,000 for these other receivables and amounts due from affiliated companies, respectively, are restated with details as set out below.

	As previously stated RMB'000	**Restatement** RMB'000	**Restated amount** RMB'000
Accounts balances/transactions restated:			
Cash and cash equivalents	6,828,533	(4,065,000)	2,763,533
Short-term bank deposits	1,800,000	(300,000)	1,500,000
Pledged short-term bank deposits	2,793,923	300,000	3,093,923
Other receivables	1,134,885	3,930,276	5,065,161
Amounts due from affiliated companies	987,372	39,257	1,026,629
Net provision/(reversal) of ECL allowance			
– other receivables	(12,356)	94,724	82,368
– amounts due from affiliated companies	(49,238)	743	(48,495)

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Cont'd)

Inconsistencies in bank statements (Cont'd)

The restatements reduce the net assets of the Group as at 31st December, 2019 and the profit of the Group for the year ended 31st December, 2019 by RMB95,467,000. The respective amounts for the year ended 31st December, 2019 are restated as follows:

	As previously stated RMB'000	Restatement RMB'000	Restated amount RMB'000
Cash and cash equivalents	6,828,533	(4,065,000)	2,763,533
Short-term bank deposits	1,800,000	(300,000)	1,500,000
Pledged short-term bank deposits	2,793,923	300,000	3,093,923
Other current assets *(Note 24)*	5,711,585	3,969,533	9,681,118
	17,134,041	(95,467)	17,038,574
Total current assets	19,114,481	(95,467)	19,019,014
Net assets	34,475,452	(95,467)	34,379,985
Total equity	34,475,452	(95,467)	34,379,985

	As previously stated RMB'000	Restatement RMB'000	Restated amount RMB'000
Net ECL allowance on loans and receivables	(25,918)	(95,467)	(121,385)
Profit for the year	6,077,002	(95,467)	5,981,535

	As previously stated RMB	Restatement RMB	Restated amount RMB
Earnings per share			
– Basic	1.34041	(0.01893)	1.32148
– Diluted	1.34041	(0.01893)	1.32148

2. SUSPENSION OF TRADING OF SHARES OF THE COMPANY AND INDEPENDENT INVESTIGATION (Cont'd)

Fund inflows and outflows without commercial rationale

Based on the review of the independent board committee, the former management of these subsidiaries concealed financial records and information of the Group's fund inflows and outflows between the respective banks. The fund inflows and outflows have been identified, recorded and accounted for in the consolidated financial statements according to the preliminary findings of the Independent Forensic Investigation. Details are set out below:

For the year ended 31st December, 2020:

	Fund outflows from the Group RMB'000	**Fund inflows into the Group RMB'000**	**Net (outflows) inflows RMB'000**
Fund transfer to/from			
– Huachen and its affiliated company	**(1,337,020)**	**1,397,020**	**60,000**
– Huayixin and its subsidiary	**(11,656,475)**	**15,473,075**	**3,816,600**
– Associates and other parties	**(13,607,632)**	**13,099,632**	**(508,000)**
	(26,601,127)	**29,969,727**	**3,368,600**

For the year ended 31st December, 2019:

	Fund outflows from the Group RMB'000	Fund inflows into the Group RMB'000	Net (outflows) inflows RMB'000
Fund transfer to/from			
– Huachen and its affiliated company	(2,448,000)	2,408,000	(40,000)
– Huayixin and its subsidiary	(9,595,000)	4,670,000	(4,925,000)
– Associates and other parties	(439,000)	136,000	(303,000)
	(12,482,000)	7,214,000	(5,268,000)

As a consequence of the above funds inflows and outflows without commercial rationale, as at 31st December, 2020, the Group recorded other receivable from Huayixin and its subsidiary of RMB1,148,400,000 (2019: RMB4,925,000,000), other receivable and other payable with third parties of RMB400,000,000 (2019: nil) and RMB450,000,000 (2019: nil) respectively, amount due from Huachen and its affiliated company of RMB60,000,000 (2019: RMB40,000,000), amount due from an associate of RMB858,000,000 (2019: RMB300,000,000), and amount due from and due to an affiliated company of RMB1,600,000,000 (2019: nil). Based on the management's collectability assessment on these balances, the Group recognised net ECL allowance of RMB1,969,181,000 (2019: RMB97,219,000) for the year ended 31st December, 2020.

To prevent the recurrence of similar matters in the future, as published in the Company's announcement dated 23rd December, 2021, the Company has appointed an internal control consultant to review the Group's internal controls and procedures and provide recommendations and remedial measures to the Group to strengthen the existing corporate governance and internal controls, particularly for the measures to prevent deliberate overriding by Huachen in the future. The Group is in the process of implementing the recommended remedial measures.

3. PRINCIPAL ACCOUNTING POLICIES

3.1 Statement of compliance

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), collective terms of which 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 (the "**HKICPA**"), and the accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**").

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2019 financial statements, except for the adoption for the first time the following amended HKFRSs (collectively "**New and Amended HKFRSs**") issued by the HKICPA, which are relevant to and effective for the annual consolidated financial statements beginning on or after 1st January, 2020.

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

In addition, on 1st January, 2020, the Group has early applied the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1st June, 2020.

The impact of the adoption of the New and Amended HKFRSs are discussed below in note 3.2. Other than as noted below, the adoption of the New and Amended HKFRSs have no material impact on the Group's consolidated financial statements.

3.2 Adoption of New and Amended HKFRSs

(i) Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The Amendments to HKAS 1 and HKAS 8 are effective for the Group's consolidated financial statements for the annual period beginning on or after 1st January, 2020. The adoption of Amendments to HKAS 1 and HKAS 8 does not have material impact on the Group's consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.2 Adoption of New and Amended HKFRSs (Cont'd)

(ii) Amendments to HKFRS 16 "COVID-19-Related Rent Concessions"

The Group also early adopted during the year the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions".

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 ("**COVID-19-Related Rent Concessions**") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30th June, 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30th June, 2021 and increased lease payments that extend beyond 30th June, 2021); and

c) there is no substantive change to other terms and conditions of the lease.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances. Additional disclosures are required if this practical expedient is used.

Amendments to HKFRS 16 are effective for the Group's financial statements for the annual period beginning on or after 1st June, 2020. The Group has elected to early adopt the amendments and applies the practical expedient to qualifying COVID-19-related rent concession granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1st January, 2020 and during the year.

3.3 Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for financial instruments classified as finance assets which are measured at FVOCI and FVTPL as explained in note 3.10 below.

3.4 Preparation of consolidated financial statements

As at 31st December, 2020, the Group had net current liabilities of approximately RMB2,732,055,000, and had net loss of approximately RMB957,546,000 and net cash outflows used in operating activities of approximately RMB2,199,850,000 during the year ended 31st December, 2020. Notwithstanding the Group's current liabilities exceeding its current assets as at 31st December, 2020, in preparing these consolidated financial statements, the directors of the Company have given careful consideration to current and future liquidity of the Group and its ability to provide working capital for its operations.

The Group has received the net proceeds of RMB27,941,147,000 from the disposal of 25% equity interest in BBA on 18th February, 2022. With these funds, the Group has returned to a current assets position with adequate working capital for its operations. Accordingly, the net current liabilities position was temporary due to the ECL allowance recognised for the year but the Group's operations is able to generate sufficient cash to maintain the Group as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.4 Preparation of consolidated financial statements (Cont'd)

In addition, as detailed in note 2, the cash and cash equivalents, other receivables and amounts due from affiliated companies under current assets at 31st December, 2019 are restated. The restatement is to reduce the cash and cash equivalents by RMB4,065,000,000 and to increase other current assets by RMB3,969,533,000 (including the other receivables of RMB3,930,276,000 and amounts due from affiliated companies of RMB39,257,000). The restatements also reduce the profit of the Group by recognising additional ECL allowance of RMB95,467,000 against those receivables for the year ended 31st December, 2019. The directors of the Company regard all the matters mentioned in note 2 having incurred during 2019, hence, the restatements do not have any impact on the net assets of the Group at 1st January, 2019 or profits for the year ended 31st December, 2018.

3.5 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group 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 over the entity, only substantive rights relating to the entity (held by the Group and others) are considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In consolidated financial statements, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of 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, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gains or losses have been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "*Financial Instruments*" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.5 Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

(ii) Non-controlling interests

Non-controlling interests represent the equity on 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 meets 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 their 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 the equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and consolidated statement of 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 holders of the Company.

(iii) Associates and joint ventures

An associate is an entity, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and the Group or Company has significant influence, but not control or joint control over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

A joint venture is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the joint venture's net assets and any impairment losses related to the investment. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the associates and joint ventures for the year, including any impairment loss on goodwill relating to the investment in associates and joint ventures recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements (Cont'd)

For the year ended 31st December, 2020

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.5 Basis of consolidation (Cont'd)

(iii) Associates and joint ventures (Cont'd)

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Where unrealised losses on asset sales between the Group and its associates or joint ventures are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.5 Basis of consolidation (Cont'd)

(iv) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities, including the Company, subsidiaries, associates and joint ventures, are all measured using Renminbi ("**RMB**") which is the currency of the primary economic environment in which the entities operate (the "**functional currency**").

Transactions in currencies other than the functional currency are translated into the functional currency at exchange rates prevailing at the transaction dates. Monetary assets and liabilities expressed in other currencies at the reporting date are re-translated into the functional currency at rates of exchange prevailing at the reporting date. Exchange differences arising in these cases are dealt with in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

Cumulative translation adjustments under shareholders' equity represent exchange differences arising from the Company's change in functional currency in previous years.

3.6 Intangibles assets

(i) Research and development costs

Research costs are charged to profit or loss as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are capitalised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so; costs are identifiable and can be reliably measured and there is an intention and ability to sell or use the asset for generating future economic benefits. Such development costs include the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable, and are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over 5 to 10 years. Development costs that do not meet the above criteria are charged to profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

(ii) Acquired intangible assets

Acquired intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over the estimated useful lives of 5 to 10 years.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.7 Property, plant and equipment

Property, plant and equipment, including land and buildings (if any) but other than construction-in-progress, and cost of right-of-use assets as described in note 3.20 are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the profit or loss.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values of 10%, using the straight-line method. 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 and depreciated separately:

Buildings	20 – 30 years
Machinery and equipment	10 – 20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Tools and moulds	over the product life cycles of minibuses, MPVs from 5 – 11 years for specific tools and moulds and 10 years for generally used tools and moulds

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

3.8 Construction-in-progress

Construction-in-progress represents factories, office buildings and intangible assets for which construction work has not been completed and machinery pending installation and which, upon completion, management intends to hold for production or own use. Construction-in-progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less accumulated impairment losses. On completion, the construction-in-progress is transferred to corresponding classes of property, plant and equipment or intangible assets at cost less accumulated impairment losses. Construction-in-progress is not depreciated or amortised until such time as the assets are completed and ready for their intended use.

3.9 Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all of the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.9 Leasehold land and buildings (Cont'd)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land lease prepayments" (which meet the definition of right-of-use assets upon initial application of HKFRS 16) in the consolidated statement of financial position and is amortised (before the application of HKFRS 16)/depreciated (upon the application of HKFRS 16) over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3.10 Financial instruments

(i) Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all of their risks and rewards are transferred. Financial liabilities are derecognised when they expire, or when they are extinguished, discharged or cancelled.

(ii) Classification and initial measurement of financial assets

Except for those accounts receivable that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair values, and in case of financial assets not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- FVTPL; or
- FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for ECL allowance on loans and receivables which is presented as a separate item in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.10 Financial instruments (Cont'd)

(iii) Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, statutory deposit reserves at central bank, bank deposits, loan receivables, accounts receivable, other receivables and amounts due from affiliated companies fall into this category of financial instruments.

Financial assets at FVOCI – recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, the respective financial assets are classified as financial assets at FVOCI. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss. The Group's notes receivable falls into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.10 Financial instruments (Cont'd)

(iii) Subsequent measurement of financial assets (Cont'd)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "investment fair value reserve" in equity. Such elections are made on an instrument-by-instrument basis, but will only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in investment revaluation reserve will not be reclassified to profit or loss upon disposal of the equity investments and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included as other income in profit or loss.

3.11 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the "ECL Model". Instruments within the scope include loans and other debt-type financial assets measured at amortised cost and FVOCI, accounts receivable recognised and measured under HKFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**");
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**"); and
- financial assets that have objective evidence of impairment at the reporting date ("**Stage 3**").

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 and Stage 3 categories.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.11 Impairment of financial assets (Cont'd)

(i) Accounts receivable

For accounts receivable, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, accounts receivable has been grouped based on the characteristics of credit.

(ii) Other financial assets measured at amortised cost and debt investments at FVOCI

The Group measures the loss allowance for other receivables, loan receivables and amount due from affiliated companies which is equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition and the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.11 Impairment of financial assets (Cont'd)

(ii) Other financial assets measured at amortised cost and debt investments at FVOCI (Cont'd)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of accounts receivable and other financial assets measured at amortised cost and debt investments at FVOCI are set out in note 5(a).

(iii) Financial guarantee contracts

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3.12 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised *(see note 3.10).*

3.13 Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract 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.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other current liabilities. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e., the amount initially recognised less accumulated amortisation, where appropriate.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 3.10 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.14 Impairment of non-financial assets

At each reporting date, the Group reviews internal and external sources of information to determine whether its intangible assets (other than goodwill), interests in subsidiaries, associates and joint ventures, property, plant and equipment (including right-of-use assets), and land lease prepayments have suffered impairment losses, or whether an impairment loss previously recognised no longer exists or may be reduced. If any such indication is found, the recoverable amount of the asset is estimated based on the higher of its fair value less cost of disposal, and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit). The Group determines whether an asset is impaired at least on annual basis or where an indication of impairment arises. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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 assessment of time value of money and the risk specific to the assets.

For intangible assets and property, plant and equipment, details of the basis and assumptions used in estimating the respective recoverable amounts are set out in notes 13 and 14, respectively. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.15 Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Costs comprise all costs of purchase, direct labour, and an appropriate proportion of all production overheads and other costs incurred in bringing the inventories to their present location and condition. Costs are calculated on the moving weighted-average basis, except for costs of work-in-progress and finished goods of automobiles which are calculated on a specific identification basis. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

3.16 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.

Deposits with banks or other financial institutions with a maturity of more than three months and within one year at acquisition are classified as short-term deposits.

Pledged short-term deposits are the same as short-term deposits except that these deposits are pledged to banks for banking facilities granted.

Statutory deposit reserves at central bank is not available for use by the Group as they are mandatory deposits at central banks.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.17 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate of the amount of the obligation 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

3.18 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.19 Government grants

Grants from government are recognised at their fair values. Conditional government grants are recognised in the consolidated statement of financial position initially as deferred government grants when there are reasonable assurance that the grants will be received and that the Group will comply with the conditions attached. Grants that compensate the Group for expenses incurred are recognised as revenue 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 costs of construction-in-progress, development of new or improved products, property, plant and equipment and land lease prepayments are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Any unconditional grant is recognised in profit or loss as revenue when the grant becomes receivable.

The deferred government grant recognised in the consolidated statement of financial position mainly represents the government grant received for the compensation of land lease prepayments without conditional clause.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.20 Leases

(i) The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease, the Group allocates the consideration in the contract to each lease on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.20 Leases (Cont'd)

(i) The Group as a lessee (Cont'd)

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of machinery and equipment.

On the consolidated statement of financial position, right-of-use assets are included in property, plant and equipment, based on their nature, in the same line as if the assets of same nature are owned by the Group.

The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets.

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

(ii) The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in turnover in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as turnover in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.21 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

Bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group's contributions to defined contribution retirement plans administered by the government of the PRC are recognised as an expense in profit or loss. The assets of the schemes are held separately from those of the Group in independently administered funds. Further information is set out in note 32.

Contributions made to the Mandatory Provident Fund Scheme for the Group's employees in Hong Kong are charged to profit or loss when incurred. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

3.22 Income tax

Income tax in profit or loss comprises current and deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. All changes to current tax assets or liabilities are recognised as a component of tax expenses in profit or loss.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the reporting date are used to determine deferred taxation.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.22 Income tax (Cont'd)

Deferred taxation is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

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

3.23 Revenue recognition

Revenue arises mainly from the sales of minibuses, MPVs and automotive components, and interest income and service charge income from the provision of auto financing service.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.23 Revenue recognition (Cont'd)

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

Sale of minibuses, MPVs and automotive components

Revenue from the sale of minibuses, MPVs and automotive components is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or service transferred are due upon receipt by the customer.

Sales-related warranties associated with minibuses, MPVs and automotive components cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with HKAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"*.

Interest income

Interest income is recognised on a time proportion basis 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 ECL allowance) of the asset.

Finance service fee

Finance service fee for administrative service provided to customers in relation to the financing arrangement is recognised when the respective service is conducted.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3.24 Borrowing costs

Borrowing costs, net of any investment income earned on the temporary investment of the specific borrowing, that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset.

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 ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors and the chief operating decision makers for their decisions about resource allocation to the Group's business segments, which are determined by the Group's different brands of vehicles or different nature of business, and their respective performances.

The Group has identified the following reportable segments:

(1) the manufacture and sale of minibuses, MPVs and automotive components;

(2) the manufacture and sale of BMW vehicles; and

(3) the provision of auto financing services.

The measurement policies the Group adopts for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that the following items are not included in arriving at the segment results of the operating segments:

– expenses related to share-based payments;

– share of results of associates and joint ventures;

– interest income;

– finance costs;

– corporate income and expenses which are not directly attributable to the business activities of any operating segment; and

– income tax expense.

In addition, the operating results of the operating segments include completed segment results of the manufacture and sale of BMW vehicles, which are currently reported on the basis of the Group's share of equity interests in BBA and included in the consolidated financial statements prepared under HKFRSs.

Segment assets include all assets other than interests in joint ventures *(note 16)*, interests in associates *(note 17)* and equity investments *(note 18)*. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities include all liabilities other than corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

In addition, segment assets and segment liabilities include assets and liabilities of the "manufacture and sale of BMW vehicles" segment, which are currently reported on the basis of the Group's share of equity interests in BBA included in the consolidated financial statements prepared under HKFRSs.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.26 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

The party is

(a) a person or a close member of that person's family and 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 of a parent of the Group.

The party is

(b) an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture or a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

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.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

3.27 Future changes in HKFRSs

As at the date of authorisation of these consolidated financial statements, the HKICPA has issued certain new and amended HKFRSs which are relevant to the Group and not yet effective.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[3]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause[3]
HKFRS 17	Insurance Contracts and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

1 Effective for annual periods beginning on or after 1st January, 2021
2 Effective for annual periods beginning on or after 1st January, 2022
3 Effective for annual periods beginning on or after 1st January, 2023
4 Effective date not yet determined
5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1st January, 2022

The directors of the Group anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The directors expect that the new and amended HKFRSs have no material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the accounting policies set out in note 3, management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

(a) Depreciation and amortisation

Right-of-use assets included, the net book values of the Group's property, plant and equipment (other than construction-in-progress) and land lease prepayments as at 31st December, 2020 were approximately RMB1,593,482,000 (2019: approximately RMB2,239,030,000) and RMB80,265,000 (2019: approximately RMB82,281,000), respectively. The Group depreciates its property, plant and equipment, other than construction-in-progress, on a straight-line basis after taking into account their estimated residual value, over 5 to 30 years for property, plant and equipment other than special tools and moulds. For depreciation of tools and moulds, they are depreciated over the estimated product life cycle of the automobiles that are manufactured with the respective tools and moulds. The land lease prepayments are amortised over the lease term on a straight-line basis.

The Group's intangible assets as at 31st December, 2020 were approximately and RMB618,058,000 (2019: approximately RMB946,557,000). Intangible assets are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

The depreciation and amortisation rates are determined based on the estimated useful lives and reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets with reference to the current condition and the level of technological advancement of these assets compared with the market. When there is a change in technological advancement in the market which reduces the expected useful lives of these assets, the depreciation and amortisation rates are adjusted which would have a negative impact on the Group's results.

(b) Impairment test of interests in associates

The Group determines whether interests in associates are required to be impaired based on an estimation of the value of the cash-generating units. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2020, carrying values of interests in associates was approximately RMB1,108,960,000 (2019: approximately RMB1,571,131,000). The interests in associates also include goodwill of investment in listed associates of approximately RMB72,799,000 (2019: approximately RMB72,799,000) which was fully impaired in the year (2019: nil) and goodwill in investment in unlisted associate of RMB26,654,000 (2019: approximately RMB26,654,000). In addition, an impairment loss of approximately RMB42,207,000 (2019: nil) was also recognised for the interests in an unlisted associate for the year. Based on the assessment, no further impairment loss as at 31st December, 2020 is considered necessary by the directors. If the actual future cash flows of these associates are less than expected, the maximum potential impact to the consolidated financial statements would be the carrying amounts of interests in associates.

(c) Provision for inventories

The Group's management reviews inventory aging analysis at each reporting date and makes allowance for obsolete and slow-moving items of inventories that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in-progress based principally on the selling prices of the respective finished goods and prevailing market conditions. The management carries out an inventory review on a product-by-product basis at each reporting date and makes allowance for obsolete items.

Situation in the PRC automobile market could change from time to time and this can put pressure on the selling prices and the turnover of the Group's inventories. As at 31st December, 2020, the Group had inventories of approximately RMB505,883,000 (2019: approximately RMB705,096,000) (net of provision for inventories of approximately RMB192,756,000 (2019: approximately RMB199,885,000)). Should there be an unexpected change in market condition, the provision may not be adequate and further impairment may be required.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

(d) ECL on receivables

The Group makes allowances on items subject to ECL (including accounts receivable from third parties and affiliated companies, loan receivables, other receivables and amounts due from affiliated companies) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. As at 31st December, 2020, the Group had accounts receivable from third parties and affiliated companies totalling approximately RMB896,261,000, net of ECL allowance of approximately RMB244,582,000 (2019: approximately RMB1,082,731,000, net of ECL allowance of approximately RMB72,559,000), loan receivables of approximately RMB5,507,531,000, net of ECL allowance of approximately RMB100,668,000 (2019: approximately RMB6,858,462,000, net of ECL allowance of approximately RMB109,315,000), other receivables (included in current assets and non-current assets) totalling of approximately RMB594,913,000, net of ECL allowance of approximately RMB3,913,815,000 (2019: approximately RMB5,066,421,000 (as restated), net of ECL allowance of approximately RMB176,470,000 (as restated)), dividend receivable of approximately RMB16,534,000 (2019: RMB17,100,000), net of ECL allowance of approximately RMB566,000 (2019: nil) and amounts due from affiliated companies of approximately RMB2,043,391,000, net of ECL allowance of approximately RMB1,471,233,000 (2019: approximately RMB1,026,629,000 (as restated), net of ECL allowance of approximately RMB24,129,000 (as restated)), pledged and restricted short-term bank deposits of RMB1,514,023,000 (2019: RMB3,093,923,000), net of ECL allowance of approximately RMB1,050,000,000 (2019: nil).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of financial assets mentioned above.

(e) Warranty provisions

The Group makes provisions for product warranties *(note 27(a))* granted by the Group in respect of certain products. These provisions are recognised based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

(f) Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Details of the basis and assumptions used in estimating the recoverable amounts of the Group's intangible assets and property, plant and equipment are set out in note 13 and note 14, respectively.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's major financial instruments include cash and cash equivalents, bank deposits, loan receivables, amounts due from affiliated companies, equity investments, accounts and notes receivable, other receivables, accounts and notes payable, other payables and interest-bearing borrowings, security deposits for wholesale auto financing, accrued expenses, dividend payable and amounts due to affiliated companies. Details of the policies on mitigating the risks from these financial instruments are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

The Group's credit risk primarily consists of accounts receivable, notes receivable, loan receivables, amounts due from affiliated companies, other receivables, cash and cash equivalents, and bank deposits from a variety of customers and debtors including state and local agencies, municipalities and private industries and their affiliated companies, bank balances and deposits, and guarantees for loans drawn by its affiliated companies.

In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 to 90 days are set for PRC customers, and customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow-up collection with customers.

The Group reviews regularly the recoverable amount of each individual receivable and adequate ECL allowance is made for any balance determined to be unrecoverable.

Due to the fact that Huachen has been undergoing bankruptcy restructuring procedures, in accordance with the relevant laws and the opinion from lawyers, RBJAC, as the creditor of Huachen, can offset all intercompany debts between the RBJAC and Huachen. After the offset, the Group still had accounts receivable of approximately RMB569,394,000 and other receivables of approximately RMB193,930,000 from Huachen. Hence, the ECL allowance calculation in relation to the receivable due from Huachen recorded in RBJAC's book have taken into accounts of netting off the payable due to Huachen. For the remaining balance, since there was an increase in the risk of default, based on lifetime ECL assessment (credit-impaired), ECL allowances for full outstanding amounts were recognised for the year. As at 31st December, 2020, the Group has no significant concentration of credit risk in accounts receivable except that about 28% (2019: 48%) of accounts receivable were due from Huachen.

The Group performs impairment assessment under ECL model on loan receivables and other receivables based on 12 months' ECL. The credit risk on loan receivables are limited because all loan receivables are secured by the motor vehicles of the borrowers for retail auto financing, and security deposits are required for wholesale auto financing and the counterparties have no material historical default record. However, due to the outbreak of the coronavirus, the directors expect that there would be a certain negative impact on the general economic conditions for the 12 months after the reporting date. Based on the Group's assessment with reference to the market of motor vehicle financing, the respective possible impact has been considered when making the provision for ECL allowance for loan receivables.

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

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(a) Credit risk (Cont'd)

The following table analyses the financial instruments and the related allowance for ECL, and is comprised of accounts receivable, loan receivables, amounts due from affiliated companies, other receivables and pledged and restricted short-term bank deposits, and assessed based on the provision matrix, 12-month or life-time ECL as at 31st December, 2020:

	2020		2019	
	Gross carrying amount RMB'000	**ECL allowance RMB'000**	Gross carrying amount RMB'000 (Restated)	ECL allowance RMB'000 (Restated)
Accounts receivable	**404,502**	**78,221**	429,989	45,235
Accounts receivable from affiliated companies	**736,341**	**166,361**	725,301	27,324
Loan receivables	**5,608,199**	**100,668**	6,967,777	109,315
Amounts due from affiliated companies	**3,514,624**	**1,471,233**	1,050,758	24,129
Dividend receivable from an affiliated company	**17,100**	**566**	17,100	–
Other receivables	**4,507,858**	**3,913,782**	5,241,586	176,425
Other receivables grouped under other non-current assets	**870**	**33**	1,305	45
Pledged and restricted short-term bank deposits	**2,564,023**	**1,050,000**	3,093,923	–
	17,353,517	**6,780,864**	17,527,739	382,473

The credit risk on liquid funds with banks is limited because these banks are authorised banks in the PRC and Hong Kong with high credit ratings.

The Group's maximum exposure of credit risk for the component of the consolidated statement of financial position as at 31st December, 2020 and 2019 is the carrying amount as disclosed in note 5(e).

(b) Liquidity risk

In managing liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations, expected expansion and product developments. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(b) Liquidity risk (Cont'd)

As at 31st December, 2020 and 2019, the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows, are summarised below:

As at 31st December, 2020

	Within 1 year or repayable on demand RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities					
Accounts payable	**1,459,316**	**–**	**–**	**1,459,316**	**1,459,316**
Notes payable	**1,941,987**	**–**	**–**	**1,941,987**	**1,941,987**
Other payables	**1,576,534**	**–**	**–**	**1,576,534**	**1,576,534**
Security deposits for wholesale auto financing	**73**	**–**	**–**	**73**	**73**
Accrued expenses	**116,123**	**–**	**–**	**116,123**	**116,123**
Bank borrowings	**4,869,742**	**384,895**	**–**	**5,254,637**	**5,126,900**
Lease liabilities	**21,025**	**33,270**	**45,435**	**99,730**	**77,208**
Amounts due to affiliated companies	**2,127,848**	**–**	**–**	**2,127,848**	**2,127,848**
	12,112,648	**418,165**	**45,435**	**12,576,248**	**12,425,989**

At 31st December, 2019

	Within 1 year or repayable on demand RMB'000	Over 1 year but within 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities					
Accounts payable	1,540,224	–	–	1,540,224	1,540,224
Notes payable	4,959,295	–	–	4,959,295	4,959,295
Other payables	1,033,357	–	–	1,033,357	1,033,357
Security deposits for wholesale auto financing	37,350	–	–	37,350	37,350
Accrued expenses	143,071	–	–	143,071	143,071
Bank borrowings	6,453,737	20,385	–	6,474,122	6,332,000
Lease liabilities	21,924	32,431	49,247	103,602	78,981
Amounts due to affiliated companies	430,339	–	–	430,339	430,339
	14,619,297	52,816	49,247	14,721,360	14,554,617

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(b) Liquidity risk (Cont'd)

	2020 **RMB'000**	2019 RMB'000
Financial guarantees		
– Huachen *(note 30)*	**5,898,000**	–
– Shenyang JinBei Automotive Co., Ltd. ("**JBC**") *(note 38)*	**236,000**	206,000
	6,134,000	206,000

As detailed in note 30, unauthorised guarantees to four banks, without the knowledge of and approval by the board of directors of the Company, were arranged by the former management of a subsidiary of the Group for the banking financing granted to Huachen. Huachen was finally unable to repay the bank financing and has been undergoing a restructuring, and SJAI as the guarantor is being sued by these banks to recover their losses. Provision of RMB1,971,062,000 has been recognised in these consolidated financial statements for the estimated loss for the Group's obligations in these unauthorised guarantees as set out in note 30.

The amounts included under financial guarantee granted to JBC are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. In the opinion of the directors, the fair values of the financial guarantee contracts are insignificant at initial recognition. Based on expectations at the end of the reporting period, the directors considered that it was not probable that the borrower of the loan would default on the repayment of the loan and therefore no provision for the Group's obligation under the guarantee has been made.

(c) Currency risk

The Group's business mainly operates in the PRC with most of its transactions denominated and settled in RMB, except for certain receivables and payables, and cash and cash equivalents which are denominated in U.S. Dollars and Hong Kong Dollars and are therefore exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge against foreign exchange risk.

At 31st December, 2020, if the RMB had strengthened/weakened by 3% against the U.S. Dollar with all other variables held constant, the post-tax profit for the year would have been approximately RMB6 million lower/higher (2019: approximately RMB11 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of the U.S. Dollar denominated accounts receivable, cash and cash equivalents and short-term bank deposits.

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank loans, discounted bank guaranteed notes and bank deposits except for the lease liabilities charging fixed interest rate.

Funds not required by the Group in the short-term are kept as temporary demand or time deposits in commercial banks and the Group does not hold any market risk-sensitive instruments for speculative purposes.

Assuming the cash and cash equivalents, short-term deposits, pledged short-term bank deposits, short-term bank borrowings, long-term bank borrowings, notes payable and statutory deposit reserves at central bank for financing outstanding as at 31st December, 2020 were outstanding for the whole year, a 50 basis point increase or decrease would decrease or increase the profit after tax and equity of the Group by approximately RMB7.46 million (2019: decrease or increase the profit after tax and equity of the Group by approximately RMB31.67 million). The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis was performed on the same basis for 2019.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(e) Summary of financial instruments by category

The carrying amounts of the Group's financial assets and financial liabilities at 31st December, 2020 and 2019 are categorised as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	**2,021,771**	2,763,533
Statutory deposit reserves at central bank	**31,564**	23,344
Short-term bank deposits	**500,000**	1,500,000
Pledged and restricted short-term bank deposits	**1,514,023**	3,093,923
Accounts receivable	**896,261**	1,082,731
Loan receivables	**5,507,531**	6,858,462
Other receivables	**594,913**	5,066,421
Amounts due from affiliated companies	**2,043,391**	1,026,629
Financial assets at FVOCI (non-recycling):		
Listed equity securities	**2,743**	2,339
Unlisted equity securities	**4,138**	4,138
Financial assets at FVOCI (recycling):		
Notes receivable	**108,501**	169,269
	13,224,836	21,590,789

	2020 RMB'000	2019 RMB'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Accounts payable	**1,459,316**	1,540,224
Notes payable	**1,941,987**	4,959,295
Other payables	**1,576,534**	1,033,357
Security deposits for wholesale auto financing	**73**	37,350
Accrued expenses	**116,123**	143,071
Lease liabilities	**77,208**	78,981
Bank borrowings	**5,126,900**	6,332,000
Amounts due to affiliated companies	**2,127,848**	430,339
	12,425,989	14,554,617

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(f) Fair value measurements recognised in the consolidated statement of financial position

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The Group's financial assets and liabilities measured, on a recurring basis, at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2020			2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Financial assets						
Financial assets at FVOCI (non-recycling)						
– Listed equity investment	**2,743**	**–**	**–**	2,339	–	–
– Unlisted equity investment (recycling)	**–**	**–**	**4,138**	–	–	4,138
– Notes receivable	**–**	**108,501**	**–**	–	169,269	–
	2,743	**108,501**	**4,138**	2,339	169,269	4,138

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 is unchanged compared to the previous reporting periods. Future cash flows are estimated based on discount rates which are referenced to rates currently available for instruments issued by commercial banks with similar terms, observable forward exchange rates, credit risk and risk free rate corresponding to the maturity of the structured deposits.

There have been no transfers between levels 1, 2 and 3 or issue or settlement of financial instruments of levels 1, 2 and 3 during the reporting years.

The carrying amounts of the Group's financial assets measured at fair values were not material to the consolidated financial position as at 31st December, 2020 and 2019.

6. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2020 **RMB'000**	2019 RMB'000
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	**2,554,363**	3,391,432
Interest and service charge income from provision of auto financing service, net of other indirect taxes	**568,847**	470,517
	3,123,210	3,861,949

Sale of minibuses, MPVs and automotive components are recognised at a point of time.

During the year, the Group had two largest customers with aggregate revenue of approximately RMB386,909,000 or 12% of the Group's revenue (2019: one largest customer with aggregate revenue of approximately RMB380,342,000 or 10% of the Group's revenue). Other than these two largest customers (2019: one largest customer), no other customer had aggregate revenue reaching or exceeding 10% of the Group's revenue during the year (2019: same).

Although the minibuses, MPVs and automotive components of the Group are primarily sold in the PRC, the Group is exploring opportunities in the overseas markets and the sales by location of customers are as follows:

	2020 **RMB'000**	2019 RMB'000
PRC	**2,360,843**	3,186,737
Other Asian countries	**10,247**	3,889
Latin America and Caribbean Sea	**123,512**	190,946
Middle East	**28,770**	9,746
Others	**30,991**	114
	2,554,363	3,391,432

All interest and service charge income from provision of auto financing service is derived in the PRC.

The directors identify the Group's operating segments as detailed in note 3.25. All segment assets are located in the PRC.

6. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2020

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	**2,554,363**	**188,271,383**	**581,566**	**(188,284,102)**	**3,123,210**
Segment results	**(10,623,432)**	**27,036,338**	**73,695**	**(27,024,889)**	**(10,538,288)**
Unallocated costs net of unallocated income					**(83,890)**
Interest income					**185,058**
Finance costs					**(135,465)**
Share of results of:					
Joint ventures	**–**	**10,091,949**	**–**	**–**	**10,091,949**
Associates	**(347,954)**	**–**	**–**	**–**	**(347,954)**
Loss before income tax expense					**(828,590)**

Operating segments – 2019 (Restated)

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	3,391,432	169,441,062	479,659	(169,450,204)	3,861,949
Segment results (as restated)	(1,440,618)	20,393,874	51,979	(20,375,245)	(1,370,010)
Unallocated costs net of unallocated income					(48,183)
Interest income					101,395
Finance costs					(95,460)
Share of results of:					
Joint ventures	–	7,626,004	–	–	7,626,004
Associates	(16,757)	–	–	–	(16,757)
Profit before income tax expense (as restated)					6,196,989

6. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2020

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	11,302,384	139,305,840	6,078,299	(139,963,280)	16,723,243
Interests in joint ventures	–	29,960,324	–	–	29,960,324
Interests in associates	1,108,960	–	–	–	1,108,960
Equity investments					6,881
Unallocated assets					175,305
Total assets					47,974,713
Segment liabilities	10,887,881	79,385,192	4,383,453	(80,048,778)	14,607,748
Unallocated liabilities					9,835
Total liabilities					14,617,583
Other disclosures:					
Capital expenditures					
– Owned assets	541,155	9,240,390	7,296	(9,240,390)	548,451
– Right-of-use assets	9,432	302,903	11,902	(302,903)	21,334
Depreciation of property, plant and equipment					
– Owned assets	275,871	4,588,554	1,645	(4,588,554)	277,516
– Right-of-use assets	18,337	264,359	5,900	(264,359)	24,237
Amortisation of land lease prepayments	2,116	79,078	–	(79,078)	2,116
Amortisation of intangible assets	133,563	123,363	5,450	(123,363)	139,013
Provision for inventories	118,502	1,239,145	–	(1,239,145)	118,502
Reversal of provision for inventories sold	122,699	924,966	–	(924,966)	122,699
Net provision of ECL allowance	6,374,036	–	85,397	–	6,459,433
Loss on unauthorised guarantees	1,917,062	–	–	–	1,917,062
Impairment losses on assets	930,160	126,213	–	(126,213)	930,160
Impairment losses on interests in associates	115,006	–	–	–	115,006
Income tax expense	5,472	6,932,539	23,484	(6,832,539)	128,956

6. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2019 (Restated)

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets (as restated)	18,639,135	116,080,980	7,752,825	(116,435,143)	26,037,797
Interests in joint ventures	–	21,555,021	–	–	21,555,021
Interests in associates	1,571,131	–	–	–	1,571,131
Equity investments					6,477
Unallocated assets					204,111
Total assets (as restated)					49,374,537
Segment liabilities	9,240,705	72,970,938	6,107,833	(73,335,412)	14,984,064
Unallocated liabilities					10,488
Total liabilities					14,994,552
Other disclosures:					
Capital expenditures					
– Owned assets	974,418	6,923,132	7,678	(6,923,132)	982,096
– Right-of-use assets	7,002	1,050,942	–	(1,050,942)	7,002
Depreciation of property, plant and equipment					
– Owned assets	250,154	4,395,528	1,428	(4,395,528)	251,582
– Right-of-use assets	17,466	226,632	5,803	(226,632)	23,269
Amortisation of land lease prepayments	2,116	53,140	–	(53,140)	2,116
Amortisation of intangible assets	122,771	119,398	4,695	(119,398)	127,466
Provision for inventories	165,793	952,824	–	(952,824)	165,793
Write-back of provision for inventories sold	56,854	730,651	–	(730,651)	56,854
Net provision of ECL allowance (as restated)	96,945	–	76,586	(52,146)	121,385
Impairment losses on assets	283,747	172,517	–	(172,517)	283,747
Income tax expense	2,946	5,127,379	12,508	(4,927,379)	215,454

7. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expense on:		
– Bank borrowings	**83,163**	49,786
– Discounted bank guaranteed notes/net loss arising on FVOCI	**50,048**	44,186
– Finance charges on lease liabilities	**3,797**	4,125
	137,008	98,097
Less: interest expense capitalised in intangible assets and construction-in-progress at a rate of 5.65% (2019: 6.0%)	**(1,543)**	(2,637)
	135,465	95,460

8. (LOSS) PROFIT BEFORE INCOME TAX EXPENSE

(Loss) Profit before income tax expense is stated after charging and crediting the following:

	Note	2020 RMB'000	2019 RMB'000 (Restated)
Charging:			
ECL allowance on loans and receivables:			
– Pledged and restricted short-term bank deposits	20	**1,050,000**	–
– Accounts receivable	22(a)	**32,986**	9,059
– Loan receivables	19	**51,628**	77,999
– Other receivables grouped under			
– Current assets	24(a)	**3,737,357**	82,368
– Non-current assets		**–**	4
– Accounts receivable from affiliated companies	35(c)	**139,037**	450
– Amounts due from affiliated companies	35(e)	**1,447,871**	–
– Dividend receivable from an affiliated company	35(f)	**566**	–
Impairment losses on owned assets:			
– Property, plant and equipment (b)	14	**573,016**	283,747
– Intangible assets (b)	13	**357,144**	–
Impairment losses on interests in associates:			
– Listed associate (b)	17	**72,799**	–
– Unlisted associate (b)	17	**42,207**	–
Staff costs (including directors' emoluments)	12(a)	**648,363**	761,030
Amortisation of intangible assets (a)	13	**139,013**	127,466
Amortisation of land lease prepayments	15	**2,116**	2,116
Loss on disposal of property, plant and equipment:			
– Owned assets		**6,649**	1,783
– Right-of-use assets		**891**	–
Loss on disposal of intangible assets		**–**	82
Depreciation of property, plant and equipment:			
– Owned assets	14	**277,516**	251,582
– Right-of-use assets	14	**24,237**	23,269
Cost of inventories		**2,803,141**	3,570,892
Exchange loss, net (b)		**46,760**	5,476
Provision for inventories	21	**118,502**	165,793
Auditors' remuneration (b)		**3,541**	3,286
Research and development costs (b)		**412,009**	142,603
Warranty provision (b)		**4,092**	24,154
Lease charges:			
– Short-term leases with lease terms of 12 months or shorter		**15,068**	12,103
– Low value items		**368**	472
Crediting:			
Reversal of provision for inventories sold	21	**122,699**	56,854
Rental income from land and buildings		**5,268**	5,265
Reversal of ECL allowance on loans and receivables:			
– Other receivables grouped under non-current assets		**12**	–
– Amounts due from affiliated companies	35(e)	**–**	48,495

(a) Amortisation of intangible assets in relation to production was included in cost of sales; amortisation of intangible assets for other purposes was included in general and administrative expenses.

(b) Included in general and administrative expenses.

9. INCOME TAX EXPENSE

The income tax charged to the consolidated statement of profit or loss represents:

	2020	2019
	RMB'000	RMB'000
Current tax		
PRC corporate income tax		
– Current year	**31,861**	18,697
– Over provision in prior years	**(2,905)**	(3,243)
PRC withholding tax on dividend	**100,000**	200,000
Total income tax expense	**128,956**	215,454

(a) Bermuda tax

The Company was incorporated under the laws of Bermuda and has received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966, which exempts the Company and its shareholders, other than shareholders ordinarily residing in Bermuda, from any Bermuda taxes computed on profit, income or any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, at least until year 2035.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2019: nil).

(c) PRC corporate income tax

The Group's subsidiaries incorporated in the PRC are subject to Corporate Income Tax. Under the PRC Corporate Income Tax Law and the respective regulations, the Corporate Income Tax for the subsidiaries, except Mianyang Ruian, is calculated at 25% on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Mianyang Ruian received official designation by the local tax authority as a foreign-invested enterprise engaged in manufacturing activities and was also designated as an entity under "the encouraged industries under Catalogue for the Guidance of Foreign Investment Industries" and with its location in the Western region of the PRC, the applicable income tax rate for Mianyang Ruian is 15%.

With effect from 1st January, 2008, all profits of the PRC subsidiaries arising since that date that are distributed and remitted as dividend to the overseas parents are subject to 5% or 10% withholding tax on the amount remitted. The dividends received by the Company during the year related solely to the dividends distributed by BBA and therefore dividend withholding tax is paid in the same year. For the profits generated by the manufacture of minibuses, MPVs and automotive components by the Group's subsidiaries, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore withholding tax would not be applicable for those profits. Accordingly, no deferred tax is recognised in respect of this withholding tax on profits of the Group's PRC subsidiaries. Unremitted earnings (determined under PRC GAAP) subject to this withholding tax totalled approximately RMB7,317,158,000 at 31st December, 2020 (2019: approximately RMB5,301,834,000).

9. INCOME TAX EXPENSE (Cont'd)

Reconciliation between tax expense and accounting (loss) profit using the weighted average taxation rate of the companies within the Group is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
(Loss) Profit before income tax expense	**(828,590)**	6,196,989
Calculated at a weighted average statutory taxation rate in the PRC of 4.99% (2019: 25.35%)	**(41,310)**	1,571,129
Effect of tax holiday	**(34)**	(260)
Tax effect of non-taxable income	**(35,325)**	(9,893)
Tax effect of non-deductible expenses	**1,606,685**	627
Profits attributable to joint ventures	**(2,522,987)**	(1,906,501)
Losses attributable to associates	**86,989**	4,189
PRC withholding tax on dividend	**100,000**	200,000
Unrecognised temporary differences	**672,188**	97,447
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	**265,655**	261,959
Over provision in prior years	**(2,905)**	(3,243)
Tax expense for the year	**128,956**	215,454

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB11,219,000 (2019: approximately RMB6,667,240,000 (as restated)) by the weighted average number of ordinary shares of 5,045,269,000 shares (2019: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2020 (2019: same) as there was no potential dilutive ordinary share in issue during the year (2019: same).

11. DIVIDENDS

	2020		2019	
	HK$'000	RMB'000	HK$'000	RMB'000
Special dividends of HK$0.30 per share declared during the year (2019: HK$0.74 per share)	**1,513,581**	**1,368,126**	3,733,499	3,280,290
Dividends of HK$0.11 per share declared during the year (2019: HK$0.11 per share)	**554,980**	**501,646**	554,980	487,611
	2,068,561	**1,869,772**	4,288,479	3,767,901

The directors of the Company did not recommend any dividend payment at the board meeting held on 29th July, 2022 in respect of the Group's 2020 annual results.

12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Staff costs

	2020 **RMB'000**	2019 RMB'000
Wages, salaries and performance related bonus	**517,727**	574,249
Pension costs – defined contribution plans	**29,342**	67,842
Staff welfare costs	**101,294**	118,939
	648,363	761,030

(b) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

		Other emoluments			
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2020					
Executive directors					
Mr. Wu Xiao An	–	4,423	4,080	16	8,519
Mr. Yan Bingzhe *(Note 1)*	–	–	–	–	–
Mr. Qian Zuming *(Note 3)*	–	–	1,023	–	1,023
Mr. Zhang Wei	–	–	–	–	–
Mr. Sun Baowei *(Note 4)*	–	–	902	–	902
Ms. Ma Nina *(Note 4)*	–	–	–	–	–
	–	4,423	6,005	16	10,444
Independent non-executive directors					
Mr. Xu Bingjin *(Note 5)*	133	88	–	–	221
Mr. Song Jian	133	88	–	–	221
Mr. Jiang Bo	133	88	–	–	221
Mr. Dong Yang *(Note 6)*	–	–	–	–	–
	399	264	–	–	663
	399	4,687	6,005	16	11,107

12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT (Cont'd)

(b) Directors' and chief executive's emoluments (Cont'd)

The aggregate amounts of emoluments paid and payable to the directors of the Company during 2019 are as follows:

		Other emoluments			
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2019					
Executive directors					
Mr. Wu Xiao An	–	4,428	4,037	16	8,481
Mr. Yan Bingzhe *(Note 1)*	–	–	–	–	–
Mr. Qi Yumin *(Note 2)*	–	–	–	–	–
Mr. Qian Zuming *(Note 3)*	–	222	1,774	–	1,996
Mr. Zhang Wei	–	–	–	–	–
	–	4,650	5,811	16	10,477
Independent non-executive directors					
Mr. Xu Bingjin *(Note 5)*	133	89	–	–	222
Mr. Song Jian	133	89	–	–	222
Mr. Jiang Bo	133	89	–	–	222
	399	267	–	–	666
	399	4,917	5,811	16	11,143

Note 1: Mr. Yan Bingzhe was appointed as a director of the Company on 12th April, 2019 but resigned on 12th August, 2021.

Note 2: Mr. Qi Yumin resigned as a director of the Company on 12th April, 2019.

Note 3: Mr. Qian Zuming was a chief executive of the Company but resigned on 29th July, 2020.

Note 4: Mr. Sun Baowei and Ms. Ma Nina were appointed as directors of the Company on 29th July, 2020. Ms. Ma Nina then resigned on 5th November, 2021

Note 5: Mr. Xu Bingjin passed away on 25th February, 2021.

Note 6: Mr. Dong Yang was appointed as a director of the Company on 21st May, 2021.

In both 2020 and 2019,

– no share option was granted to any of the directors;

– no emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office; and

– no directors waived their emoluments.

12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT (Cont'd)

(b) Directors' and chief executive's emoluments (Cont'd)

The ultimate objective of the Group's emolument policy is to ensure that the pay levels of its employees are in line with industry practices and prevailing market conditions so as to enable the Group to attract and retain persons of high quality and experience which is essential to the success of the Group.

In determining the level of fees and other emoluments paid to directors of the Company, market rates and factors such as each director's workload and required commitment are taken into account:

– Remuneration of executive directors comprises basic remuneration determined with reference to their qualifications, industry experience and responsibilities within the Group, and a performance-based remuneration. In determining the performance-based remuneration of executive directors, reward is given to the Company's corporate goals and objectives set by the board from time to time and the performance and contribution of the individual to the Group's overall performance.

– Non-executive director is compensated with reference to his qualifications, expertise and experience and the amount of time allocated to the affairs of the Group.

– Independent non-executive directors are compensated with reference to the level of compensation awarded to independent non-executive directors by other companies listed on the SEHK; the responsibilities assumed by such independent non-executive directors; complexity of the automobile industry and the business of the Group; goodwill and reputational value brought to the Group by the relevant independent non-executive director.

During the process of consideration, no individual director is involved in decisions relating to his own remuneration.

(c) Remuneration of senior management

Pursuant to Appendix 14 to the Listing Rules, the remuneration of senior management, excluding directors, is within the following bands:

	2020 Number	2019 Number
Under HK$500,000	**–**	–
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	–
HK$6,000,001 to HK$6,500,000	**1**	–

12. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT (Cont'd)

(d) Five highest paid individuals

The five highest paid individuals in the Group during the year included one director (2019: one director), details of whose emoluments have been disclosed in note (b) above. The emoluments paid to the remaining four individuals (2019: four individuals) for the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**12,401**	10,762
Performance related bonus	**3,035**	1,641
Contributions to retirement benefits schemes	**16**	16
	15,452	12,419

The number of the highest paid individuals, other than the directors, whose emoluments fell within the following bands is as follows:

	2020 **Number**	2019 Number
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	–
HK$5,500,001 to HK$6,000,000	**–**	–
HK$6,000,001 to HK$6,500,000	**1**	–

The emoluments represent the amounts paid to or receivable by the individuals in the respective financial year, which include the benefits derived from the share options granted, if any.

During the year, no emoluments were paid to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office (2019: same).

13. INTANGIBLE ASSETS

	Development costs RMB'000	Specialised software RMB'000	Total RMB'000
Cost			
As at 1st January, 2019	2,086,385	75,817	2,162,202
Additions	438,274	18,016	456,290
Transfer from construction-in-progress	5,017	843	5,860
Disposals/Write-off	–	(213)	(213)
As at 31st December, 2019	2,529,676	94,463	2,624,139
As at 1st January, 2020	**2,529,676**	**94,463**	**2,624,139**
Additions	**147,370**	**6,495**	**153,865**
Transfer from construction-in-progress	**1,800**	**11,993**	**13,793**
As at 31st December, 2020	**2,678,846**	**112,951**	**2,791,797**
Accumulated amortisation and impairment losses			
As at 1st January, 2019	1,518,992	31,255	1,550,247
Amortisation	117,294	10,172	127,466
Eliminated on disposals/Write-off	–	(131)	(131)
As at 31st December, 2019	1,636,286	41,296	1,677,582
As at 1st January, 2020	**1,636,286**	**41,296**	**1,677,582**
Amortisation	**126,388**	**12,625**	**139,013**
Impairment loss	**357,144**	**–**	**357,144**
As at 31st December, 2020	**2,119,818**	**53,921**	**2,173,739**
Net book value			
As at 31st December, 2020	**559,028**	**59,030**	**618,058**
As at 31st December, 2019	893,390	53,167	946,557

The development costs at 31st December, 2020 represent the carrying value of development costs for automobile projects.

As at 31st December, 2020, after the impairment loss of approximately RMB573 million for property, plant and equipment and approximately RMB261 million for intangible assets in relation to F-series and RMB96 million in relation to H-series (2019: impairment loss of RMB284 million for property, plant and equipment in relation to Huasong project), all the carrying amounts of the F-series assets were fully impaired based on management reassessed future economic benefit (2019: all the carrying amounts of the Huasong project assets were fully impaired based on management reassessed future economic benefit).

The recoverable amounts of automobile projects of RMB2,109 million are determined on a value-in-use basis. Value-in-use calculation uses cash flow projections based on financial budgets covering the product life cycle. The management determines the key assumptions which include budgeted revenue and cost based on past performance of other automobile projects, the general price inflation in the PRC, and the management's expectation on market development. The discount rate of 12.36% (2019: 12.14%) is pre-tax and derived by reference to the capital asset pricing model plus a risk premium reflecting specific risks related to the industry.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Tools and moulds, machinery and equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
As at 1st January, 2019	906,447	2,870,292	354,271	77,776	234,387	4,443,173
Additions	13,930	21,904	16,165	1,454	479,355	532,808
Transfer to intangible assets	–	–	–	–	(5,860)	(5,860)
Inter-transfer	9,789	284,314	18,455	107	(312,665)	–
Disposals/Write-off	(693)	(4,330)	(24,407)	(9,784)	–	(39,214)
As at 31st December, 2019	929,473	3,172,180	364,484	69,553	395,217	4,930,907
As at 1st January, 2020	**929,473**	**3,172,180**	**364,484**	**69,553**	**395,217**	**4,930,907**
Additions	**25,955**	**43,929**	**11,539**	**1,899**	**332,497**	**415,819**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**(13,793)**	**(13,793)**
Inter-transfer	**8,736**	**112,831**	**13,264**	**2,503**	**(137,334)**	**–**
Disposals/Write-off	**(1,356)**	**(31,047)**	**(1,389)**	**(5,377)**	**–**	**(39,169)**
As at 31st December, 2020	**962,808**	**3,297,893**	**387,898**	**68,578**	**576,587**	**5,293,764**
Accumulated depreciation and impairment losses						
As at 1st January, 2019	354,795	1,125,640	244,782	56,735	15,799	1,797,751
Charge for the year	51,637	191,650	26,629	4,935	–	274,851
Impairment losses	–	272,488	–	–	11,259	283,747
Eliminated on disposals/Write-off	(443)	(3,700)	(20,626)	(7,862)	–	(32,631)
As at 31st December, 2019	405,989	1,586,078	250,785	53,808	27,058	2,323,718
As at 1st January, 2020	**405,989**	**1,586,078**	**250,785**	**53,808**	**27,058**	**2,323,718**
Charge for the year	**53,472**	**216,652**	**27,559**	**4,070**	**–**	**301,753**
Impairment losses *(note 13)*	**6,289**	**529,178**	**6,034**	**1,128**	**30,387**	**573,016**
Inter-transfer	**–**	**10,074**	**(4)**	**–**	**(10,070)**	**–**
Eliminated on disposals/Write-off	**(465)**	**(21,348)**	**(1,250)**	**(4,354)**	**–**	**(27,417)**
As at 31st December, 2020	**465,285**	**2,320,634**	**283,124**	**54,652**	**47,375**	**3,171,070**
Net book value						
As at 31st December, 2020	**497,523**	**977,259**	**104,774**	**13,926**	**529,212**	**2,122,694**
As at 31st December, 2019	523,484	1,586,102	113,699	15,745	368,159	2,607,189

As at 31st December, 2020, the short-term and long-term borrowings in aggregate are secured by the Group's buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book value of approximately RMB163.4 million (2019: approximately RMB241.5 million).

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The carrying amounts and movements of property, plant and equipment which are right-of-use assets are as follows:

	Buildings	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000
As at 1st January, 2019	97,227	59	97,286
Additions	7,002	–	7,002
Depreciation	(23,250)	(19)	(23,269)
As at 31st December, 2019	80,979	40	81,019
Additions	18,872	177	19,049
Modification of lease agreements	2,285	–	2,285
Disposals/Write-off	(891)	–	(891)
Depreciation	(24,178)	(59)	(24,237)
As at 31st December, 2020	77,067	158	77,225

The details of the lease liabilities in respect of the above right-of-use assets as well as the right-of-use assets of land lease prepayments in note 15 are set out in note 28.

15. LAND LEASE PREPAYMENTS

The carrying value of land lease prepayments represents cost less accumulated amortisation paid for land use rights in the PRC under medium term leases of not more than 50 years. The prepaid lease payments fall into the scope of HKFRS 16 as they meet the definition of right-of-use assets. The value to be amortised within the next twelve months after 31st December, 2020 amounts to approximately RMB2,116,000 (2019: approximately RMB2,116,000).

	2020	2019
	RMB'000	RMB'000
Cost		
At 1st January,	**122,486**	122,486
Additions	**100**	–
At 31st December,	**122,586**	122,486
Accumulated amortisation		
As at 1st January,	**40,205**	38,089
Charge for the year	**2,116**	2,116
As at 31st December,	**42,321**	40,205
Net book value		
As at 31st December,	**80,265**	82,281

At 31st December, 2020, the short-term and long-term borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB31.5 million (2019: approximately RMB32.1 million).

16. INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets by equity method		
– Unlisted joint ventures	**29,960,324**	21,555,021

Details of the Group's joint ventures as at 31st December, 2020 and 2019 were as follows:

Name of company	Place of incorporation/ establishment	Registered capital/issued and paid up capital	Legal structure	Percentage of effective equity interest/voting right held indirectly	Principal activities
Shenyang Xinguang Brilliance Automobile Engine Co., Ltd. ("**Xinguang Brilliance**")	Shenyang, the PRC	US$7,220,000	Equity joint venture	50%	Dissolved *(note)*
BBA	Shenyang, the PRC	US$174,000,000	Equity joint venture	50%	Manufacture and sale of BMW vehicles

Note: In June 2021, the process of the dissolution of Xinguang Brilliance was completed and approved by Shenyang Dadong District People's Court. The accumulated losses not recognised were RMB27,442,000 as at 31st December, 2020 for Xinguang Brilliance (2019: RMB27,442,000).

BBA's assets and liabilities and the respective net assets shared by the Group are as follows:

	2020 RMB'000	2019 RMB'000
Non-current assets	**60,426,516**	58,416,480
Current assets	**78,879,324**	57,664,500
Current liabilities	**(65,756,896)**	(62,350,479)
Non-current liabilities	**(13,628,296)**	(10,620,459)
Net assets	**59,920,648**	43,110,042
Included in the above assets and liabilities:		
Cash and cash equivalents	**41,111,716**	26,335,539
Current financial liabilities (excluding accounts and other payables and provisions)	**(4,587,350)**	(16,808,860)
Non-current financial liabilities (excluding accounts and other payables and provisions)	**(13,628,296)**	(10,620,459)
Proportion of the Group's ownership interest in BBA	**50%**	50%
Carrying amount of the Group's interest in BBA	**29,960,324**	21,555,021

16. INTERESTS IN JOINT VENTURES (Cont'd)

BBA's income, expenses and dividends are as follows:

	2020 RMB'000	2019 RMB'000
Revenue	**188,271,383**	169,441,062
Interest income	**587,734**	616,685
Income tax	**(6,832,539)**	(5,127,379)
Profit after income tax	**20,203,799**	15,266,495
Other comprehensive income (expense)	**2,626,708**	(290,162)
Total comprehensive income	**22,830,507**	14,976,333
Dividends received from the joint venture	**3,000,000**	10,000,000

Upon the announcement of relaxation by the PRC Government of the restriction of foreign investors to hold more than 50% in the Chinese auto manufacturing passenger vehicle sector starting in 2022, BMW Holding B.V. ("**BMW**") and the Company reached agreement to transfer 25% stake in BBA from SJAI to BMW such that following the transfer, which is expected to take place by no later than 2022, BBA will be beneficially owned as to 25% and 75% by SJAI and BMW, respectively.

The Group has not incurred any contingent liabilities or other commitments relating to its investments in the joint ventures (2019: nil).

17. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets by equity method and goodwill:		
Associates listed in Hong Kong	**729,098**	981,300
Less: impairment loss for interests in an associate listed in Hong Kong *(Note i)*	**(72,799)**	–
	656,299	981,300
Unlisted associates	**494,868**	589,831
Less: impairment loss for interests in an unlisted associate *(Note ii)*	**(42,207)**	–
	452,661	589,831
	1,108,960	1,571,131
Fair value of investment in associates listed in Hong Kong	**158,208**	140,010

Note i: Based on the projected cash flows forecast of Xinchen China Power Holdings Limited ("**Power Xinchen**").

Note ii: Based on the current situation of Brilliance Power which is in the process of dissolution.

17. INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's associates as at 31st December, 2020 and 2019 were as follows:

Name of company	Place of principal operations and establishment	Registered capital/issued and paid up capital	Legal structure	Percentage of effective equity interest/ voting right held directly	Percentage of effective equity interest/voting right held indirectly	Principal activities
Power Xinchen	Cayman Islands	HK$12,822,118	Company with limited liability	–	31.20%	Investment holding
Southern State Investment Limited	British Virgin Islands	US$1	Company with limited liability	–	31.20%	Investment holding
Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**")	Mianyang, the PRC	US$100,000,000	Wholly foreign owned enterprise	–	31.20%	Development, manufacture and sale of automotive engines
Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. ("**Shenyang Aerospace**")	Shenyang, the PRC	RMB738,250,000	Equity joint venture	–	21.00%	Manufacture and sale of automotive engines
Shenyang JinBei Vehicle Dies Manufacturing Co., Ltd.	Shenyang, the PRC	RMB29,900,000	Equity joint venture	–	48%	Manufacture and sale of automotive components
Shenyang ChenFa Automobile Component Co., Ltd.	Shenyang, the PRC	US$19,000,000	Equity joint venture	25%	–	Development, manufacture and sale of engines and engine components
Brilliance Power *(note 1)*	Shenyang, the PRC	US$29,900,000	Equity joint venture	49%	–	Manufacture and sale of power trains but in the process of dissolution

Note:

1. As published in the announcement of the Company dated 21st June, 2022, in order to facilitate the restructuring of Huachen, it is proposed that the Group shall transfer the 49% equity interest of Brilliance Power to Huachen at nil consideration.

17. INTERESTS IN ASSOCIATES (Cont'd)

Power Xinchen is individually material to the Group. The Group's share of aggregate financial information of the associate which is accounted for using the equity method for the year ended 31st December, 2020 is summarised as follows:

Set out below are the summarised financial information of the material associate which is accounted for using the equity method:

	2020	2019
	RMB'000	RMB'000
Current assets	**1,851,291**	2,650,071
Non-current assets	**3,155,461**	3,375,609
Current liabilities	**(2,470,489)**	(2,407,938)
Non-current liabilities	**(352,713)**	(625,822)
Net assets	**2,183,550**	2,991,920
Revenue	**1,711,955**	2,076,173
Cost of sales	**(1,589,026)**	(1,847,389)
Other income	**48,810**	59,583
Total expenses	**(968,439)**	(280,906)
(Loss) Profit before income tax expense	**(796,700)**	7,461
Income tax expense	**(11,939)**	(613)
(Loss) Profit for the year	**(808,639)**	6,848
Other comprehensive income (expense)	**269**	(631)
Total comprehensive (expense) income	**(808,370)**	6,217

Aggregate information of associates that are not individually material:

	2020	2019
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**452,661**	589,831
Aggregate amounts of the Group's share of those associates:		
Loss for the year	**(95,196)**	(19,844)
Other comprehensive expense	**–**	–
Total comprehensive expense	**(95,196)**	(19,844)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

18. EQUITY INVESTMENTS

	2020 RMB'000	2019 RMB'000
Financial assets at FVOCI (non-recycling)		
– Unlisted equity investment	**4,138**	4,138
– Listed equity investment in Hong Kong	**2,743**	2,339
	6,881	6,477

The Group designated its investment in these listed and unlisted equity investments as FVOCI (non-recycling) as these investments are held for strategic purpose.

The listed equity securities are denominated in Hong Kong dollars. Fair value has been determined by reference to the quoted bid price at the reporting date and has been translated using the spot foreign currency rate at the end of the reporting year where appropriate.

The fair value of the unlisted equity investment is estimated using an income approach which capitalises the estimated income stream, net of projected operating costs, using a discount rate. The most significant inputs, all of which are unobservable, are the estimated income stream and discount rate.

19. LOAN RECEIVABLES

	2020 RMB'000	2019 RMB'000
Loan receivables	**5,608,199**	6,967,777
Less: ECL allowance	**(100,668)**	(109,315)
	5,507,531	6,858,462
Less: current portion *(note 24)*	**(2,894,175)**	(3,414,511)
Long-term loan receivables	**2,613,356**	3,443,951
Gross loan receivables recoverable:		
– No later than 1 year	**2,948,698**	3,471,706
– Later than 1 year and no later than 5 years	**2,659,501**	3,496,071
	5,608,199	6,967,777

All loan receivables were derived from the business of provision of auto financing by BBAFC during the year. These loan receivables are denominated in Renminbi and secured by the motor vehicles of the borrowers for retail auto financing, and security deposits are required for wholesale auto financing *(note 27)*.

No loan receivables is outstanding from an affiliated company of Liaoning Shenhua Holdings Co., Ltd. ("**Shenhua Holdings**", formerly "Shanghai Shenhua Holdings Co., Ltd.") for auto financing. (2019: approximately RMB2,011,000).

19. LOAN RECEIVABLES (Cont'd)

BBAFC has joint auto financing service with an affiliated company of a non-controlling interest of BBAFC ("**Joint Lender**"). The credit risk under this joint auto financing to the Group is only up to the amount financed by the Group and motor vehicles secured by retail borrowers are also shared proportionately between the Group and the Joint Lender in case of default by the retail borrowers. As at 31st December, 2020, loan receivables of approximately RMB44,749,000 (2019: approximately RMB30,102,000) were the outstanding balances to the Group under this joint auto financing arrangement.

The movement in ECL allowance in loan receivables during the year is as follows:

	2020	2019
	RMB'000	RMB'000
At 1st January,	**109,315**	55,082
ECL allowance recognised	**51,628**	77,999
Write-off of uncollectible amounts	**(60,275)**	(23,766)
At 31st December,	**100,668**	109,315

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2019	51,014	1,245	2,823	55,082
Transfer from Stage 1 to Stage 2	(757)	757	–	–
Transfer from Stage 1 to Stage 3	(2,476)	–	2,476	–
ECL allowance recognised during the year	76,040	888	1,071	77,999
Amount written off during the year	(19,698)	(1,245)	(2,823)	(23,766)
At 31st December, 2019 and 1st January, 2020	104,123	1,645	3,547	109,315
Transfer from Stage 1 to Stage 2	**(1,990)**	**1,990**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(56,045)**	**–**	**56,045**	**–**
ECL allowance recognised during the year	**51,130**	**459**	**39**	**51,628**
Amount written off during the year	**–**	**(1,645)**	**(58,630)**	**(60,275)**
At 31st December, 2020	**97,218**	**2,449**	**1,001**	**100,668**

The outstanding balance of loan receivables of RMB5,608,199,000 (2019: RMB6,967,777,000) are considered as not deteriorated significantly in credit quality or with low credit risk. Management believes that there was no significant increase in credit risk inherent in the Group's outstanding balance of those receivables.

20. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS

Pledged short-term bank deposits as at 31st December, 2020 were pledged for the following purposes:

	2020 RMB'000	2019 RMB'000
Restricted short-term bank deposits *(Note i)*	**87,243**	–
Pledged short-term bank deposits for:		
Issue of bank guaranteed notes by		
– the Group for settlements of accounts payable *(Note ii)*	**1,212,680**	2,583,334
– Brilliance Power *(Note iii)*	**300,000**	–
– Huayixin *(Note iii)*	**350,000**	300,000
– Huachen *(Note iv)*	**400,000**	–
Bank loans granted to JBC	**214,100**	210,530
Joint auto financing arrangement *(note 19)*	**–**	59
Total pledged short-term bank deposits	**2,476,780**	3,093,923
Less: ECL allowance	**(1,050,000)**	–
	1,426,780	3,093,923
Total pledged and restricted short-term bank deposits	**1,514,023**	3,093,923

Note i: Restricted short-term bank deposits represent the Group's short-term bank deposits designated by the courts in the PRC with restricted use for settlements of claims by creditors for payment disputes of purchases of goods and capital assets against the Group upon the final court judgements. The respective payable balances have been recognised in the consolidated financial statements and some of the cases have been resolved up to the date of these consolidated financial statements and the Group does not have to bear additional liabilities. For the court cases still underway, the directors of the Company also considered that the additional liabilities, if any, will not be material to the Group.

Note ii: As at 31st December, 2020, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB63.2 million (2019: approximately RMB31.3 million) to secure the issue of bank guaranteed notes.

Note iii: For the reasons mentioned in note 2, the former management of SJAI, acted in accordance with the instructions of Huachen, provided deposit pledges in aggregate of RMB3,290,000,000 to Shengjing Bank as security for bank financing offered to Brilliance Power and Huayixin with cumulative amount not exceeding RMB4,000,000,000. The bank financing facilities were utilised by both Brilliance Power and Huayixin to issue bank guaranteed notes for settlements of accounts payable to Huayixin by Brilliance Power and Huachen by Huayixin, respectively. However, as they failed to repay the amounts due to Shengjing Bank, Shengjing Bank deducted the Group's pledged short-term deposits of (i) RMB340,000,000 during the year and RMB300,000,000 subsequent to 31st December, 2020 for the bank guaranteed notes issued by Brilliance Power, and (ii) RMB1,850,000,000 during the year and RMB350,000,000 subsequent to 31st December, 2020 for the bank guaranteed notes issued by Huayixin. The amounts of these pledged short-terms deposits deducted during the year are recognised as amounts due from Brilliance Power *(Note 35(e))* and Huayixin *(Note 24(a))*.

ECL allowance for the short-term deposits deducted by Shengjing Bank subsequent to 31st December, 2020 in aggregate of RMB650,000,000 in relation to the bank guaranteed notes issued by Brilliance Power and Huayixin is recognised in the consolidated statement of profit or loss for the year ended 31st December, 2020.

In addition to the above short-term deposits pledged by SJAI, Xing Yuan Dong also had same short-term deposit of RMB40,000,000 pledged for Huayixing. This short-term deposit was also deducted but was also recovered from Huayixin during the year.

The board of directors of the Company has engaged legal counsel to examine the legality of the pledged short-term bank deposits and to advise on the chance of recovery of the pledged short-term bank deposits.

20. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS (Cont'd)

Note iv: Similarly, during the year, the former management of SJAI, acted in accordance with the instructions of Huachen, provided deposits pledge of RMB400,000,000 to China Minsheng Bank Co., Ltd. ("**Minsheng Bank**") as security for the bank guaranteed notes of RMB400,000,000 issued by Huachen. As Huachen also failed to repay the amount to Minsheng Bank, RMB400,000,000 of the Group's pledged deposits were deducted by Minsheng Bank subsequent to 31st December, 2020. ECL allowance of the full amount is recognised in the consolidated statement of profit or loss for the year ended 31st December, 2020.

The board of directors of the Company has engaged legal counsel to examine the legality of the pledged short-term bank deposits and to advise on the chance of recovery of the pledged short-term bank deposits.

21. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Raw materials	**325,963**	401,476
Work-in-progress	**186,364**	217,770
Finished goods	**186,312**	285,735
	698,639	904,981
Less: provision for inventories	**(192,756)**	(199,885)
	505,883	705,096

As at 31st December, 2020, the carrying amount of inventories that were stated at net realisable value amounted to approximately RMB156 million (2019: approximately RMB249 million).

The reconciliation of provision for inventories in the year is as follows:

	2020	2019
	RMB'000	RMB'000
At 31st January,	**199,885**	94,296
Provision for the year	**118,502**	165,793
Reversal for the year	**(122,699)**	(56,854)
Write-off of obsolete inventories	**(2,932)**	(3,350)
At 31st December,	**192,756**	199,885

The reversal of provision for inventories represents the reversal for provision previously recognised for inventories that were sold during the year (2019: same).

22. ACCOUNTS RECEIVABLE

	Note	2020 RMB'000	2019 RMB'000
Accounts receivable	22(a)	**326,281**	384,754
Accounts receivable from affiliated companies	35(c)	**569,980**	697,977
		896,261	1,082,731

(a) An aging analysis of accounts receivable based on invoice date is set out below:

	2020 RMB'000	2019 RMB'000
Less than six months	**314,418**	333,196
Six months to one year	**700**	11,332
Above one year but less than two years	**8,084**	9,332
Above two years but less than five years	**33,716**	25,549
Five years or above	**47,584**	50,580
	404,502	429,989
Less: ECL allowance	**(78,221)**	(45,235)
	326,281	384,754

As at 31st December, 2020, accounts receivable from third parties of approximately RMB44 million (2019: approximately RMB61 million) are substantially denominated in U.S. Dollar or Euro and the rest are denominated in Renminbi. The Group's credit policy is set out in note 5(a).

The table below provides information about the exposure to credit risk and the ECL model for accounts receivable which are assessed based on the provision matrix as at 31st December, 2020.

	2020			2019		
	Gross carrying amount RMB'000	**Weighted average loss rate %**	**ECL allowance RMB'000**	Gross carrying amount RMB'000	Weighted average loss rate %	ECL allowance RMB'000
Less than six months	**314,418**	**2.5**	**7,798**	333,196	1.2	3,998
Six months to one year	**700**	**17.1**	**120**	11,332	3.6	408
Above one year but less than two years	**8,084**	**33.6**	**2,720**	9,332	7.2	672
Above two years but less than five years	**33,716**	**60.0**	**20,226**	25,549	18.5	4,727
Five years or above	**47,584**	**99.5**	**47,357**	50,580	70.0	35,430
	404,502		**78,221**	429,989		45,235

22. ACCOUNTS RECEIVABLE (Cont'd)

(a) (Cont'd)

The movement in ECL allowance in accounts receivable during the year is as follows:

	2020 RMB'000	2019 RMB'000
At 1st January,	**45,235**	36,753
ECL allowance recognised	**32,986**	9,059
Write-off of uncollectible amounts	**–**	(577)
At 31st December,	**78,221**	45,235

23. NOTES RECEIVABLE

	Note	2020 RMB'000	2019 RMB'000
Notes receivable	23(a)	**107,267**	124,719
Notes receivable from affiliated companies	35(d)	**1,234**	44,550
		108,501	169,269

(a) All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at reporting date, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 31st December, 2020 (2019: same).

(b) The Group does not hold the notes receivable until maturity but endorses or discounts these notes receivable before maturity for the settlement of the Group's creditors. Accordingly, these notes receivable are classified as financial assets at FVOCI (recycling) and are stated at fair value. The fair value is based on the net present value at reporting date from expected timing of endorsements and discounting at the interest rates for the respective notes receivable (2019: same). The fair value is within level 2 of the fair value hierarchy.

24. OTHER CURRENT ASSETS

	Note	At 31st December, 2020 RMB'000	At 31st December, 2019 RMB'000 (Restated)	At 1st January, 2019 RMB'000
Other receivables	24(a)	**594,076**	5,065,161	580,823
Prepayments and other current assets		**101,111**	78,564	95,600
Other taxes recoverable		**120,056**	79,153	63,536
Amounts due from affiliated companies	35(e)	**2,043,391**	1,026,629	951,869
Dividend receivable from an affiliated company	35(f)	**16,534**	17,100	–
Short-term loan receivables	19	**2,894,175**	3,414,511	1,241,072
		5,769,343	9,681,118	2,932,900

(a)

	At 31st December, 2020 RMB'000	At 31st December, 2019 RMB'000 (Restated)	At 1st January, 2019 RMB'000
Amounts due from Huayixin and its subsidiary, Chenbao (Liaoning) Automobile Manufacturing Co., Ltd. ("**Chenbao**") *(i)* in respect of:			
– the Group's pledged short-term deposits deducted by Shengjing Bank for repayment of notes payable of Huayixin	**2,575,900**	–	–
– loans to Huayixin	**–**	1,290,000	–
– loans to Chenbao	**1,148,400**	3,635,000	–
	3,724,300	4,925,000	–
Receivable from a third party *(ii)*	**400,000**	–	–
Receivable for prepayments for investments	**–**	–	400,000
Others	**383,558**	316,586	294,030
	4,507,858	5,241,586	694,030
Less: ECL allowance	**(3,913,782)**	(176,425)	(113,207)
At 31st December,	**594,076**	5,065,161	580,823

24. OTHER CURRENT ASSETS (Cont'd)

(a) (Cont'd)

(i) Amounts due from Huayixin and its subsidiary

The other receivable of RMB2,575,900,000 (2019: nil) were arising from the unauthorised pledged short-term bank deposits, in which RMB1,850,000,000 was deducted by Shengjing Bank and RMB725,900,000 were arising from the pledged short-term bank deposits released by Yingkou Bank and directly transferred to Huayixin during the year due to the failure of repayment by Huayixin for the issue of bank guaranteed notes as mentioned in note 2. Full amount of ECL allowance was recognised for the year.

For the loans to Huayixin and Chenbao of RMB1,148,400,000 (2019: RMB4,925,000,000), RMB908,400,000 (2019: RMB2,735,000,000) represents the outstanding balance arising from those business transactions without commercial substance for the reasons mentioned in note 2 and the remaining balance of RMB240,000,000 (2019: RMB500,000,000) is unsecured, interest-bearing at 4.0% per annum and repayable on 23rd June, 2021 (2019: repayable on 20th April, 2020).

The details of the loans to Huayixin and Chenbao are as follows:

	2020 **RMB'000**	2019 RMB'000 (Restated)
Interest-free loan to Huayixin	–	1,290,000
Loans to Chenbao		
– at interest rate of 4.0% per annum	**240,000**	500,000
– at interest rate of 4.35% per annum	–	400,000
– interest-free	**908,400**	2,735,000
	1,148,400	4,925,000

The loans totalling RMB900,000,000 to Chenbao at 31st December, 2019 were repaid to the Group in 2020 but another loan of RMB240,000,000 was advanced to Chenbao in the year.

All loans to Huayixin and Chenbao are unsecured. As Huayixin defaulted in the repayments to banks during the year, its credit condition deteriorated and the loans are considered as credit-impaired in stage 3 and full amount of ECL allowance was made. For the loans of RMB2,575,900,000 due from Huayixin as a result of confiscation of the Group's short-term deposits for its issue of bank guaranteed notes, full amount of ECL allowance was recognised for the year. Based on the same assessment, full amount of ECL allowance for the loans to Chenbao of RMB1,148,400,000 is also provided for as at 31st December, 2020.

24. OTHER CURRENT ASSETS (Cont'd)

(a) (Cont'd)

(ii) Receivable from a third party

Shenyang Jianhua signed a loan agreement with a third party ("**Party A**") on 28th December, 2020 to grant a loan of RMB1,000 million (2019: nil), which is interest-bearing at 4.35% per annum and repayable within one year. The first instalment of RMB400 million was transferred to Party A on 31st December, 2020 and the remaining RMB600 million was transferred on 4th January, 2021. On the same date of 31st December, 2020, SJAI also received RMB400 million (2019: nil) from Party A. RMB400 million paid and received by the Group were recorded as receivable from a third party and payable to a third party *(note 27)*, respectively. Full amount of RMB400 million was recovered by Shenyang Jianhua on 23rd February, 2021.

Subsequently to 31st December, 2020, SJAI paid RMB400 million to another third party ("**Party B**") and was recorded as receivable. In March 2021, SJAI entered into an offsetting arrangement with Party A and Party B. In accordance with the arrangement, the payable balance of RMB400 million due to Party A by SJAI was to net-off against the outstanding receivable balance of RMB400 million due from Party B to SJAI.

All other receivables are denominated in Renminbi. The directors consider that the fair values of other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods.

The movement in ECL allowance in other receivables during the year is as follows:

	2020	2019
	RMB'000	RMB'000
		(Restated)
At 1st January,	**176,425**	113,207
ECL allowance recognised	**3,737,357**	82,368
Write-off of uncollectible amounts	**–**	(19,150)
At 31st December,	**3,913,782**	176,425

24. OTHER CURRENT ASSETS (Cont'd)

(a) (Cont'd)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1st January, 2019	42	21,554	91,611	113,207
Transfer from Stage 1 to Stage 2	(42)	42	–	–
ECL allowance recognised during the year	172	82,196	–	82,368
Amount written off during the year	–	(2,391)	(16,759)	(19,150)
At 31st December, 2019 and 1st January, 2020, as restated	172	101,401	74,852	176,425
Transfer from Stage 1 to Stage 2	**(172)**	**172**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(94,724)**	**94,724**	**–**
ECL allowance recognised (reversed) during the year	**2,029**	**(5,879)**	**3,741,207**	**3,737,357**
At 31st December, 2020	**2,029**	**970**	**3,910,783**	**3,913,782**

As at 31st December, 2020, included in ECL allowance is RMB3,724,300,000 (2019: RMB94,724,000) for the amounts due from Huayixin and Chenbao under Stage 3.

25. ACCOUNTS PAYABLE

	Note	2020 RMB'000	2019 RMB'000
Accounts payable	25(a)	**1,003,001**	1,101,935
Accounts payable to affiliated companies	35(g)	**456,315**	438,289
		1,459,316	1,540,224

(a) An aging analysis of accounts payable based on the invoice date is set out below:

	2020 RMB'000	2019 RMB'000
Less than six months	**743,543**	704,055
Six months to one year	**37,606**	69,717
Above one year but less than two years	**44,726**	53,713
Two years or above	**177,126**	274,450
	1,003,001	1,101,935

Accounts payable with balances denominated in currencies other than Renminbi are considered not significant. All these amounts are payable within one year.

26. NOTES PAYABLE

	Note	2020 RMB'000	2019 RMB'000
Notes payable		**1,934,827**	4,953,873
Notes payable to affiliated companies	35(h)	**7,160**	5,422
		1,941,987	4,959,295

27. OTHER CURRENT LIABILITIES

	Note	2020 RMB'000	2019 RMB'000
Contract liabilities		**49,921**	60,824
Other payables	24(a)(ii)	**1,576,534**	1,033,357
Security deposits for wholesale auto financing		**73**	37,350
Accrued expenses		**116,123**	143,071
Deferred income		**77,247**	191,497
Other taxes payable		**18,051**	19,308
Provision for warranty	27(a)	**20,931**	28,596
Deferred government grants	27(b)	**94,206**	99,085
Lease liabilities	28	**77,208**	78,981
Amounts due to affiliated companies	35(i)	**2,127,848**	430,339
		4,158,142	2,122,408
Less: non-current portion		**(157,182)**	(169,429)
Current portion		**4,000,960**	1,952,979

Contract liabilities represent deposits received before production activity commences, which give rise to contract liabilities at the start of a contract until the revenue recognised on the project exceeds the amount of the deposits.

The Group has recognised revenue of approximately RMB39 million (2019: RMB57 million) during the year that was included in contract liabilities at the beginning of the year.

Security deposits for wholesale auto financing represent the amounts received from wholesale borrowers as set out in note 19.

27. OTHER CURRENT LIABILITIES (Cont'd)

Non-current portion of other liabilities at 31st December, 2020 composed of the following:

	Note	2020 RMB'000	2019 RMB'000
Provision for warranty	27(a)	**8,487**	14,921
Deferred government grants	27(b)	**89,326**	94,206
Lease liabilities	28	**59,369**	60,302
		157,182	169,429

(a) Provision for warranty

	2020 RMB'000	2019 RMB'000
Warranty to be provided		
– within one year	**12,444**	13,675
– over one year	**8,487**	14,921
	20,931	28,596

(b) Deferred government grants

	2020 RMB'000	2019 RMB'000
Government grants to be recognised as income		
– within one year	**4,880**	4,879
– over one year	**89,326**	94,206
	94,206	99,085

28. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020 RMB'000	2019 RMB'000
Total minimum lease payments		
– due within one year	**21,025**	21,924
– due in the second to fifth years	**33,270**	32,431
– due after the fifth year	**45,435**	49,247
	99,730	103,602
Less: future finance charges on lease liabilities	**(22,522)**	(24,621)
Present value of lease liabilities	**77,208**	78,981

	2020 RMB'000	2019 RMB'000
Present value of total minimum lease payments		
– due within one year	**17,839**	18,679
– due in the second to fifth years	**25,007**	23,865
– due after the fifth year	**34,362**	36,437
	77,208	78,981
Less: portion due within one year included under current liabilities	**(17,839)**	(18,679)
Portion due after one year included under non-current liabilities	**59,369**	60,302

As at 31st December, 2020, all lease liabilities are effectively secured by the related underlying assets as the right-to-use assets would be reverted to the lessors in the event of default of repayment by the Group.

During the year ended 31st December, 2020, the total cash outflows for the leases are RMB41,871,000 (2019: RMB42,007,000).

28. LEASE LIABILITIES (Cont'd)

As at 31st December, 2020, the Group has entered into leases for office and factory buildings and motor vehicles.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office and factory buildings	Buildings in "property, plant and equipment"	2020: 24 2019: 18	2020: 0.64 to 16.93 years 2019: 0.50 to 17.93 years	Some of the contracts contain an option to renew the leases after the end of the contracts by giving a two-month to six-month notice to landlords before the end of the contracts
Motor vehicles	Motor vehicles in "property, plant and equipment"	2020: 2 2019: 1	2020: 1.00 to 2.35 years 2019: 2.00 years	This contract contains an option to renew the lease after the end of the contract by giving a 15 to 30 days' notice to landlord before the end of the contract

The Group considered that no extension option would be exercised at the lease commencement date.

29. BANK BORROWINGS

	2020 **RMB'000**	2019 RMB'000
Short-term bank borrowings:		
Secured bank borrowings	**2,242,700**	91,000
Unsecured bank borrowings	**2,286,000**	6,201,000
	4,528,700	6,292,000
Secured long-term bank borrowings:		
Due within one year	**217,200**	20,000
Due over one year	**381,000**	20,000
	598,200	40,000
	5,126,900	6,332,000

29. BANK BORROWINGS (Cont'd)

All short-term bank borrowings at 31st December, 2020 are interest-bearing at rates ranging from 3.50% to 8.20% per annum (2019: 3.95% to 6.00% per annum) and repayable from 4th January, 2021 to 21st December, 2021 (2019: repayable from 7th January, 2020 to 23rd December, 2020).

As at 31st December, 2020, secured short-term bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB2.1 million (2019: approximately RMB2.1 million), buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book values of approximately RMB111.1 million (2019: approximately RMB208.0 million), and loan receivables of RMB2,957.8 million (2019: nil).

All long-term bank borrowings as at 31st December, 2020 were interest-bearing at rates from 4.10% to 5.23% per annum (2019: 5.23% per annum), repayable from 20th January, 2021 to 1st December, 2021 (2019: repayable from 20th March, 2020 to 20th December, 2020) for the portion due within one year and repayable on 13th May, 2022 (2019: repayable on 1st December, 2021) for the portion due over one year. The secured long-term bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB29.4 million (2019: approximately RMB30.0 million) and buildings, plant and equipment with an aggregate net book value of approximately RMB52.3 million (2019: approximately RMB33.5 million) and loans receivable of RMB1,059.1 million (2019: nil).

Included in short-term bank borrowings is a bank borrowing of RMB760 million (2019: RMB700 million) from a non-controlling interest of BBAFC. The interest incurred on the respective bank borrowings amounted to approximately RMB32.2 million (2019: approximately RMB23.7 million).

30. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES

In respect of key findings of the Independent Investigation of certain material transactions carried out by certain former management of the SJAI, unauthorised guarantees were entered into with certain banks as security for bank loans to Huachen.

Creditor bank	**Unauthorised guarantee amount**	**Unauthorised guarantee amount utilised at 31st December, 2020**	**Unauthorised guarantee amount utilised based on the court judgement**	**Provision for loss on unauthorised guarantee**
	RMB'000	RMB'000	RMB'000	RMB'000
China Everbright Bank	4,400,000	2,935,938	2,703,226	1,358,643
Export-Import Bank	598,000	598,000	612,436	307,770
Huaxia Bank *(Note i)*	600,000	199,747	–	99,873
Harbin Bank	300,000	300,000	300,000	150,776
	5,898,000	4,033,685	3,615,662	1,917,062

During the year, for the reasons mentioned in note 2, the former management of SJAI, acted in accordance with the instructions of Huachen, entered into guarantee agreements with the above creditor banks for providing guarantees to these creditor banks as security for bank loans granted to Huachen. Knowing that SJAI, being a subsidiary of the Group, required the Company's shareholders' approval for the guarantees, these creditor banks agreed that the guarantees would be "undisclosed guarantee" which did not require the approval of shareholders of the Company or disclosures by the Company, nor approvals by SJAI or the Company. The creditor banks also did not register the guarantees with the Credit Reference Centre of the People's Bank of China. The directors of the Company considered that these guarantees were illegal and not enforceable.

30. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES (Cont'd)

Due to the failure of repayment by Huachen, these creditor banks have commenced legal proceedings against Huachen as the borrower and SJAI as the guarantor. The court hearings against SJAI as the guarantor to China Everbright Bank, Export-Import Bank and Harbin Bank have completed and the court hearings for the claims by Huaxia Bank are still undergoing. The court judgements for the completed court hearings, as set out in note 2, required SJAI to pay to these three creditor banks 50% of the final unsettled bank loans by Huachen.

As it is still uncertain as to how much Huachen will be able to repay these creditor banks given its restructuring is still ongoing, the provision for the loss in these unauthorised guarantees are recognised on 50% of the bank facilities utilised by Huachen at 31st December, 2020 plus the respective legal costs. Accordingly, RMB1,917,062,000 is recognised in the consolidated statement of profit or loss for the year.

Note i: Based on legal advice, it is expected that the court judgement of Huaxia Bank will be similar to that of China Everbright Bank, Export-Import Bank and Harbin Bank.

31. DEFERRED TAX ASSET

As at 31st December, 2020, the Group had unrecognised deferred tax asset in respect of tax losses of approximately RMB4,765 million (2019: approximately RMB4,626 million) which will expire at various dates up to and including 2025 (2019: 2024).

In addition, as at 31st December, 2020, the Group also had not recognised deferred tax asset in respect of temporary differences of approximately RMB3,860 million (2019: approximately RMB1,168 million), which had mainly arisen from provision for impairment losses, deferred income and depreciation allowances, for the reason that it is uncertain as to their recoverability.

32. RETIREMENT PLAN AND EMPLOYEES' BENEFITS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 13% to 18% (2019: 13% to 20%) of salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's Hong Kong employees are covered by the mandatory provident fund which is managed by an independent trustee. The Group and its Hong Kong employees each makes monthly mandatory contributions to the scheme at 5% (2019: 5%) of the employee's salary with the maximum amount of HK$1,500 by each of the Group and the employee per month. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the fund.

The Group's contributions for staff in Hong Kong and the PRC for the year ended 31st December, 2020 were approximately RMB29.3 million (2019: approximately RMB67.8 million).

At 31st December, 2020 and 2019, the Group had no forfeited contributed available to reduce its contributions to the pension schemes in future years.

33. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	2020		2019	
	Number of shares	**Amount**	Number of shares	Amount
	'000	**US$'000**	'000	US$'000
Authorised:				
Ordinary shares at par value of US$0.01 each				
As at 1st January, and 31st December,	**8,000,000**	**80,000**	8,000,000	80,000

	2020		2019	
	Number of shares	**Amount**	Number of shares	Amount
	'000	**RMB'000**	'000	RMB'000
Issued and fully paid:				
As at 1st January, and 31st December,	**5,045,269**	**397,176**	5,045,269	397,176

During the year and at 31st December, 2020, the Company did not have any outstanding share option.

(b) Capital 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 commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages securely afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in business and economic conditions, including adjustments to the amount of dividends paid to shareholders, issue of new shares and return of capital to shareholders, etc.

Management monitors the Group's capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debts as the sum of all short-term debts and long-term debts, including bank borrowings of approximately RMB5,126.9 million (2019: approximately RMB6,332.0 million) and notes payable for financing purpose of approximately RMB1,384.0 million (2019: approximately RMB1,519.0 million). As at 31st December, 2020, the Group's debt-to-equity ratio was 19.5% (2019: 22.8%).

33. SHARE CAPITAL AND SHARE OPTIONS (Cont'd)

(c) Share options

On 4th June, 2019, the Company adopted a new share option scheme (the "**Share Option Scheme**"). The Share Option Scheme came into effect on 5th June, 2019 and will remain in force for a period of 10 years till 4th June, 2029 (inclusive). The terms of the Share Option Scheme allow for the Company's board of directors to grant options to the participants (including the Group's employees, non-executive directors, suppliers and customers, etc.) to subscribe for the Company's shares at a price which should not be lower than the higher of:

(i) the closing price of the shares on the SEHK as stated in SEHK's daily quotation sheet on the date of grant, which must be a business date;

(ii) the average closing price of the shares on the SEHK as stated in SEHK's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share of the Company.

As at 31st December, 2020, the Company had no outstanding share option under the Share Option Scheme (2019: nil).

34. RESERVES

(a) Retained earnings

The Group's retained earnings included an amount of approximately RMB1,715,212,000 (2019: approximately RMB1,660,423,000) reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory reserves. No allocation to the statutory reserves is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company.

(b) Capital reserve

Capital reserve represents dedicated capital of a subsidiary of the Group, Xing Yuan Dong, released for capitalisation of paid-up registered capital as approved by the board of directors in accordance with the relevant laws and regulations in prior years. Such release of dedicated capital is credited to the capital reserve.

(c) Hedging reserve

It represents the Group's share of the hedging reserve in the equity of a joint venture. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve.

35. CONNECTED AND RELATED PARTY TRANSACTIONS

Related parties include those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS24 *Related Party Disclosures*, other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("**government-related entities**") are regarded as related parties of the Group.

For the related party transactions disclosure purpose, an affiliated company is a company in which one or more of the directors or substantial shareholders of the Company have direct or indirect beneficial interests in the company or are in a position to exercise significant influence over the company, including joint ventures and associates of the Group. Parties are also considered to be affiliated if they are subject to common control or common significant influence.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, including other government-related entities.

During the year, the Group had significant transactions and balances with the following related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

Name	Relationship
Huachen	Major shareholder of the Company
Shenhua Holdings	Common directorship of certain directors of the Company
Brilliance Holdings Limited ("**BHL**")	Common directorship of a director of the Company
Renault SAS	49% non-controlling interest of RBJAC

Huachen is a PRC government-related entity, and is a connected person of the Company under the Listing Rules, with which the Group has material transactions.

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(a) The related party transactions in respect of items listed below also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Particulars of the connected transactions and continuing connected transactions are detailed in the Report of the Directors.

	2020 **RMB'000**	2019 RMB'000
Sales of goods:		
– Huachen and its affiliated companies	**61,080**	472,630
Purchases of goods and services:		
– Huachen and its affiliated company	**176,442**	401,400
– Renault SAS	**203,590**	258,620
Comprehensive services provided to:		
– Huachen and its affiliated company	**28,472**	28,513
Rental income from *(Note)*:		
– Huachen	**3,679**	3,679
Lease payments rent to *(Note)*:		
– Huachen	**3,910**	5,291
Employee cost – transfer of certain employees between RBJAC and Huachen under a personal transfer agreement	**1,949**	3,922

Note: Other than approximately RMB3,910,000 (2019: approximately RMB5,291,000) lease payments rent to Huachen, the rental income from Huachen constitutes continuing connected transactions but was exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(b) In addition to the above and disclosed elsewhere in these consolidated financial statements, the Group also had the following material related party transactions:

	2020 **RMB'000**	2019 RMB'000
Sales of goods:		
– Shenhua Holdings and its affiliated companies	**50,939**	110,422
– Joint ventures	**8,187**	8,343
– Associates	**18,590**	41,337
Purchases of goods:		
– Joint ventures	**3,584**	1,770
– Associates	**304,909**	330,174
Other transactions:		
Comprehensive services provided for:		
– an associate	**–**	5,500
– a joint venture	**12,990**	21,323
Interest income from:		
– Xinhua Investment Holdings Limited ("**Xinhua Investment**")	**9,157**	9,068
– an associate	**47,030**	10,677
Interest to a non-controlling interest of BBAFC	**32,161**	23,689
Service fees from a non-controlling interest of BBAFC	**6,853**	2,437
Other income from affiliated companies of Shenhua Holdings	**4,484**	4,634
Lease payment rent to Shenhua Holdings	**592**	592
Purchases of property, plant and equipment from associates	**4,529**	1,691
Purchases of property, plant and equipment from Huachen and its affiliated companies	**–**	4,000
Purchases of intangible asset from a joint venture	**76,000**	13,358

The above sale and purchase transactions were carried out after negotiations between the Group and the affiliated companies in the ordinary course of business and on the basis of estimated market values as determined by the directors.

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) As at 31st December, 2020, the Group's accounts receivable from affiliated companies consisted of the following:

	2020 RMB'000	2019 RMB'000
Accounts receivable from related parties:		
– Shenhua Holdings and its affiliated companies	**10,416**	10,416
– Huachen and its affiliated companies	**710,001**	691,615
– Associates	**9,949**	18,512
– Joint ventures	**5,635**	4,418
– An affiliated company of a shareholder of a joint venture	**340**	340
	736,341	725,301
Less: ECL allowance	**(166,361)**	(27,324)
	569,980	697,977

The Group's credit policy is to offer credit to affiliated companies following financial assessment and established payment track record. These affiliated companies are generally required to settle 25% to 33% of the previous month's ending balances.

The directors consider that the fair values of accounts receivable from affiliated companies which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The fair values are within level 2 of the fair value hierarchy.

The aging analysis of gross accounts receivable due from affiliated companies based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Less than six months	**63,523**	153,804
Six months to one year	**134,994**	429,722
Above one year but less than two years	**414,634**	81,344
Above two years but less than five years	**102,109**	39,476
Five years or above	**21,081**	20,955
	736,341	725,301

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) (Cont'd)

The table below provides information about the exposure to credit risk and ECL model for accounts receivable from affiliated companies which are assessed based on the provision matrix as at 31st December, 2020.

	2020			2019		
	Gross carrying amount RMB'000	**Weighted average loss rate %**	**ECL allowance RMB'000**	Gross carrying amount RMB'000	Weighted average loss rate %	ECL allowance RMB'000
Less than six months	**63,523**	**18.2**	**11,592**	153,804	0.1	185
Six months to one year	**134,994**	**9.2**	**12,418**	429,722	0.6	2,578
Above one year but less than two years	**414,634**	**15.2**	**63,024**	81,344	1.7	1,367
Above two years but less than five years	**102,109**	**57.0**	**58,246**	39,476	6.4	2,524
Five years or above	**21,081**	**100.0**	**21,081**	20,955	98.6	20,670
	736,341		**166,361**	725,301		27,324

The movement in ECL allowance in accounts receivable from affiliated companies during the year is as follows:

	2020 RMB'000	2019 RMB'000
At 1st January,	**27,324**	26,874
ECL allowance recognised	**139,037**	450
At 31st December,	**166,361**	27,324

(d) As at 31st December, 2020, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	2020 RMB'000	2019 RMB'000
Notes receivable from related parties:		
– Shenhua Holdings and its affiliated companies	**–**	8,204
– Associates	**1,234**	29,430
– Huachen and its affiliated company	**–**	6,916
	1,234	44,550

All notes receivable from affiliated companies are guaranteed by established banks in the PRC and have maturities of six months or less from 31st December, 2020 (2019: same).

For the same reason as stated in note 23, the notes receivable from affiliated companies are classified as financial assets at FVOCI (recycling) and stated at fair value. The fair value is within level 2 of the fair value hierarchy.

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) As at 31st December, 2020, the amounts due from affiliated companies consisted of:

	At 31st December, 2020 RMB'000	At 31st December, 2019 RMB'000 (Restated)	At 1st January, 2019 RMB'000
Amounts due from related parties:			
– Joint ventures	**10,092**	11,411	99,485
– Associates *(Note ii)*	**1,292,694**	462,824	387,723
– Shenhua Holdings and its affiliated companies	**32**	70	123
– Huachen and its affiliated companies	**238,135**	190,053	173,227
– Xinhua Investment *(Note i)*	**367,905**	384,431	369,464
– Non-controlling interest of a subsidiary	**5,766**	1,969	6,768
– A company with common management personnel of a subsidiary of the Group *(Note iii)*	**1,600,000**	–	–
	3,514,624	1,050,758	1,036,790
Less: ECL allowance	**(1,471,233)**	(24,129)	(84,921)
	2,043,391	1,026,629	951,869

Note i: RMB367,905,000 (2019: RMB384,431,000) due from Xinhua Investment, a shareholder of Power Xinchen, is secured by all its assets, interest-bearing at 3% per annum on the principal and repayable in August 2020. On 21st August, 2020, an agreement was entered into between Xinhua Investment and the Company that the repayment of the amount was further extended to August 2021.

Note ii: Included in amounts due from associates are unsecured, interest-bearing advances of RMB858,000,000 (2019: RMB368,000,000) to ChenFa and RMB340,000,000 (2019: nil) due from Brilliance Power for the Group's pledged short-term deposits deducted by Shengjing Bank during the year for the bank guaranteed notes issued by Brilliance Power as detailed in note 2.

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) (Cont'd)

The details of the amounts due from ChenFa are as follows:

	2020 **RMB'000**	2019 RMB'000
Interest-bearing at 5.10% per annum and repayable on 12th May, 2021 (2019: 12th May, 2020)	**68,000**	68,000
Interest-bearing at 4.35% per annum and repayable on 11th March, 2021 (2019: repayable on 26th December, 2020)	**190,000**	300,000
Interest-bearing at 8.10% per annum and repayable on 6th March, 2021 (2019: nil)	**600,000**	–
	858,000	368,000

Note iii: During the year, Xing Yuan Dong made a loan of RMB1,600 million (2019: nil) to a related company with a common management personnel of a subsidiary of the Group (the "**Related Company**"). On 31st December, 2020, SJAI received RMB1,600 million (2019: nil). RMB1,600 million paid and received by the Group were recorded as amount due from an affiliated company and amount due to an affiliated company *(note 35(i))*, respectively.

Xing Yuan Dong received from and SJAI repaid the full amount of RMB1,600 million to the Related Company on 5th February, 2021, respectively.

Except for the amounts due from Xinhua Investment and ChenFa mentioned above, the other amounts due from affiliated companies are unsecured, interest-free and repayable on demand.

The movement in ECL allowance in amounts due from affiliated companies during the year is as follows:

	2020 **RMB'000**	2019 RMB'000 (Restated)
At 1st January,	**24,129**	84,921
ECL allowance recognised (reversed)	**1,447,871**	(48,495)
Write-off of uncollectible amounts	**(767)**	(12,297)
At 31st December,	**1,471,233**	24,129

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) (Cont'd)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1st January, 2019	4,101	4,647	76,173	84,921
Transfer from Stage 1 to Stage 2	(4,101)	4,101	–	–
Transfer from Stage 2 to Stage 3	–	(4,647)	4,647	–
ECL allowance recognised during the year	327	(603)	(48,219)	(48,495)
Amount written off during the year	–	–	(12,297)	(12,297)
At 31st December, 2019 and 1st January, 2020	327	3,498	20,304	24,129
Transfer from Stage 1 to Stage 2	**(327)**	**327**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(3,498)**	**3,498**	**–**
ECL allowance recognised during the year	**166**	**88,565**	**1,359,140**	**1,447,871**
Amount written off during the year	**–**	**–**	**(767)**	**(767)**
At 31st December, 2020	**166**	**88,892**	**1,382,175**	**1,471,233**

As at 31st December, 2020, included in ECL allowance was RMB1,359,140,000 (2019: RMB40,000,000) from amounts due from Huachen and its affiliated companies and ChenFa under Stage 3.

(f) As at 31st December, 2020, the details of dividend receivable from an affiliated company are as follows:

	2020 RMB'000	2019 RMB'000
Dividend receivable from an associate	**17,100**	17,100
Less: ECL allowances	**(566)**	–
	16,534	17,100

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(g) As at 31st December, 2020, the Group's accounts payable to affiliated companies arising from trading activities consisted of the following:

	2020 RMB'000	2019 RMB'000
Due to related parties:		
– Associates	**115,283**	146,467
– Joint ventures	**441**	1,933
– Huachen and its affiliated companies	**337,672**	281,824
– An affiliated company of BHL	**364**	364
– Shenhua Holdings and its affiliated companies	**2,552**	7,698
– An affiliated company of a shareholder of a joint venture	**3**	3
	456,315	438,289

The accounts payable to affiliated companies are unsecured and interest-free. Accounts payable to affiliated companies are generally settled on a monthly basis at 25% to 33% of the previous month's ending balance. The aging analysis of accounts payable to affiliated companies based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Less than six months	**219,531**	272,570
Six months to one year	**79,715**	98,803
Above one year but less than two years	**115,257**	25,243
Two years or above	**41,812**	41,673
	456,315	438,289

(h) As at 31st December, 2020, the Group's notes payable to affiliated companies arising from trading activities consisted of the following:

	2020 RMB'000	2019 RMB'000
Notes payable to related parties:		
– Associates	**7,160**	3,357
– Huachen and its affiliated company	**–**	2,065
	7,160	5,422

35. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(i) As at 31st December, 2020, the amounts due to affiliated companies by the Group consisted of:

	2020 RMB'000	2019 RMB'000
Amounts due to related parties:		
– An associate	**6,881**	3,944
– Huachen and its affiliated companies	**344,390**	326,899
– Affiliated companies of BHL	**28,015**	28,412
– Affiliated companies of Shenhua Holdings	**5,296**	4,297
– A company with common management personal of a subsidiary of the Group *(Note 35(e)(iii))*	**1,600,000**	–
– Non-controlling interests of subsidiaries	**143,266**	66,787
	2,127,848	430,339

Amounts due to affiliated companies by the Group are unsecured, interest-free and repayable on demand.

(j) As at 31st December, 2020, lease liabilities due to Huachen is approximately RMB43,788,000 (As at 31st December, 2019: RMB45,411,000).

(k) Pursuant to a trademark license agreement, JBC granted RBJAC the right to use the JinBei trademark on its products and marketing materials indefinitely at nil consideration.

(l) Pursuant to a trademark license agreement, Renault granted RBJAC the right to use the Renault trademark on its products and marketing materials at nil consideration before 1st January, 2025.

(m) Compensation benefits to key management personnel are as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits and post-employment benefits	**25,395**	23,084

Other than the related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(n) **Transactions and balances with other state-owned enterprises in the PRC**

The Group operates in an economic environment predominated by government-related entities. During the year, the Group had entered into various transactions with government-related entities including, but not limited to, sales of minibuses, MPVs and automotive components, purchases of raw materials and automotive components, and utilities services.

The directors consider that transactions with other government-related entities are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other government-related entities are ultimately controlled or owned by the PRC Government. The Group has established pricing policies for its products and services, and such pricing policies do not depend on whether or not the customers are government related entities. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with government-related entities as disclosed above and majority parts of bank balances, short-term and pledged short-term deposits with and bank borrowings from state-owned financial institutions. The directors are of the opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

36. CASH USED IN OPERATIONS AND RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(a) Cash used in operations:

	2020 RMB'000	2019 RMB'000 (Restated)
(Loss) Profit before income tax expense	**(828,590)**	6,196,989
Share of results of:		
– Joint ventures	**(10,091,949)**	(7,626,004)
– Associates	**347,954**	16,757
Interest and financing service income	**(753,905)**	(571,912)
Finance costs	**135,465**	95,460
Dividend income from equity investments	**(214)**	(200)
Reversal of provision for inventories sold	**(122,699)**	(56,854)
Depreciation of property, plant and equipment	**301,753**	274,851
Amortisation of intangible assets	**139,013**	127,466
Amortisation of land lease prepayments	**2,116**	2,116
Impairment loss on property, plant and equipment	**573,016**	283,747
Impairment loss on intangible assets	**357,144**	–
Impairment loss on interests in listed associates	**72,799**	–
Impairment loss on interests in unlisted associates	**42,207**	–
Loss on disposal of property, plant and equipment	**7,540**	1,783
Loss on disposal of intangible assets	**–**	82
Deferred income from government grants	**(35,272)**	(44,301)
Provision for inventories	**118,502**	165,793
Loss on unauthorised guarantees	**1,917,062**	–
Recognition of income for pledged of assets deducted for Huachen	**(80,000)**	–
Net provision (reversal) of ECL allowance on:		
– Accounts receivable	**32,986**	9,059
– Accounts receivable from affiliated companies	**139,037**	450
– Amounts due from affiliated companies	**1,447,871**	(48,495)
– Loan receivables	**51,628**	77,999
– Other receivables	**3,737,357**	82,368
– Dividend receivable from an associate	**566**	–
– Other receivables grouped under other non-current assets	**(12)**	4
– Pledged and restricted short-term deposits	**1,050,000**	–
Operating loss before working capital change	**(1,438,625)**	(1,012,842)
(Increase) Decrease in statutory deposit reserves at central bank	**(8,220)**	9,208
Decrease in inventories	**202,704**	198,922
Decrease (Increase) in accounts receivable	**14,447**	(67,367)
Decrease (Increase) in loan receivables	**1,299,303**	(1,967,481)
Decrease in notes receivable	**61,390**	70,300
Increase in other current assets	**(179,674)**	(4,598)
Decrease in accounts payable	**(80,908)**	(319,826)
(Decrease) Increase in notes payable	**(2,882,308)**	2,226,752
Increase (Decrease) in other current liabilities	**313,172**	(210,385)
Cash used in operations	**(2,698,719)**	(1,077,317)

36. CASH USED IN OPERATIONS AND RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Cont'd)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities for the year.

	Notes payable for financing purpose RMB'000	Dividend payable RMB'000	Deferred government grant RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1st January, 2020	1,519,000	–	99,085	6,332,000	78,981	8,029,066
Changes from financing cash flows:						
Cash received from financing from banks	1,384,000	–	–	10,935,400	–	12,319,400
Repayments to banks	(1,519,000)	–	–	(12,140,500)	–	(13,659,500)
Payments	–	(1,869,772)	–	–	(22,639)	(1,892,411)
Interest paid for lease liabilities	–	–	–	–	(3,797)	(3,797)
Government grant received	–	–	30,393	–	–	30,393
Changes from non-cash movements:						
Dividend declared	–	1,869,772	–	–	–	1,869,772
Deferred income recognised	–	–	(35,272)	–	–	(35,272)
Inception of lease liabilities	–	–	–	–	19,049	19,049
Termination of lease	–	–	–	–	(468)	(468)
Lease modification	–	–	–	–	2,285	2,285
Interest expense recognised *(note 7)*	–	–	–	–	3,797	3,797
At 31st December, 2020	1,384,000	–	94,206	5,126,900	77,208	6,682,314

	Notes payable for financing purpose RMB'000	Dividend payable RMB'000	Deferred government grant RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1st January, 2019	417,105	–	107,950	4,683,500	97,286	5,305,841
Changes from financing cash flows:						
Cash received from financing from banks	1,519,000	–	–	8,419,820	–	9,938,820
Repayments to banks	(417,105)	–	–	(6,771,320)	–	(7,188,425)
Payments	–	(3,767,901)	–	–	(25,307)	(3,793,208)
Interest paid for lease liabilities	–	–	–	–	(4,125)	(4,125)
Government grant received	–	–	35,436	–	–	35,436
Changes from non-cash movements:						
Dividend declared	–	3,767,901	–	–	–	3,767,901
Deferred income recognised	–	–	(44,301)	–	–	(44,301)
Inception of lease liabilities	–	–	–	–	7,002	7,002
Interest expense	–	–	–	–	4,125	4,125
At 31st December, 2019	1,519,000	–	99,085	6,332,000	78,981	8,029,066

37. COMMITMENTS

(a) Capital commitments

	2020 RMB'000	2019 RMB'000
Contracted but not provided for:		
– Construction projects	**103,279**	78,800
– Acquisition of plant and machinery	**437,618**	589,714
– Others	**355,480**	375,398
	896,377	1,043,912

(b) Lease commitments

As lessee:

As at 31st December, 2020, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**1,292**	1,105
In the second to fifth years inclusive	**–**	1,110
	1,292	2,215

As lessor:

As at 31st December, 2020, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land use rights as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**4,410**	5,173
In the second to fifth years inclusive	**8,823**	1,279
Over five years	**1,421**	–
	14,654	6,452

38. CONTINGENT LIABILITIES

The Group and JBC agreed to provide cross guarantees to each other for banking facilities up to a maximum amount of RMB600 million as at 31st December, 2020 (2019: RMB600 million). Under these cross guarantees, bank loans and other banking facilities totalling RMB236 million as at 31st December, 2020 (2019: RMB206 million) were utilised by JBC, of which RMB206 million (2019: RMB206 million) was secured by the Group's pledged short-term bank deposits of RMB214.1 million (2019: RMB210.5 million).

Although the cross guarantees arrangement ended on 1st January, 2021, the bank loans and other banking facilities utilised by JBC were still secured by the Group's guarantees and pledged short-term bank deposits as they had not reached maturity for repayments.

The Group's pledged short-term bank deposits of RMB206 million deducted by the bank in December 2021 had been fully repaid by JBC to the Group in April 2022.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	**4,090**	10,129
Interests in subsidiaries	**3,581,881**	3,621,757
Interests in associates	**6,482**	110,051
Equity investments	**2,743**	2,339
Total non-current assets	**3,595,196**	3,744,276
Current assets		
Cash and cash equivalents	**160,914**	184,300
Other current assets	**297,068**	470,483
Total current assets	**457,982**	654,783
Current liabilities		
Other current liabilities	**13,903**	16,439
Total current liabilities	**13,903**	16,439
Net current assets	**444,079**	638,344
Total assets less current liabilities	**4,039,275**	4,382,620
Non-current liabilities		
Lease liabilities	**–**	4,068
Total non-current liabilities	**–**	4,068
NET ASSETS	**4,039,275**	4,378,552
Capital and reserves		
Share capital	**397,176**	397,176
Reserves *(Note)*	**3,642,099**	3,981,376
TOTAL EQUITY	**4,039,275**	4,378,552

Wu Xiao An
(Also known as Ng Siu On)
Director

Zhang Wei
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note: The movement of the Company's reserves are as follows:

	Share premium RMB'000	Investment fair value reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1st January, 2019	2,476,082	(3,340)	39,179	1,451,356	3,963,277
Dividends	–	–	–	(3,767,901)	(3,767,901)
Profit and total comprehensive expense for the year	–	(5,816)	–	3,791,816	3,786,000
As at 31st December, 2019 and 1st January, 2020	**2,476,082**	**(9,156)**	**39,179**	**1,475,271**	**3,981,376**
Dividends	**–**	**–**	**–**	**(1,869,772)**	**(1,869,772)**
Profit and total comprehensive income for the year	**–**	**404**	**–**	**1,530,091**	**1,530,495**
As at 31st December, 2020	**2,476,082**	**(8,752)**	**39,179**	**1,135,590**	**3,642,099**

The directors consider that the Company had approximately RMB1,174.8 million (2019: approximately RMB1,514.4 million) available for distribution to shareholders.

40. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December, 2020 and 2019 were as follows:

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/voting right attributable to the Company at 31st December, 2020 and 2019		Principal activities
				Directly	*Indirectly*	
RBJAC	Shenyang, the PRC	US$1,704,126,600	Equity joint venture	–	51%	Manufacture, assembly and sale of automobiles and automotive components
Ningbo Yumin	Ningbo, the PRC	US$22,500,000	Wholly foreign owned enterprise	–	100%	Manufacture and sale of automotive components
Xing Yuan Dong	Shenyang, the PRC	US$150,000,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Ningbo Brilliance Ruixing Auto Components Co., Ltd.	Ningbo, the PRC	US$5,000,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Mianyang Ruian	Mianyang, the PRC	US$22,910,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Shenyang Brilliance Dongxing Automotive Component Co., Ltd.	Shenyang, the PRC	RMB222,000,000	Wholly foreign owned enterprise	–	100%	Manufacture and trading of automotive components and remodeling minibuses and sedans
Shenyang Ruixing Auto Component Co., Ltd.	Shenyang, the PRC	RMB10,000,000	Wholly foreign owned enterprise	–	100%	Manufacture and trading of automotive components
Shenyang Brilliance Jindong Development Co., Ltd.	Shenyang, the PRC	RMB10,000,000	Equity joint venture	–	100%	Trading of automotive components
Shenyang Jianhua	Shenyang, the PRC	RMB155,032,500	Equity joint venture	–	100%	Investment holding
China Brilliance Automotive Components Group Limited	Bermuda	US$12,000	Company with limited liabilities	100%	–	Investment holding
Brilliance Investment Holdings Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding
Beston Asia Investment Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding

40. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/voting right attributable to the Company at 31st December, 2020 and 2019		Principal activities
				Directly	*Indirectly*	
Pure Shine Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding
Key Choices Group Limited	British Virgin Islands	US$50,000	Company with limited liabilities	100%	–	Investment holding
Brilliance China Finance Limited	British Virgin Islands	US$50,000	Company with limited liabilities	100%	–	Investment holding
SJAI	Shenyang, the PRC	RMB1,500,000,000	Company with limited liabilities	–	100%	Investment holding
Shanghai Hidea Auto Design Co., Ltd.	Shanghai, the PRC	US$2,000,000	Equity joint venture	25%	75%	Design of automobiles
BBAFC	Shanghai, the PRC	RMB1,600,000,000	Equity joint venture	55%	–	Provision of auto financing service

Note: Except for the subsidiaries incorporated in Bermuda and the British Virgin Islands, all other subsidiaries principally operate in the PRC.

41. MATERIAL SUBSEQUENT EVENT

In the meeting of directors of RBJAC held in July 2021, the directors of RBJAC suggested the Group and another shareholder of RBJAC to consider a restructuring of RBJAC (the "**RBJAC Restructuring**") including the option of seeking new investors or to liquidate RBJAC if invitation of new investors is not successful. Both the Group and the other shareholder of RBJAC accepted the proposal. The proposal was made due to the sudden tightening of bank financing and the overall reduction in the availability of bank loans in the PRC. The sudden credit crunch was unpredictable and has jeopardised the production plan of RBJAC.

As published in the announcement of the Company dated 12th January, 2022, the application for the RBJAC Restructuring was accepted by the Shenyang Intermediate People's Court on 12th January, 2022 (the "**Court Order**"). Pursuant to the Court Order, a restructuring committee of RBJAC to be headed by Mr. Gao Wei（高巍）, the director of the general law office of the State-owned Assets Supervision and Administration Commission of Liaoning Provincial People's Government, was appointed by the Shenyang Intermediate People's Court as the administrator to administer the RBJAC Restructuring.

At the request of RBJAC, the Shenyang Intermediate People's Court on 8 July 2022 granted an extension to 12th October, 2022 for RBJAC to submit its restructuring plan.

Although the Company will continue to closely monitor the development of the RBJAC Restructuring and actively cooperate with the subsequent restructuring procedures imposed by the Shenyang Intermediate People's Court, it is too early for the Group to assess the final outcome of the RBJAC Restructuring and the impact on the consolidated financial statements at the date these consolidated financial statements are approved.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 100 to 194 were approved and authorised for issue by the board of directors on 29th July, 2022.